

Results for the year ended 31 December 2017

Released : 22/02/2018 07:00

RNS Number : 6181F
 Playtech PLC
 22 February 2018

Playtech plc

("Playtech," or the "Company," or the "Group")

Results for the year ended 31 December 2017

A position of strength: improved quality of earnings & strategic progress in key growth areas

Playtech (LSE: PTEC) today announces its results for the year ended 31 December 2017, together with a trading update for the period to 20 February 2018.

Financial summary

	2017	2016	Change (reported)	Change (const. currency) ³
Revenue	€807.1m	€708.6m	14%	18%
Adjusted EBITDA¹	€322.1m	€302.2m	7%	11%
Adjusted Net Profit²	€231.4m	€202.9m	14%	8%
Reported Net Profit²	€248.1m	€193.0m	29%	11%
Adjusted diluted EPS	66.8 €c	58.8 €c	14%	8%
Total dividend per share	36.0 €c	32.7 €c	10%	NA

Group financial highlights

- Total revenues up 14% vs 2016 on a reported basis:
 - 18% revenue growth at constant currency
 - 5% revenue growth excluding acquisitions and at constant currency
- Improved quality of earnings resulted in 54% Group regulated revenue (2016: 48%)
- Adjusted EBITDA up 7% on a reported basis and 11% at constant currency
- Adjusted Group EBITDA margin of 40% (2016: 43%)
 - in line with guidance
 - B2B Gaming margin of 49% (2016: 50%)
- Adjusted diluted EPS up 14% on a reported basis and 8% at constant currency
- Gross cash at year end of €584 million (2016: €544.8 million) and €413 million when adjusted⁴ (2016: €392 million)
- Total dividend per share up 10%
- Actively looking at material and bolt-on M&A targets in the Gaming division
- Improved disclosure of revenue and EBITDA by verticals

Operational highlights

Gaming Division

- Revenue grew by 17% at constant currency despite significant headwinds
- Regulated Gaming revenues 49% (2016: 42%)
- Integration of Playtech BGT Sports completed
 - 37% growth in retail machine footprint
 - Landmark sportsbook clients HpyBet, Magic Betting and post period end SAS
- Migration to Live Casino in Riga complete
- Acquisition of BetBuddy consolidates Responsible Gaming offering
- Sun Bingo revenue performance continues to improve; ongoing discussions with News UK
- Pipeline strong across all key geographies

Financials Division

- Momentum from 2016 continued with further improvement in KPIs, 29% revenue growth to €84.9m and 73% Adjusted EBITDA growth to €27.0m
- Division well placed for incoming regulation with B2B operations set to benefit
- B2B offering further enhanced with the acquisition of Alpha Capital Markets in H2

- TradeTech Group brand launched to reflect the full B2B and B2C capabilities of the Financials Division

Current trading and outlook

- Average daily revenue in the B2B Gaming division for the first 51 days of Q1 2018, was down 11% on Q1 2017 (down 8% excluding acquisitions and at constant currency) against strong comparatives in Asia in H1 2017
- No change in Malaysia since our announcement in November
- Excluding Asia, average daily revenue in the B2B Gaming division for the first 51 days of Q1 2018 was up 3% on Q1 2017 (4% excluding acquisitions and at constant currency)
- The B2C Gaming Division is performing in line with expectations with the Sun Bingo contract continuing to see revenue improvement
- TradeTech Group has made a strong start to the year
- Active discussions with material and bolt-on M&A targets in the Gaming division
- Management confident of good growth in 2018 with improved quality of earnings

Alan Jackson, Chairman of Playtech, commented:

"Playtech delivered double digit revenue growth in 2017 despite headwinds in both regulated and unregulated operations. Playtech's performance continues to be converted into strong cash generation enabling a 10% increase to the full year dividend.

"Playtech's strategy to improve the quality of earnings for the Group, organically and through M&A, was evident in the increase in regulated revenue to 54%. The health of the core business coupled with the strength of the balance sheet means Playtech is strategically well placed to execute on M&A that will continue to drive this growth and further diversify Playtech's revenue base.

"The completion of the Playtech BGT Sports integration and the completion of the new Live Casino studio in Riga are key operational milestones in the extension of Playtech's omni-channel offering and the quality of both offerings has already delivered new clients.

"Momentum in TradeTech Group continued with improvements across all KPIs. The division is strategically well positioned for the potential incoming regulations in the financial trading industry and 2017 saw TradeTech consolidate its B2B offering creating a full turnkey financial trading solution.

"Management is confident 2017 has delivered a strong platform for strategic progress in 2018 through execution of organic opportunities and M&A."

- Ends -

For further information contact:

Playtech plc +44 (0) 2074 665000
 Mor Weizer, Chief Executive Officer
 Andrew Smith, Chief Financial Officer
 c/o Buchanan Communications

James Newman, Head of Investor Relations +44 (0)1624 645954

Goodbody Stockbrokers +44 (0)203 8416207
 Piers Coombs / David Kearney / Charlotte
 Craigie

UBS Investment Bank +44 (0) 207 5678000
 Rahul Luthra
 Sandip Dhillon

Buchanan Communications +44 (0) 2074 665000
 David Rydell,
 Stephanie Watson
 Jamie Hooper

¹ 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, deferred tax 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 of the financial statements

² Attributable to the owners

³ Constant currency numbers exclude the exchange rate impact on the results by using previous period relevant exchange rate and exclude the total cost/income of exchange rate differences recognised in the period

⁴ Adjusted gross cash is net of cash held on behalf of clients, progressive jackpots and security deposits

Presentation and live webcast

A presentation for analysts and investors will be held today at 9.00 am in the offices of UBS, 5 Broadgate, London, EC2M 2QS.

The presentation will be webcast live and on-demand at the following website:

<http://www.investis-live.com/playtech/5a4f6924bc08d00c000a8a1a/fhb>

The presentation will also be accessible via a live conference call or video link:

Dial-in no for UK: +44 20 3936 2999

Dial-in for all other locations: +44 20 3936 2999

Conference password: 16 19 89

There will also be a replay available for one week:

Dial-in no for UK: +44 20 8196 1998

Dial-in no for US: +1 866 597 7616

Dial-in no for all other locations: +44 20 8196 1998

Conference reference number: 549669 #

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect Playtech's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the UK Listing Authority, Playtech undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

About Playtech

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 (LEI code: 21380068TTB6Z9ZEU548), Playtech has c.5,000 employees in 17 countries.

Playtech is the gambling industry's leading software and services supplier to many of the world's leading regulated online, retail and mobile operators, land-based casino groups, government sponsored entities such as lotteries, and new entrants opening operations in newly-regulated markets. Its business intelligence-driven gambling software offering includes casino, live casino, bingo, poker and sports betting.

It is the pioneer of omni-channel gambling which, through Playtech ONE, offers operators and their customers, a seamless, anytime, anywhere experience across any product, any channel (online, mobile, retail) and any device using a single account and single wallet. It provides marketing expertise, sophisticated CRM solutions and other services for operators seeking a full turnkey solution. Playtech's Financials Division, named TradeTech Group, operates both on a B2C and B2B basis. Its B2C focused offering is an established and growing online CFDs broker, operating the brand markets.com. Its B2B offering includes the division's proprietary trading platform, CRM and back-office systems, as well as its liquidity technology platform which provides retail brokers with multi-asset execution, prime brokerage services, liquidity and complementary risk management tools.

Chairman's statement

The strength of Playtech's model reported at the interims in August was evident again in the second half of the year as the Group delivered double digit top line growth despite significant headwinds faced in the year.

One of the key pillars of Playtech's strategy has been its ability to continually improve the quality of earnings both organically and through acquiring strategically important targets in regulated and soon to be regulated markets. These acquisitions, such as BGT and ECM in 2016 have augmented the growth of regulated revenue by deepening the retail channel in Playtech's omni-channel offering and delivering new opportunities in the regulated and newly regulated markets. This strategy has delivered a consistent growth in the Company's regulated revenue which grew to 54% in 2017. As outlined at the trading update in November, the M&A pipeline is very strong and Management and the Board are confident it will continue to diversify Playtech's revenue base.

Operationally 2017 was another year of significant progress for Playtech as the Company continues to execute on its industry leading omni-channel solution. The integration of Playtech BGT Sports (PBS) is an important milestone for the Company and has created a fully integrated best-in-class sports technology solution. Integrated with the strength of the Casino vertical, via Playtech's single platform, we have already seen the Sports division win new landmark clients, including leading Portuguese operator SAS, post period end. Moreover, the completion of the migration to our new Live Casino facility in Riga gives Playtech a competitive advantage in a fast-growing part of the industry.

Momentum reported at the half year in TradeTech Group continued with improvements across all KPIs, including revenue and EBITDA growth. Given Playtech's experience in the Gaming industry the Financials Division has been an early adopter of regulation in its industry and is therefore strategically well positioned for the potential incoming ESMA measures. Moreover 2017 saw TradeTech consolidate its B2B offering creating a full turnkey financial trading solution which Management believe is strategically well placed to benefit from the consolidation further regulation will bring to the sector.

To reflect the Board's confidence in the growth and cash generation of the business Playtech adopted a progressive dividend policy in 2016. One of the pillars of the Playtech model is its ability to convert its operational performance into strong cash generation and this has allowed

a 10% increase in the full year dividend per share for 2017.

Management is confident 2017 has delivered a strong platform for strategic progress in 2018 through both organic and inorganic opportunities.

Chief Executive Officer's review

Overview: A position of strength in the industry

I am pleased to report that Playtech enjoyed another year of operational success and as a result finds itself in a position of strength at the end of 2017. Despite headwinds in regulated revenue in H1 2017 and the disruptions in unregulated markets experienced in the second half of 2017, the strength of the underlying Playtech business was demonstrated by the 18% revenue growth for the Group at constant currency.

Moreover, given the operational progress in our Playtech ONE omni-channel offering reported in 2017 Playtech is in an important strategic position going in to 2018. The strength of the new Live and Sports offerings have delivered immediate results with new contract wins in Casino and Live and our first online sports book licensees for PBS following the restructuring of our sports division. Management believe that Playtech ONE is at equal strength across all key product verticals and will provide Playtech with a strategic advantage in winning new licensees in key regulated and regulating markets in coming years.

Importantly, the strength of our balance sheet and cashflows means Playtech can continue to invest in our proven approach in strategic, fast growing, markets in Europe and Latin America by delivering and running integrated online and retail solutions to the 'local heroes' in these markets. It is these land-based operators that are best placed to lead the growth of the new online markets. This will continue to drive the improvement in the quality of earnings we saw in 2017, with regulated revenue now reaching 54% of Group revenue in 2017 and set to continue to grow. Moreover, the growth of these important markets will also drive the geographical diversification of Playtech's revenue base, an important strategic objective for management in 2018.

Finally, we operate in a rapidly changing and dynamic industry and it is important that we continue to invest in the evolution of the Playtech technology and offering. The acquisition of BetBuddy in 2017 adds ever greater Responsible Gambling functionality to our platform, providing further support to licensees in developed markets that are facing increased responsibilities in compliance and regulation. Moreover, the launch of our new Gaming Platform as a Service (GPAS) and Marketplace represent the next stage of evolution of the Playtech platform, ensuring that it is Playtech's technology which remains the architecture of the industry.

Regulation

Regulation continues to be one of the biggest influences in the gambling industry worldwide, shaping the growth in each territory. Playtech's strategy has been to invest in regulated markets, through organic growth and acquisitions and this resulted in regulated gaming revenue increasing to 49% in 2017 from 42% in 2016.

Given the growth experienced in mature regulated markets, such as the UK, Playtech's strategy is to focus on investing in fast growing newly regulated or regulating markets. During the period, we concentrated on supporting the organic growth of our customers in Italy, Spain, Finland, Denmark, Mexico, Columbia and Romania. Moreover, our strategy of partnering with the leading retail brands in newly regulated markets continued as we became the first supplier to launch online casino in the Czech Republic with the expanding Fortuna brand in January 2017.

The Playtech One omni-channel offering is uniquely placed to support new and existing licensees in newly regulated markets. Playtech provides all the capabilities across the gambling value chain from software and services to direct customer acquisition and marketing capabilities, offering a seamless platform across all gambling verticals and with customer entry points in retail and online. This makes Playtech the partner of choice for the leading land based operators that are best placed to lead the newly regulating online markets.

This was demonstrated post period end in January 2018 when Playtech signed an agreement to provide Sociedade de Apostas Sociais (SAS) with its new online sports book and online casino platform, all integrated through Playtech's IMS player management system. SAS is majority owned by Santa Casa, Portugal's national lottery provider and the launch of an online casino and sports betting offering follows regulation of online gambling in Portugal in late 2016.

In the second half of 2017 the Company experienced a slowdown in Malaysia due to changing market conditions. Our strategic position on Asia is unchanged. We operate a risk based approach where our legal and compliance teams are consistently reviewing the regulatory environment to ensure that our presence is commercially beneficial to the Group. As outlined at the trading update in November 2017 the Board and Management is focused on continuing to diversify its revenue base by investing in fast growing regulated and regulating markets in Europe and Latin America through organic growth and M&A. This strategy will continue to drive the growth in Playtech's regulated revenue streams and will diversify the geographical make-up of our revenue base.

Future Markets

Between 2018 and 2019 licensing regimes are expected to be introduced in major European countries including The Netherlands, Sweden, Switzerland and some commentators expect significant steps forward in Germany. Playtech already has an agreement in place with national operator Holland Casino in the Netherlands and remains in discussions with potential customers in others.

Latin America remains a key growth territory for online gaming. Mexico is now one of Playtech's top five regulated markets, by player jurisdiction, following the growth of licensee Caliente. The strength of our operations in Latin America positions us well with the potential significant markets of Peru and Brazil currently reviewing regulations.

In the US, the outcome of the judicial review on sports betting could represent a milestone towards the regulation of sports betting at a federal level. Currently, the limited regulation of online casino does not present a commercially beneficial opportunity for Playtech. However, we believe that the potential movement in sports betting regulation would represent an attractive opportunity given the unique strength of our Playtech BGT Sports offering.

Playtech ONE

Although multi-channel approaches are common (same content across web, mobile and retail), Playtech's unique approach to omni-

channel is based on one integrated CRM (the IMS). This single CRM across all product verticals and channels allows for a single customer profile, and therefore single customer experience. Central to this single customer experience is Playtech's ability to offer integrated products in each vertical. Not only are these products integrated from a branding point of view, (e.g the Age of the Gods suite available online and in retail across Live, Bingo and Casino), to drive player interaction across verticals, but also integrated in their use and collection of player data - allowing for more tailored, and successful, marketing and player cross-sell. Playtech is uniquely positioned given the scale of its platform, the capabilities and access to data that scale provides. Playtech ONE creates an eco-system for operators supporting a data driven offering that improves the engagement with customers significantly within the eco system maintaining their loyalty to operator brands.

Playtech believes that retail is one of the most powerful bet entry points for customers and our strategy in recent years has been to invest in industry leading retail software capabilities across all verticals. IGS, retail casino software, ECM, the retail Bingo software and BGT as part of Playtech BGT Sports allow land-based operators to capture retail player traffic as part of the Playtech ONE eco-system.

IMS - The Playtech Platform

One of the most powerful elements of Playtech ONE is the use of the data collected across the breadth of the verticals and channels. Key to our strategy is the continued development of the functionality of the Playtech platform as we continue to utilise the player data and intelligence collated via the IMS.

As the gambling market continues to mature, the focus for operators in developed markets such as the UK continues to move beyond player acquisition to focus on player retention and ultimately increasing player life time value. The platform allows for industry standard bonusing, together with more sophisticated mechanics, including automated cashback, free-spins, golden chip for table and card games and other types of bonuses. All these promotional methods can be controlled and configured by the operator, allowing for stringent liability and monetary control. Games Advisor is a real-time driven recommendation engine based on sophisticated real time algorithms that suggests other games the player might be interested in with high probability, dependent on many game-specific variables, including volatility, win hit frequency and win distribution. During the second half of 2017 we have seen the number of Tier One licensee active marketing campaigns managed through the Playtech Campaign Manager more than double to over 4,000 active campaigns with some managing hundreds in parallel.

The acquisition of BetBuddy, the Responsible Gambling analytics solution provider represents a continuation of Playtech's strategy to acquire complimentary software that will utilise the big data collated via the IMS and add to the industry leading services available to operators on Playtech's platform. Furthermore in 2017 Playtech signed a strategic partnership with Featurespace to integrate its real-time gameplay fraud detection models into the IMS' already considerable player protection tool kit.

GPAS & Marketplace

GPAS (Gaming Platform as a Service) provides the next step in Playtech's relationship with licensees, content providers and developers. Third parties can use the Playtech's drag and drop maths engine to build high quality HTML5 games or submit their own existing content for distribution across Playtech's global network on any channel. GPAS content can be seamlessly developed for retail and online, whereas traditionally converting popular online games into retail games was expensive and inefficient involving two sets of technology and two sets of developers.

Management believe GPAS will provide a strategic advantage for Playtech's omni-channel approach in newly regulated fast growing markets, as integrated content across retail and online can help facilitate the player journey across channels and will also provide our customers with more flexibility allowing them to develop bespoke games to support their promotions.

Marketplace is Playtech's new content discovery platform where operators can access Playtech's portfolio of content. As new content providers or partners develop games on GPAS, they will be able to place their games onto the Marketplace, gaining immediate access to all Playtech's distribution network. Marketplace goal is to become a games store that is based and drive by data that will automatically determine the relevance of games to different customer's demographics.

Customer Concentration

The period saw revenue from the top ten licensees stand at 55% compared to 54% for full year 2016. Revenue from the top five licensees remained consistent on the full year period at 36% and 37% of revenue in 2016 and 2017 respectfully. This was the first full year period where the consolidation, and ultimately increased scale and growth, of key licensees such as Ladbrokes Coral was included. In addition, this was the first full year period where the large revenue contributing Sun Bingo related white-label contract was included.

M&A

As outlined above, the acquisition of BetBuddy for an undisclosed fee in October 2017 was an important acquisition. The integration of BetBuddy's behavioural identification and modification software into Playtech's powerful IMS player management system will enable Playtech to continue to lead the industry in the delivery of Responsible Gambling products and services.

In February 2017 Playtech completed the acquisition of Eyecon, a specialist supplier of online gaming soft slots and a bingo slots specialist software for an initial consideration of £25 million (€29 million). The acquisition of Eyecon is a further example of Playtech executing its omni-channel solution through earnings accretive M&A. Eyecon is a soft casino slot provider specialising in games for the Bingo market. Eyecon deepens the content offering in the Bingo vertical ultimately helping to drive revenue across verticals as well as allow us to also extend to retail. The acquisition strengthens Playtech's Bingo distribution network whilst offering industry leading games content.

Given the company position and strong balance sheet it remains opportunistic and acquisitive. It does however remain disciplined and take measured steps to ensure the opportunities are in line with our stated M&A strategy and present growth opportunities beyond cost synergies which are important but not the essence of our approach.

Gaming Division performance by vertical

Gaming B2B

The new presentation of Gaming revenue by vertical is explained fully in the CFO section. Gaming B2B includes software and services

revenues, while Gaming B2C includes white-label gaming operations in regulated markets, such as Sun bingo and casual games.

Casino

Casino revenue grew 11% from 2016 to 2017 and 15% at constant currency. Despite the headwinds in Asia in H2 2017 the growth was driven by the organic growth of existing licensees with growth excluding acquisitions of 12% at constant currency.

The pillars of Playtech's future growth strategy are reflected in the operational achievements reported in our Casino vertical as we continued to support the organic growth of our core regulated markets in Europe in 2017 Playtech launched 45 new games in Italy, 75 in Spain, 90 in Czech Republic, 71 in Bulgaria and 51 in the UK. Importantly, following the 'de-coupling' of Playtech's Casino games from the platform that formed part of the platform overhaul reported at the interim results in August 2017, Playtech is now able to launch new content seamlessly across all regulated markets, allowing licensees to deliver global marketing campaigns for branded content.

In November Playtech announced the launch of exclusive online Casino agreement with leading Spanish operator Casino Barcelona, in addition to online casino the agreement saw Casino Barcelona join Playtech's Spanish iPoker.es network.

Content & Studios

In 2017 Playtech completed the unification of its games studios onto our agile games development platform content and distribution strategy. Playtech now operates eight games studios worldwide, all with proven pedigrees and collectively providing unparalleled knowledge and experience in online casino games creation. The studios are now applying the new Playtech content pillars to game production; Signature (individual style of the studio), Reach (relevance to market), Reliability (stable games and publication dates) and Value (largest Jackpots, bonusing tools, engagement tools). 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.

Given the size and scale of Playtech's distribution platform we are in an unrivalled position to be able to develop branded content as a cornerstone of our portfolio of over 600 games. The first half of 2017 saw Playtech sign an industry first agreement with DC Comics to provide a full suite of DC branded games including the Man of Steel, Classic Superman and Batman and Suicide Squad slot titles. The DC agreement was the culmination of strategic project in the second half of 2016 designed to replace the Marvel studios content in the Playtech portfolio. Playtech had a long and successful relationship with Marvel studios and this ended in 2016 following Marvel's acquisition by Disney and a change of licensing approach from the acquirer.

The second half of 2017 saw Playtech complete an industry first for gaming content by completing the synchronised launch of the DC Justice League slot game in conjunction with the launch of the Hollywood film available to licensees across all regulated markets. Moreover 2017 saw Playtech further grow its portfolio of branded games by launching the American Dad, The Matrix, RoboCop, Monty Python's Holy Grail and Dirty Dancing titles.

In addition to the global branded content strategy for slot games the breadth of our games development capabilities allow Playtech to launch territory specific games and content. The second half of 2017 saw the successful launch of slot game Torrente for the Spanish market. Moreover, Playtech's own Age of the Gods suite of games continues to go from strength to strength with its games titles in the top rankings of popular games for all our licensees. The latest game in the series, God of Storms experienced a highly successful launch in 2017. The Age of the Gods suite is the end result of thorough research that was based on big data analysis designed to improve the probability of success of the games.

Live Casino

This year saw Playtech complete the full migration of existing Live Casino rooms to the new market leading facility in Riga. This has enabled Playtech to drive product innovation in Live with new concepts, games and features. Driven by the powerful Playtech IMS player management platform and data-driven business intelligence technology, Playtech Live Casino is fully integrated into the Playtech platform and Casino offering. Playtech Live Casino therefore delivers greater cross-sell opportunities through a seamless user experience from slots to Live table games in conjunction with industry first branded Live games and pooled jackpot experiences. Such as Age of Gods Live Roulette which delivers multi-level jackpots supported from the Casino network or Ladbrokes Coral Live content based Cheltenham roulette.

The quality of our Live Casino offering was reflected in the progress we made with licensees in the key vertical in 2017. The completion of the migration to the new Riga facility saw Playtech re-imagine and design all dedicated areas for our leading customers, this resulted in tier one Live Casino customers renewing existing agreements for long term deals, such as Sky in July 2017, and increasing the number of dedicated tables hosted in our studio. Moreover, we saw new commitments for dedicated tables in the second half of the year from Betfred and BGO Entertainment and a launched new licensees Sports Interaction and Stoiximan in Greece at the end of 2017.

Importantly as part of the tier one renewal process, and in line with the Group's growth strategy, Playtech Live Casino secured new territory launches for tier one licensees including the launch of Live Casino on Sky Bet's 'Sky Italy' gaming sites. The sophistication and success of the new Live offering was reflected with Sky Bet's success in winning the eGaming Review Innovation in Casino award for its new Playtech supplied Live Casino. Sky Bet went live with its new state of the art dedicated Live Casino environment in April 2017 and won the award for offering players an enhanced omni-channel experience, product enhancements and richer gameplay.

Playtech BGT Sports (PBS)

Revenue in Sports for 2017 saw an increase on 2016 of 58% at constant currency. This was due to the contribution from BGT, the retail Sports software provider acquired by Playtech in July 2016. Underlying revenue excluding acquisitions at constant currency declined compared to 2016 mainly due to the absence the Mobenga contracts which came into effect at the end of H1 2016.

A key strategic milestone in 2017 has been the launch and the completion of the integration of Playtech BGT Sports (PBS). PBS brings together Playtech Sports companies BGT, Geneity, Mobenga, Unilogic and Playtech's internal Sports Trading team. In 2017 PBS completed a considered and strategic integration combining the best of technology and modules from the Playtech Sports companies and delivering the industry's first integrated retail and online sports betting platform. PBS will provide a 'bricks-to-clicks' fully integrated sports betting technology solution based on Playtech ONE, offering single-betting accounts across the web, mobile, self-service betting terminals (SSBTs) and over the counter (OTC) in retail betting shops.

PBS believes there is significant opportunity for SSBT growth globally and has seen the number of active retail machines increase 37%

from c.27,000 in December 2016 to c.37,000 in December 2017. With the completion of the integration of the PBS retail software to the Playtech ONE platform the size of the retail machine footprint offers significant opportunities for the cross sell of PBS' integrated offering.

Along with the completion of the PBS integration the Sports division has concentrated on growing its retail and online customer base in the key fast growing markets in Europe and Latin America, in line with the Group level strategy. Early in the period PBS announced a three-year agreement with OPAP, the leading Greek betting and lottery operator, for the supply of SSBTs, relevant software and services, and the introduction of an OTC sports betting solution. The second half of 2017 saw PBS solution go live across the 4500 estate with over four thousand OTC tills and over 1500 SSBTs active by the end of the period.

In addition to OPAP, 2017 saw PBS launch SSBTs with customers in Malta, Romania, Spain, Czech Republic, Austria and Germany. As outlined at the interim results in August 2017, alongside Europe a key focus for the PBS SSBT product was growth in Latin America and the second half of 2017 saw PBS install a first phase SSBT programme in Columbia with Codere and Sportium.

The second half of 2017 also saw an important strategic milestone in the launch of PBS' first integrated online and retail sports book customers with German operator HpyBet and Belgian Magic Betting. In addition, the post period end signing of an integrated online sports book and casino platform with the biggest gambling brand in Portugal, SAS, was another important strategic win for the new sports division.

Key contracts have been renewed with Betfred and Paddy Power Betfair with both secured until at least 2020 and with Betfred taking another 500 terminals and Paddy Power shops installing a minimum of 800 new terminals over the next 12 months.

Playtech's strategy in Sports is to continue to drive product development to retain operator and customer engagement with retail. In H1 2017, PBS launched its revolutionary Retail Mobile App named 'Bet Tracker'. Bet Tracker went live with Betfred in August 2017 and Jennings Bet, Boyles and Plucks will also follow later in 2017. The Bet Tracker product is leading the digitisation of the retail sports experience, allowing customers to track their bets placed in store on their mobile phones without already having a mobile account, giving operators increased touch points with their customers. In addition, 2017 saw PBS become the first retail provider to deliver Lottoland's jackpot lotto betting products on SSBTs located in licenced betting shops.

Moreover, PBS' integration into Playtech's IMS platform has allowed PBS to build in the same data tools and functionality that is available across the Playtech ONE platform. In line with the Group's strategy to deliver Responsible Gambling tools to support licensees PBS has agreed a development roadmap with the UK Gambling Commission to deliver Anti Money Laundering and Fraud prevention identification tools across the retail and online platform.

Services

The increase in contribution from the white-label offering meant the transition in services from dot com to regulated revenue streams continued in the period resulting in a higher proportion of regulated revenues for this vertical.

As part of the natural transition from unregulated to regulated markets our services division is now focused on different partners in regulated markets where we see real momentum in activity. In Mexico, our partner Caliente is going from strength to strength and we continue to experience significant growth. In Spain, we see good momentum of our local partners and expect it to continue rapidly growing in the coming years. We also make real progress in other markets such as the UK, Italy and in line with our overall strategy and focus on regulated markets our services division will extend its reach into other regulated markets such as Portugal, Colombia and others.

Bingo

Following the acquisition of Bingo software and services supplier ECM in October 2016 the Bingo vertical saw a 47% increase in revenue at constant currency in 2017.

The Bingo vertical remains a key customer acquisition channel at the operator level. Playtech's Bingo offering allows licensees to offer seamless cross-sell and movement between channels and verticals, but more importantly Bingo slot and Casino integrated content. The integration of retail software and services supplier ECM, onto the Playtech Bingo platform has created an eco-system for licensees to retain players regardless of channel or vertical. Omni-channel, integrated content, such as Tiki Paradise, allows operators to drive player traffic to other verticals and importantly track the behavioral analytics across those channels and verticals. Post period end in January 2018 Playtech announced it had launched the popular online game Clover Rollover across 128 Gala Bingo UK retail sites meaning the game was now available online, in retail and on mobile.

Poker

Poker remains an important part of the complete Playtech ONE product offering and Playtech continues to offer the largest open and 'tappable' poker network in the industry. Although the wider online Poker market remains challenging Playtech's poker vertical returned to growth in 2017 with revenue increasing 7% at constant compared to 2016, this follows a consistent slowing of the decline in the last few years.

Other

Other revenues grew 48% to €26.4 million as our retail Casino software, the IGS land-based Casino system management system received new orders across the Rank estate and across the eight landmark Caesars Entertainment EMEA casino portfolio.

B2C Gaming

The new disclosure shows a new line item called B2C Gaming which include white-label, B2C and Casual.

White-label and B2C

The contract with News UK for Sun Bingo continues to see improvement revenue although remains challenging. As a reminder, although the migration of Sun Bingo in 2016 was successful from a technological perspective there were challenges migrating all of the VIPs. Changes were then made in Q2 2017 which has led to some improvement in KPIs and performance. However, given that Bingo is very much a UK business which is also seasonal, management believes that the full benefit of the changes made were offset by exceptionally good weather combined with the UK summer holidays. Sun Bingo revenue improved towards the end of the year with a successful promotion just before

Christmas, with the start of 2018 showing some continued momentum. It is worth remembering that there is significant operating leverage within the Sun Bingo contract due to minimum guarantees payable to News UK which means that as revenues increase, the benefit will drop straight through to the bottom line. As stated above, despite the improvement, the Sun Bingo contract remains challenging. Playtech is in discussions with News UK following a thorough analysis of the issues encountered with the contract.

Revenue from other white-label and B2C contracts declined to €22.8m.

Casual

Casual games continued to enjoy revenue growth driven by the ongoing success of the Narcos branded game.

TradeTech Group - Playtech's financial division

TradeTech Group achieved key milestones in 2017, delivering both significant organic growth as well as successful acquisitions which together are providing the foundation for future growth, in line with the strategic vision at Playtech Group level. The strong financial results reflect the significant improvement and progress we have made last year.

The division reported significant growth on reported results and importantly when excluding acquisitions and on a proforma (assuming ACM assets acquired from beginning of financial year) basis, delivering Adjusted EBITDA growth across each of the different business segments, with organic growth in Adjusted EBITDA of 44% after excluding acquisitions, and an impressive 58% growth on a proforma basis, after considering all of the acquisitions during the period and their historic underlying performance.

As can be seen from the results, TradeTech has delivered significant margin improvement of the underlying business following efficiencies and cost reductions made toward the end of 2016 year and the beginning of 2017. In addition, results in 2017 were negatively impacted by the crypto 'hype' experienced in the year, predominantly in Q4, resulting in a total loss of \$7.6m from our top line, affecting both the B2C segment as well as B2B.

Regulation in the financial trading sector

Playtech management and the Board believe that TradeTech is well placed to benefit from the potential regulatory changes the industry could experience in 2018. Management believe that TradeTech, has significant experience, governance procedures and balance sheet to continue to support regulation and remain both commercial and compliant. Our experience of new regulatory frameworks learned in the Gaming Division prompted TradeTech to be an early adopter of new regulation.

On January 18 2018, as part of its 'call for evidence' the European Securities and Markets Authority, ESMA, proposed measures to restrict the marketing, distribution and sale of CFDs to retail clients. While these are still proposals for changes in regulations, we believe TradeTech is well positioned in the market following implementation of such proposals or other changes as they may come into effect. It is important to note that some of the proposed changes are already implemented as part of our existing business model, including negative balance protection and restriction of use of bonuses and other incentives for trading.

Markets.com performance

Our B2C business operating our Markets.com brand, enjoyed significant growth on both first-time depositors and active customers, with 43% growth in actives and 93% in FTDs. This fundamental improvement and momentum in the B2C business is driven by a significant improvement in the cost per acquisition of \$870 in 2017, on the back of continued development of our automated marketing capabilities.

As noted above, the crypto 'hype' in 2017 had a material impact on our B2C top line performance, which together with very low volatility on other asset classes in Q4 resulted in an overall underperforming fourth quarter. However, it is important to acknowledge the steady growth in actives which we believe will continue in 2018 and which will be translated into higher revenues and profits going forward. Outside the crypto 'hype' effect and low Q4 volatility, volume has remained relatively stable, on the back of regulatory changes related to default leverage limitation and elimination of incentive bonuses introduced at the beginning of 2017. Importantly 2017 saw strong continuity in our relationships with our B2C customers. Approximately 62% of revenue were generated from existing customers onboarded prior to 2017, further strengthened by the fact that the majority of revenues are generated from customers trading for more than 1 year, with 28% from customers trading for more than 2 years. These measures reflect the continuous investment in improving the quality of services we offer to our customers, with further development of 'decision support' tools and capabilities to aide customers in identifying trading opportunities. These include our real time "Trending now" feature, "Traders trends" live disclosure per asset, "Events & trade" financial calendar, "Market consensus" analysts integrated portal and more.

TradeTech Group B2B results

In the B2B business 2017 also saw significant growth on reported results, excluding acquisitions and on a proforma basis. TradeTech's B2B segment is now servicing over \$1 trillion in volume from B2B customers, and over \$1.3tn on a proforma basis after adding Alpha's pre-acquisition volumes in 2017. These results show a healthy link between revenues and volume, with a steady revenue generation on the back of increase in volume from customers from the three sub-segments of our B2B offering.

TradeTech management believe these results demonstrate the execution of Playtech's B2B strategy to become the provider of choice to brokers in the financial trading industry. The CFH and TradeTech Alpha acquisitions complimented our existing frontend and backend technology and enabled us to deliver an end to end solution for brokers, enabling them to enjoy a full suite of products from a unique trading platform and CRM systems, to liquidity control, risk management capabilities, real time risk applications and more. TradeTech's strategy is to continue to establish its capabilities across the entire value chain in the financial trading sector.

Chief Financial Officer's review

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, additional

consideration payable for put/call options, one off employee related costs, finance costs and contingent consideration movement on acquisitions, impairment of available for sale investments, deferred tax on acquisitions, non-cash accrued interest 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 below.

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.

Overview

Playtech delivered a good financial performance in 2017 driven by a combination of underlying growth and from the acquisitions made in 2016 and in 2017.

Total reported revenue and Adjusted EBITDA increased 14% and 7% respectively compared to 2016. Reported Adjusted Net Profit increased 14% due to significant fluctuations in currency exchange rates, mainly in Sterling, impacting 2016 reported Adjusted Net Profit leading to high growth from 2016 to 2017. On a constant currency basis, revenue, Adjusted EBITDA and Adjusted Net Profit, increased by 18%, 11% and 8% respectively.

This performance was achieved despite 2017 being an unusual year for headwinds faced, with so many combining including currency headwinds as well as issues in H2 in Asia and the expected loss of Marvel, certain Mobenga contracts and the contract with Poker Stars for Poker Strategy. At Adjusted EBITDA level, currency alone provided a €14m headwind with total EBITDA headwinds totalling €60m.

As discussed above, the Sun Bingo contract generated a significant adjusted EBITDA loss due to the levels of minimum guarantees payable to News UK. Playtech is in discussions with News UK following a thorough analysis of the issues encountered with the contract.

In line with the guidance provided at the 2016 full year results, the Group EBITDA margin fell from 43% in 2016 to 40% in 2017, principally due to a higher percentage contribution from lower margin parts of the business including white-label, specifically from the full year contribution from Sun Bingo, the Financials division and from Casual. The adjusted EBITDA margin in B2B Gaming remained broadly flat for the year at 49%.

Playtech continues to be highly cash generative and delivered net cash from operations up 22% to €306.7 million compared to €251.4m in 2016, representing 88% cash 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.

Playtech has a very strong balance sheet with cash and cash equivalents of €584.0 million or Adjusted Gross cash of €412.6 million (2016: €392.0 million) net of cash held on behalf of client funds, progressive jackpot and security deposits. Together with the Available-for-sale investments of €381.3 million (2016: 230.3 million), Playtech has considerable available resources to execute its strategy.

Changes to disclosure of revenue and adjusted EBITDA

Disclosure has been improved to assist with analysis, specifically the businesses with different margin profiles.

The new disclosure shows a new line item called B2C Gaming which includes white-label, B2C and Casual. Revenues and costs for these businesses are presented separately as they have fundamentally different margin profiles.

In addition, we have also re-categorised other cost line items including removing revenue driven costs, which contained a significant amount of the Sun Bingo contract and are now in B2C Gaming. Most importantly, R&D now has its own line item which serves to highlight the technology base of Playtech's B2B Gaming business.

Revenue

Total revenue increased by 14% to €807.1 million (2016: €708.6 million) and by 18% on a constant currency basis, with underlying growth of 5% (after excluding acquisitions at constant currency).

New presentation of Gaming revenues by vertical

The new presentation of Gaming revenue by vertical splits between the business to business ("B2B") element, which includes both software and services revenues and the business to customer ("B2C") element, which includes white-label gaming operations in regulated markets, such as Sun Bingo and casual games.

New presentation	2017 €m	2016 €m	Change	Constant Currency Change
Casino	411.3	371.7	11%	15%
Services	94.3	115.9	-19%	-16%
Sport	85.7	55.9	53%	58%
Bingo	24.8	18.0	38%	47%
Poker	9.4	9.0	5%	7%
Other	26.4	17.8	48%	52%
Gaming B2B	651.9	588.3	11%	15%
Gaming B2C	70.3	54.7	28%	34%
Gaming division	722.2	643.0	12%	17%
Financials division	84.9	65.6	29%	32%
Total revenue	807.1	708.6	14%	18%

Old presentation	2017 €m	2016 €m	Change	Constant Currency Change
Casino	413.3	374.1	10%	15%
Services	131.6	151.6	-13%	-10%
Sport	88.5	58.4	52%	56%
Bingo	26.6	19.8	34%	44%
Poker	9.5	9.1	4%	6%
Other	52.7	30.0	76%	79%
Gaming division	722.2	643.0	12%	17%
Financials division	84.9	65.6	29%	32%
Total revenue	807.1	708.6	14%	18%

Casino, the biggest product vertical, increased by 11% in 2017 and by 15% on a constant currency basis and 12% when further excluding acquisitions. The growth in Casino is mainly generated from core casino activity, such as online slots and roulette, driven by Mobile casino revenue increased by 67% over 2016, which represents 50% growth in mobile penetration. The UK reached more than 50% in penetration, Asia more than doubled its mobile penetration compared to 2016 to 42% and non-UK Europe mobile casino revenues grew by 81% to reach a penetration of 36%.

Services revenue decreased by 16% on a constant currency basis, whilst decreasing by 19% on a reported basis. The decrease in revenue is mainly due to revenues generated in .com markets, predominately from marketing services and the loss of the contract with Poker Stars for Pokerstrategy. Revenues from regulated markets grew by almost 46% led by increase in live services revenues, which enjoyed a double digit growth and from the structured agreements with Caliente and Marca.

As discussed above, the Sun Bingo contract generated a significant adjusted EBITDA loss due to the high levels of minimum guarantees payable to News UK. Playtech is in discussions with News UK following a thorough analysis of the issues encountered with the contract.

Sport revenue increased in 2017 by 58% on a constant currency basis and by 53% on a reported basis. The increase is due to the acquisition of BGT and when excluding acquisitions, on a constant currency basis, Sport revenue has decreased by 7%. The decrease, as previously indicated, is mainly due to the loss of three Mobenga contracts with UK licensees and when excluding the loss in revenues, underlying sport revenue has increased by 8% in 2017.

Bingo revenue increased by 47% on a constant currency basis and by 38% on a reported basis. When excluding the increase in revenue generated by the acquisition of ECM, Bingo revenue on a constant currency basis were down 6% compared to 2016. While macro events such as the effective increase in UK gaming tax has pressured the revenues down, the underlying performance of the bingo network has increased in 2017.

Poker reported revenue has increased by 5% compared to 2016 and by 7% on a constant currency basis. The increase in revenues, which is mainly driven by growth in regulated markets, although from a low base, is a positive sign after several consecutive years of decline and reflects the importance of this vertical in the operators' offering.

Other revenue grew by 48% mainly due to increase in revenues from new order of the IGS casino management system by Rank and other customers, Videobet machines sold in 2017, mainly to Elite Gaming and by increase in revenues from dedicated teams.

Revenue in Financials division

2017 revenue in the Financials division was €84.9m, up 29% versus 2016. When excluding the revenue generated by CFH and Alpha, acquired in November 2016 and October 2017 respectively, revenue decreased 3% to €61.7m.

The momentum reported at the full year 2016 results has continued into 2017. The steps taken in 2016 to deliver an efficient, competitive and sustainable business model are bearing fruit in 2017, with growth in revenue and a 76% increase in adjusted EBITDA to €27.0 million in 2017.

Adjusted EBITDA & Adjusted EBITDA margin

	2017 €m	2016 €m
EBITDA	293.2	291.9
Employee stock option expenses	15.1	6.9
Professional expenses on acquisitions	2.4	3.4
One off employee related costs	5.0	-
Additional consideration payable for Put/Call options	5.3	-
Cost of business reorganisation	1.1	-
Adjusted EBITDA	322.1	302.2
Adjusted EBITDA margin	39.9%	42.7%
Adjusted EBITDA on a constant currency basis	336.2	302.2
Adjusted EBITDA margin on a constant currency basis	40.2%	42.7%
EBITDA related to acquisitions at constant currency	(46.3)	(12.9)
Underlying Adjusted EBITDA	289.9	289.3
Underlying Adjusted EBITDA margin	41.5%	43.5%

Underlying adjusted EBITDA remained flat compared to 2016 with growth in many parts of the business offset by the significant headwinds discussed earlier.

Adjusted EBITDA for the Financials division was €27.0 million, against an adjusted EBITDA of €15.4 million in 2016. The year-on-year improvement in adjusted EBITDA was a consequence of the business enhancements taken in 2016, both in terms of growing the, higher margin, B2B offering as well as optimising the underlying cost base to ensure the business is lean and efficient.

Cost of operations

New presentation of cost of operations

The new presentation of cost categories strips out the B2C and financial division costs, similar to the new presentation of revenue and therefore provides better margin analysis as well as clearly setting out the research and development cost.

New presentation	2017 €m	2016 €m	
Research and development	80.7	82.3	-2%
Operations	166.8	146.7	14%
Administrative	65.1	54.8	19%
Sales and marketing	17.6	12.4	42%
Total B2B Gaming	330.2	296.2	11%
B2C Gaming	96.9	59.9	62%
Financials division	57.9	50.2	15%
Total Group	485.0	406.3	19%
Old presentation	2017 €m	2016* €m	
Adjusted operating expenses	485.0	406.3	19%
Less revenue-driven costs	99.8	53.5	86%
Adjusted operating expenses excluding revenue-driven costs	385.2	352.8	
Employee-related costs	197.9	190.0	4%
Cost of service	59.1	49.6	19%
Operational marketing costs	42.7	40.2	6%
Admin and office costs	33.7	34.3	-2%
Other costs	34.5	24.3	42%
Travel, exhibition and marketing costs	17.3	14.4	20%
Adjusted operating expenses excluding revenue-driven costs	385.2	352.8	

* 2016 comparable numbers were reclassified to reflect year on year on a like for like basis

Research and development ("R&D") cost comprises of employee related costs, dedicated teams, their direct expenses and proportional office cost. Research and development cost decreased 2% in 2017 to €80.7 mainly as a result from increased capitalisation of development costs. In B2B gaming capitalised development cost as a percentage of total R&D cost increased from 26% to 35%. The development cost grew by 50% year on year with 25% of this growth coming from rent capitalisation introduced for the first time in 2017. On a like for like basis, excluding acquisitions and excluding office rent cost, the percentage has increased from 26% to 29%. This underlying increase in capitalised cost of 7% derives from the development of the GPAS and Marketplace projects as well as from a change done to the cost mode during 2017.

Operations cost includes mainly employee related cost and their direct expenses, operational marketing cost, hosting, license fees paid to third parties, branded content, terminal hardware cost & maintenance, feeds, chat moderators and proportional office cost. Operations cost increased by 14% from €146.7 million to €166.8 million in 2017. The main reason for the increase is the cost of terminals hardware which is in line with the increase in revenue from the sale of terminal hardware, increase in BGT terminal maintenance and feeds cost, as the cost for 2016 included only 6 months of BGT cost, from the date of its acquisition. Excluding acquisitions operations cost increased slightly by 1% where the increase in terminal hardware cost was offset by the reduction in the employee related cost.

Administrative cost increased by 19% mainly due to increase in employee related cost, legal fees, and compliance related cost.

Sales and marketing cost mainly include employee related cost, their direct expenses, marketing and exhibition costs. Sales and marketing cost increased by 42% to €17.6 million where most of the increase relates to acquisitions. Excluding acquisitions S&M cost increased by only 3%.

The 62% increase in B2C Gaming cost from €59.9 million in 2016 to €96.9 million in 2017 mainly relates to the additional cost of the Sun Bingo contract which was launched in September 2016. The B2C costs comprises brand fees, gaming taxes, operational marketing cost, employee related cost and processing fees. These fees are typically calculated as a share of the licensee revenue generated.

Cost of operations in the Financials division increased by €7.7 million in 2017. However, 2017 includes the full year of operational costs for CFH (2016 included only one month) and three months of operational costs for Alpha. Excluding acquisitions, operational costs in the Financials division decreased by €8.3 million, which is reflective of the aforementioned underlying cost optimisation undertaken during 2016 to ensure an efficient, robust and sustainable business mode,

Depreciation, amortisation, finance income, financial cost and tax

Depreciation increased in 2017 by 32% to €26.5 million. Excluding acquisitions, depreciation increased 10%.

Amortisation cost, excluding amortisation of intangibles on acquisition, has increased 17% to €36.0 million, in line with the increase in

capitalised development cost.

Adjusted net finance cost was €5.0 million in the period compared to €37.2 million in 2016. The decrease is predominantly due to lower foreign exchange rate losses of €19.7 million during 2017, compared to a €44.7 million loss in 2016, together with higher dividends from the available for sale investment from Ladbrokes of €5.9 million (2016: €3.7 million) and €11.2 million from Plus500 (2016: €8.2 million).

The Company is tax registered, managed and controlled from the Isle of Man, where the corporate tax rate is set at zero. The Group's main trading subsidiaries are registered either in the Isle of Man, Alderney or Cyprus, where effective tax rates are low or set at zero. Other subsidiaries, related to the Group's development centers are located in other jurisdictions and operate on a cost-plus basis, and are taxed on their residual profits. The tax charge in 2017 was €17.5 million (2016: €6.3 million). The increase is mainly due to acquired companies registered for taxation in higher tax jurisdictions as well profits being recognised in higher taxing territories increasing Playtech's effective tax rate.

Adjusted profit and Adjusted EPS

	2017 €m	2016 €m
Profit for the year- attributable to owners of parent	248.1	193.0
Amortisation of intangibles on acquisitions	51.0	44.3
Impairments related to acquisitions	7.8	12.3
Profit/(loss) on disposal of investment in associates	0.7	(64.4)
Impairment of investment in associates and other non-current assets	14.9	-
Employee stock option expenses	15.1	7.0
Professional expenses on acquisitions	2.4	3.5
Cost of business reorganisation	1.1	-
Non-cash accrued bond interest	10.2	9.8
Decline in fair value of available for sale investments	0.5	-
Additional consideration payable for Put/Call options	5.3	-
One off employee related costs	5.3	-
Deferred tax on acquisition	(4.6)	(3.4)
Movement in deferred and contingent consideration	(126.4)	0.8
Adjusted profit for the year - attributable to owners of the parent	231.4	202.9
Adjusted basic EPS (in Euro cents)	73.6	64.6
Adjusted diluted EPS (in Euro cents)	66.8	58.8
Constant currency impact	35.7	44.7
Adjusted profit for the year attributable to owners of parent on constant currency	267.1	247.6
Adjusted Net Profit on constant currency related to acquisitions	(26.9)	(10.1)
Underlying adjusted profit for the year - attributable to owners of the parent	240.2	237.5

Adjusted diluted EPS was up 14% and the underlying Adjusted diluted EPS on a constant currency basis excluding acquisition was 1% above 2016. Adjusted diluted EPS is calculated on the basis of a weighted average number of shares in issue during 2017 of 348.5 million.

Cashflow

Playtech continues to be highly cash generative and once again delivered strong operating cash flows of €306.7 million.

Cash conversion

	2017 €m	2016 €m
Adjusted EBITDA	322.1	302.2
Net cash provided by operating activities	306.7	251.4
Cash conversion	95%	83%
Decrease / (Increase) in Progressive, operators' jackpots, security deposits	15.9	(16.6)
Decrease / (Increase) in Client deposits and Client equity	6.3	(17.5)
Adjusted net cash provided by operating activities	284.4	285.5
Adjusted Cash conversion	88%	94%

Operating cash conversion from Adjusted EBITDA decreased slightly in line with the conversion level in 2016 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 the reported operating cashflow and not EBITDA, adjusting these cash fluctuations is essential to truly reflect the quality of revenue and cash collection.

Net cash outflows from investing activities totalled €140.2 million in the period, of which €46.3 million (2016: €140.0 million) relates to acquisitions, mainly of Eyecon and Alpha. Cash outflows from financing activities included €104.7 million (2016: €245.7 million) of annual dividend payment.

Balance sheet and financing

As at 31 December 2017, cash and cash equivalents amounted to €584.0 million (2016: €544.8 million), with cash net of client funds, progressive jackpot and security deposit, being €412.6 million (2016: €392.0 million).

Total available-for-sale investments were €381.3 million, a 66% increase compared to the end of 2016, due to the appreciation in value of holdings in Plus500 and in Ladbrokes Coral.

Contingent consideration and redemption liability decreased to €157.7 million, mainly due to the write off of the Markets earn-out and earn-out payments, and comprise of:

Acquisition	Contingent consideration and redemption liability as of 31.12.17	Maximum payable earnout
ACM Group	€71.4 million	\$145.0 million
Quicksipin AB	€24.1 million	€26.0 million
Playtech BGT Sports Ltd	€30.9 million	€95.0 million
Consolidated Financial Holdings	€22.4 million	\$73.1 million
ECM Systems Holdings Ltd	€1.2 million	£1.1 million
Eyecon Limited	€1.3 million	£25.0 million
Others	€6.4 million	€7.1 million

The value of the contingent consideration relating to Markets.com in Playtech's balance is zero, as the threshold for achieving an additional earnout has not been met.

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 fixed percentage payout as one-off items can impact results, such as the impact from foreign exchange which we saw in 2016 and 2017.

Playtech's intention is 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.

Accordingly, the Board has declared a final dividend of 23.9 €cents per share (2016: €21.7cents), an increase of 10% over 2016's final dividend, taking the 2017 full year dividend to 36.0 €cents per share, an increase of 10% over 2016.

For those shareholders wishing to receive their dividends in Sterling the last date for currency elections is 11 May 2018.

Dividend timetable:

Ex-dividend date:	Thursday 3 May 2018
Record date for dividend:	Friday 4 May 2018
Currency election date:	Friday 11 May 2018
Payment date:	Friday 1 June 2018

Principal risks and uncertainties

The key risks, which will be discussed further including how they are being addressed in Playtech's 2017 Annual Report (which will be available in the investor relations section of the corporate website), are:

Risks relating to both the Gaming division and Financials division

▪ **Regulation - licensing requirements**

Playtech holds several licences for its activities from regulators. The review and/or loss of all or any of these licences may adversely impact on the operations, revenues and/or reputation of the Group.

▪ **Regulation - Local requirements Technical Regulatory Requirements**

Local regulators have their own specific requirements, which often vary on a country to country basis. In addition, new requirements may be imposed. For example, 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.

▪ **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. It is imperative to ensure compliance with all relevant tax

▪ **Economic Environment**

A downturn in consumer discretionary spend or macroeconomic factors outside of Playtech's control could result in reduced spend by consumers on gambling and financial trading and the Group's revenues may fall.

▪ **Mergers and Acquisitions**

Playtech has made a number of acquisitions over the years. Such acquisitions may not deliver the expected synergies and/or benefits and may destroy shareholder value.

- **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.

- **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.

- **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.

- **Regulatory - Preventing Financial Crime**

Policymakers in the EU and at national levels have taken steps to strengthen financial crime legislation covering Anti-Money Laundering (AML), prevention of facilitation of tax evasion and Anti-Bribery and Corruption (ABC). Non-compliance could result in investigations, prosecutions, loss of licences and/or an adverse reputational impact.

- **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.

- **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.

Additional risks relating to the Gaming division

- **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.

Additional risks relating to the Financials division

- **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.

- **Regulatory - Capital Adequacy**

The requirement to maintain adequate regulatory capital may affect the Group's ability to conduct its business and may reduce profitability.

- **Trading volume**

Low volatility within foreign exchange rates, commodity prices, equity and index prices may reduce profitability.

By order of the Board,

Mor Weizer
Chief Executive Officer
22 February 2018

Andrew Smith
Chief Financial Officer
22 February 2018

Directors' responsibility statement

We confirm to the best of our knowledge;

- The Group and Company 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 Company; and
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

The directors of Playtech plc are listed in the Group's Annual Report and Accounts for the year ended 31 December 2016. A list of current directors is maintained on Playtech's website, www.playtech.com

By order of the Board,

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017		2016
		Actual €'000	Adjusted *€'000	Actual €'000
Revenue	4	807,120	807,120	708,558
Distribution costs before depreciation and amortisation		(412,943)	(405,651)	(345,934)
Administrative expenses before depreciation and amortisation		(101,009)	(79,373)	(70,772)
EBITDA		293,168	322,096	291,852
Depreciation, amortisation and impairment		(121,376)	(62,577)	(107,600)
Finance income	7a	145,307	18,927	13,270
Finance cost	7b	(34,207)	(23,973)	(61,119)
Share of profit from joint ventures	13a	464	464	146
Share of loss from associates	13b	(662)	(662)	(693)
Impairment of available for sale investments	14	(467)	-	-
Profit/(loss) on disposal of investment in associate	13c	(725)	-	64,459
Impairment of investment in associate and other non-current assets		(14,887)	-	-
Profit before taxation		266,615	254,275	200,315
Tax expenses	8	(17,505)	(21,856)	(6,303)
Profit for the year		249,110	232,419	194,012
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	157,809	157,809	(53,868)
Exchange (losses)/gains arising on translation of foreign operations		(50,766)	(50,766)	14,251
Total items that may be classified to profit or loss		107,043	107,043	(39,617)
Total comprehensive income for the year		356,153	339,462	154,395
Profit for the year attributable to:				
Owners of the parent		248,140	231,449	193,030
Non-controlling interest		970	970	982
		249,110	232,419	194,012
Total comprehensive income attributable to:				
Owners of the parent		356,914	340,223	153,543
Non-controlling interest		(761)	(761)	852
		356,153	339,462	154,395
Earnings per share for profit attributable to the owners of the parent during the year:				
Basic (cents)	9	78.9	73.6	61.4
Diluted (cents)	9	74.6	66.8	58.8

* Adjusted numbers relate to certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, additional consideration payable for put/call options, one off employee related cost, finance costs and contingent consideration movement on acquisitions, impairment of available-for-sale investments, deferred tax on acquisition, 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 2017**

	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 Jan 2017	627,764	(51,057)	498,864	(25,417)	45,392	(34,341)	16,800	1,078,005	21,714	1,099,719
Changes in equity for the year										
Total comprehensive income for the year	-	154,274	248,140	-	-	-	(45,500)	356,914	(761)	356,153
Dividend paid	-	-	(104,656)	-	-	-	-	(104,656)	-	(104,656)
Exercise of options	-	-	(3,411)	3,773	-	-	-	362	15	377
Employee stock option scheme	-	-	14,948	-	-	-	-	14,948	146	15,094
Acquisition of minority interest	-	-	(4,348)	-	-	3,300	-	(1,048)	(7,052)	(8,100)
Non-controlling interest acquired on business combination	-	-	-	-	-	(252)	-	(252)	117	(135)
Balance at 31 December 2017	627,764	103,217	649,537	(21,644)	45,392	(31,293)	(28,700)	1,344,273	14,179	1,358,452
Balance at 1 Jan 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 buy back	(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

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Note	2017 €'000	2016 €'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	80,016	72,893
Intangible assets	12	1,051,232	1,014,635
Investments in equity accounted associates & joint ventures	13	37,216	39,026
Available for sale investments	14	381,346	230,278
Other non-current assets	15	19,993	26,861
		1,569,803	1,383,693
CURRENT ASSETS			
Trade receivables	16	107,165	73,744
Other receivables	17	93,322	73,966
Cash and cash equivalents	18	583,957	544,843
		784,444	692,553
TOTAL ASSETS		2,354,247	2,076,246
EQUITY			
Additional paid in capital	19	627,764	627,764
Available-for-sale reserve		103,217	(51,057)
Employee Benefit Trust	19	(21,644)	(25,417)
Convertible bonds option reserve	21	45,392	45,392
Put/Call options reserve		(31,293)	(34,341)
Foreign exchange reserve		(28,700)	16,800
Retained earnings		649,537	498,864
Equity attributable to equity holders of the parent		1,344,273	1,078,005

Non-controlling interest	14,179	21,714
TOTAL EQUITY	1,358,452	1,099,719
NON CURRENT LIABILITIES		
Loans and borrowings	20	- 200,000
Convertible bonds	21	276,638 266,230
Deferred revenues		2,457 3,454
Deferred tax liability	24	31,283 40,443
Contingent consideration and redemption liability	22	137,080 204,550
Other non-current liabilities		474 1,627
		447,932 716,304
CURRENT LIABILITIES		
Loans and borrowings	20	200,000 -
Trade payables	23	61,969 28,171
Progressive operators' jackpots and security deposits		62,675 46,759
Client deposits		71,628 76,229
Client funds		37,074 29,863
Tax liabilities		24,713 11,732
Deferred revenues		5,414 4,456
Contingent consideration	22	20,592 4,577
Other payables	25	63,798 58,436
		547,863 260,223
TOTAL EQUITY AND LIABILITIES		2,354,247 2,076,246

The financial information was approved by the Board and authorised for issue on 21 February 2018.

Mor Weizer
Chief Executive Officer
22 February 2018

Andrew Smith
Chief Financial Officer
22 February 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017 €'000	2016 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		249,110	194,012
Adjustments to reconcile net income to net cash provided by operating activities (see below)		69,418	67,085
Income taxes paid		(11,876)	(9,731)
Net cash provided by operating activities		306,652	251,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans and deposits advanced		(5,064)	(9,162)
Acquisition of property, plant and equipment	11	(34,692)	(26,224)
Return on investment in joint ventures and associates	13a	1,400	1,844
Acquisition of intangible assets	12	(3,060)	(13,019)
Acquisition of subsidiaries		(48,276)	(240,225)
Cash of subsidiaries on acquisition		1,962	100,244
Capitalised development costs	12	(50,683)	(36,176)
Investment in equity-accounted associates	13b,13c	(8,067)	(1,701)
Return on available-for-sale investments	7a	17,078	11,894
Proceeds from sale of property, plant and equipment		64	145
Acquisition of minority interest		(10,827)	(7,329)
Net cash used in investing activities		(140,165)	(219,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the holders of the parent		(104,656)	(245,734)
Share buy back	19	-	(49,829)
Interest paid on convertible bonds and bank borrowing		(3,401)	(4,594)
Exercise of options		377	141
Net cash used in financing activities		(107,680)	(300,016)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		58,807	(268,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		544,843	857,898

Exchange losses on cash and cash equivalents	(19,693)	(44,696)
CASH AND CASH EQUIVALENTS AT END OF YEAR	583,957	544,843

	2017	2016
	€'000	€'000

ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Income and expenses not affecting operating cash flows:

Depreciation	26,544	20,092
Amortisation	86,987	75,173
Impairment	7,845	12,335
Disposal of intangible asset	2,838	-
Share of profit from joint ventures	(464)	(146)
Share of loss from associates	662	693
Non- cash transaction	725	(32,272)
Impairment of investment in associates and other non-current assets	14,887	1,586
Changes in fair value of available for sale investments	467	-
Non-cash accrued bond interest	10,234	9,802
Income tax expense	17,505	6,303
Employee stock option plan expenses	15,094	6,940
Movement in contingent consideration and redemption liability	(126,379)	832
Return on available for sale investments	(17,078)	(11,894)
Exchange losses on cash and cash equivalents	19,693	44,696
Other	721	(191)
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	(33,084)	12,258
Increase in other receivables	(13,608)	(43,551)
Increase in trade payables	33,637	4,969
Increase/(decrease) in progressive, operators jackpot, security deposits	15,916	(16,582)
Increase/(decrease) in client funds	6,343	(17,512)
Decrease/(increase) in other payables	62	(5,910)
Decrease in deferred revenues	(129)	(536)
	69,418	67,085

Acquisition of subsidiary

		2017	2016
	Note	€'000	€'000
Acquisitions in the year			
A. Acquisition of Eyecon Limited	26a	27,735	-
B. Acquisition of ACM Group	26b	4,233	-
C. Other acquisitions	26c	8,582	-
Acquisitions in previous years			
A. Acquisition of Playtech BGT Sports Limited	27b	2,001	138,490
B. Acquisition of Consolidated Financial Holdings AS	27d	336	38,927
C. Acquisition of Quickspin AB	27a	-	24,461
D. Acquisition of ECM Systems Holdings Ltd	27c	3,077	25,038
E. Acquisition of Yoyo Games Limited		-	1,808
F. Other acquisitions		2,312	11,501
		48,276	240,225

Non-cash transaction

		2017	2016
	Note	€'000	€'000
<i>Disposal of investment in associates</i>			
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	(725)	(6,893)
Profit/(loss) on disposal of investment in associate		(725)	32,272

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 customers 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.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2017 or 31 December 2016. The Annual Report and financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 21 February 2017 along with this preliminary announcement. The auditor's report on the statutory accounts for both the year ended 31 December 2017 and 31 December 2016 was unqualified.

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 2017. None of these adoptions has had a material impact on the results or reporting of the Group.

New standards, interpretations and amendments effective from 1 January 2018

There are no new standards, interpretations or amendments which are effective for periods beginning on or before 1 January 2018 which have a material effect on the Group's financial information, including IFRS 15: Revenue from contracts with customers, and IFRS 9: Financial Instruments, although there may be presentational changes.

IFRS 16 Leases

Adoption of IFRS 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

At 31 December 2017 operating lease commitments amounted to €63.4 million. The effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of €50.0- €60.0 million being recognised on 1 January 2018.

However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

The Board still considering if it will apply the modified retrospective or the restatement approach in IFRS 16.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA which will approximate to its current operating lease cost, which for the year ended 31 December 2017 was approximately €13.5 million.

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 2018 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.

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;
- 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 financial 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 financial 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;
- 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 model. 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.

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 tax registered and for Group branches based on place where the branch is established.

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

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 license	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 assets current level of performance, is expensed as incurred.

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.

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.

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 operator's 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. Where customer's trading positions are hedged, or partly hedged, for risk management purposes, the fair value of those open hedge positions are carried at fair market value in trade receivables or trade payables (depending on whether the positions are in or out of the money) and 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 requires certain disclosure which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 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 buy back

The Group cannot hold treasury shares under the Group's memorandum and article of association and therefore the shares are cancelled after the buy back.

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 twelve 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.

Management regularly uses the adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. Furthermore, compensation of the executives is based in part on the performance of the business based on these adjusted measures.

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. Management regularly monitors the operating cash conversion to adjusted EBITDA. These items are excluded to better analyse the underlying cash transactions of the business.
- Material one-off items, e.g. gain on sale of investment in associates, professional services cost related to acquisitions and other exceptional projects. In the last few years the Group has acquired new businesses on a regular basis, however, the costs incurred due to these acquisitions are not considered to be an ongoing trading cost and usually cannot be changed or influenced by management.

Underlying adjusted results excludes 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.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. 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 judgments 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 indicated 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 judgment 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 update 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 subsidiaries, Safecap investments Limited, Magansale Trading Limited, CFH Clearing Limited and TradeTech Alpha Limited, are regulated by either the Cyprus Securities and Exchange Commission or the Financial Conduct Authority. The regulatory environment is regularly changing and imposes significant demands of the resources of the subsidiaries. As the subsidiaries' 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, the regulated subsidiaries manage their capital resources on the basis of capital adequacy requirements as prescribed by each of the regulators, together with their own assessments 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.

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
- 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.

Provision for loss from onerous contracts

Management considers the requirement for a creation of a provision from a loss-making contract by forecasting the cash flow outcomes in the remain period of the contract. The assessment of the cash flow outcomes includes the probability of future changes in commercial terms and the steps taking to mitigate the issues encountered with the contract.

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 maker has been identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

The operating segments identified are:

- Gaming B2B: including Casino, Services, Sport, Bingo, Poker and Other
- Gaming B2C
- Financial: 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.

In 2017 following the growth in the business to customer ("B2C") segment and due to the fundamental difference in its margin profiles, the Group has changed the internal and external reporting and split out from the gaming segment the B2C element.

There is no allocation of operating expenses, profit measures, assets and liabilities to individual products within the gaming segment, as allocation would be arbitrary.

Year ended 31 December 2017

	Casino €'000	Services €'000	Sport €'000	Bingo €'000	Poker €'000	Other €'000	Total Gaming B2B €'000	Gaming B2C €'000	Total Gaming €'000	Total Financial €'000	Consolidated €'000
Total revenue adjusted EBITDA	411,327	94,259	85,733	24,758	9,426	26,401	651,904	70,286	722,190	84,930	807,120
adjusted net profit							321,686	(26,606)	295,080	27,016	322,096
Total assets							234,772	(25,895)	208,877	22,572	231,449
Total liabilities							1,891,328	27,420	1,918,748	435,499	2,354,247
							645,266	59,142	704,408	291,387	995,795

Year ended 31 December 2016

	Casino €'000	Services €'000	Sport €'000	Bingo €'000	Poker €'000	Other €'000	Total Gaming B2B €'000	Gaming B2C €'000	Total Gaming €'000	Total Financial €'000	Consolidated €'000
Total revenue adjusted EBITDA	371,660	115,950	55,916	17,958	8,956	17,802	588,242	54,724	642,966	65,592	708,558
adjusted net profit							292,631	(5,768)	286,863	15,370	302,233
Total assets							193,370	(6,299)	187,071	15,819	202,890
Total liabilities							1,854,739	26,603	1,881,342	194,904	2,076,246
							764,953	32,634	797,588	178,939	976,527

As disclosed in the 2016 annual report and as further disclosed above, the 2016 revenues by product have been restated to combine 'land based' into the other headings and also splits between the B2B element, which includes both software and services revenues and the B2C element, which includes white-label gaming operations in regulated markets.

In 2017, there were two licensees (2016: 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 totaled €280.6 million (2016: €255.4 million).

Geographical analysis of revenues by jurisdiction of license

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

	2017 €'000	2016* €'000
Philippines	283,211	257,024
UK	238,144	196,829
Rest of World	110,274	93,656
Malta	30,492	25,773
Gibraltar	27,421	25,499
Italy	23,406	22,723
Spain	19,311	14,733
Mexico	17,264	8,578
Seychelles	10,383	4,063
Greece	10,052	10,344
Finland	8,052	6,182
Denmark	6,996	2,373
Norway	6,508	6,132
Germany	6,302	3,562
Ireland	6,166	2,196
Antigua	3,138	28,891
	807,120	708,558

*2016 comparative numbers were adjusted to include the financials division revenue

Geographical analysis of non-current assets

The Group's information about its non-current assets by location of the domicile are detailed below:

	2017 €'000	2016 €'000

Isle of Man	805,288	208,603
Austria	147,877	162,097
Luxemburg	117,366	51,352
UK	107,435	108,915
Cyprus	74,477	61,690
Sweden	76,452	76,670
British Virgin Islands	63,609	560,529
Denmark	43,004	51,583
Alderney	35,878	6,091
Gibraltar	25,295	32,322
Malta	20,537	1,668
Latvia	17,254	13,947
Netherlands	-	19,159
Rest of World	35,331	29,067
	1,569,803	1,383,693

The Group's information about its non-current assets by location of the assets are detailed below:

	2017	2016
	€'000	€'000
Isle of Man	535,590	27,664
UK	505,258	349,190
Austria	147,877	162,097
Cyprus	69,260	51,605
Sweden	76,452	76,670
British Virgin Islands	53,294	552,766
Alderney	35,878	6,091
Malta	31,231	12,601
Denmark	30,233	37,261
Gibraltar	25,295	32,322
Latvia	17,254	13,947
Netherland	-	15,959
Rest of World	42,181	45,520
	1,569,803	1,383,693

NOTE 5 - ADJUSTED ITEMS

The following tables give a full reconciliation between adjusted and actual results:

	2017	2016
	€'000	€'000
Revenue	807,120	708,558
Constant currency impact	30,217	-
Revenue on constant currency basis	837,337	708,558
Revenue related to acquisitions on a constant currency basis	(138,100)	(42,808)
Underlying revenue	699,237	665,750
 Distribution costs before depreciation and amortisation	412,943	345,934
Employee stock option expenses	(7,292)	(5,144)
Adjusted distribution costs before depreciation and amortisation	405,651	340,790
 Administrative expenses before depreciation and amortisation	101,009	70,772
Employee stock option expenses	(7,802)	(1,796)
Professional fees on acquisitions	(2,387)	(3,441)
One off employee related costs	(5,001)	-
Additional consideration payable for put/call options	(5,345)	-
Cost of business reorganization	(1,101)	-
Total adjusted items	(21,636)	(5,237)
Adjusted administrative expenses before depreciation and amortisation	79,373	65,535
 Depreciation - distribution costs	19,129	17,887
Depreciation - administrative costs	7,415	2,205
Amortisation - distribution costs	86,987	75,173
Impairment	7,845	12,335
Total depreciation and amortization	121,376	107,600
Amortisation of intangibles on acquisitions - distribution costs	(50,954)	(44,318)
Impairment	(7,845)	(12,335)
Adjusted depreciation and amortisation	62,577	50,947
 EBITDA	293,168	291,852
Employee stock option expenses	15,094	6,940
Professional expenses on acquisitions	2,387	3,441
One off employee related costs	5,001	-
Additional consideration payable for put/call options	5,345	-

Cost of business reorganization	1,101	-
Adjusted EBITDA	322,096	302,233
Constant currency impact	14,110	-
Adjusted EBITDA on constant currency basis	336,206	302,233
EBITDA related to acquisitions on constant currency basis	(46,296)	(12,887)
Underlying adjusted EBITDA	289,910	289,346

Profit for the year- attributable to owners of parent	248,140	193,030
Amortisation of intangibles on acquisitions	50,954	44,318
Impairments related to acquisitions	7,845	12,335
Profit/(loss) on disposal of investment in associate	725	(64,459)
Impairment of investment in associate and other non-current assets	14,887	-
Employee stock option expenses	15,094	6,940
Professional expenses on acquisitions	2,387	3,441
Additional consideration payable for put/call options	5,345	-
Cost of business reorganisation	1,101	-
Non-cash accrued bond interest	10,234	9,802
Decline in fair value of available for sale investments	467	-
One off employee related costs	5,241	-
Deferred tax on acquisition	(4,592)	(3,353)
Movement in deferred and contingent consideration	(126,379)	832
Adjusted profit for the year - attributable to owners of the parent	231,449	202,886
Constant currency impact	35,701	44,696
Adjusted profit for the year - attributable to owners of the parent on constant currency basis	267,150	247,582
Adjusted net profit related to acquisitions on constant currency basis	(26,920)	(10,075)
Underlying adjusted profit for the year - attributable to owners of the parent	240,230	237,507

NOTE 6 - EBITDA

EBITDA is stated after charging:

	2017 €'000	2016 €'000
Directors compensation		
Short-term benefits of directors	2,532	2,231
Share-based benefits of directors	1,436	297
Bonuses to executive directors	2,280	2,071
	6,248	4,599

Auditor's remuneration

Group audit and parent company (BDO)	509	362
Audit of subsidiaries (BDO)	508	599
Audit of subsidiaries (non-BDO)	209	207
Total Audit fees	1,226	1,168

Non-audit services provided by parent company auditor and its international member firms

Corporate finance services related to acquisitions	271	320
Other non-audit services	116	133
Tax advisory services	96	418
Total Non-audit fees	483	871

Development costs (net of capitalised development costs of €50.7 million (2016: €35.5 million))

85,191	88,036
--------	--------

NOTE 7 - FINANCING INCOME AND COSTS

	2017 €'000	2016 €'000
A. Finance income		
Interest received	1,850	1,376
Return on available-for-sale investments	17,078	11,894
Finance income - movement in contingent consideration	126,379	-
	145,307	13,270

B. Finance cost

Finance cost - movement in contingent consideration	-	(832)
Exchange differences	(19,693)	(44,696)
Notional interest expenses on convertible bonds	(10,234)	(9,802)
Nominal interest expenses on convertible bonds	(1,485)	(1,485)
Bank charges and interest paid	(2,795)	(4,304)
	(34,207)	(61,119)
Net financing income/(cost)	111,100	(47,849)

NOTE 8 - TAXATION

	2017 €'000	2016 €'000
Current income tax		
Income tax on profits of subsidiary operations	21,856	9,652
Deferred tax (Note 24)	(4,592)	(3,349)
Tax for prior years	241	-
Total tax charge	17,505	6,303

The tax charge for the year can be reconciled to accounting profit as follows:

	2017 €'000	2016 €'000
Profit before taxation	266,615	200,315
Tax at effective rate in Isle of Man	-	-
Higher rates of current income tax in overseas jurisdictions	17,505	6,303

The Group is tax registered, managed and controlled from the Isle of Man and the majority of the profits arise in the Isle of Man where the corporate tax rate is set to zero. 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:

	2017	2016		
	Actual €'000	Adjusted €'000	Actual €'000	Adjusted €'000
Profit for the year attributable to owners of the parent	248,140	231,449	193,030	202,890
Add interest on convertible bond	11,719	1,485	11,287	1,485
Earnings used in diluted EPS	259,859	232,934	204,317	204,375
Basic (cents)	78.9	73.6	61.4	64.6
Diluted (cents)	74.6	66.8	58.8	58.8
	2017	2016		
	Actual Number	Adjusted Number	Actual Number	Adjusted Number
<i>Denominator - basic</i>				
Weighted average number of equity shares	314,504,413	314,504,413	314,130,671	314,130,671
<i>Denominator - diluted</i>				
Weighted average number of equity shares	314,504,413	314,504,413	314,130,671	314,130,671
Weighted average number of option shares	418,290	418,290	2,326,838	2,326,838
Weighted average number of convertible bonds	33,543,403	33,543,403	31,059,798	31,059,798
Weighted average number of shares	348,466,106	348,466,106	347,517,307	347,517,307

As at 31 December 2017, none (2016: 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:

	2017 €'000	2016 €'000
Salaries and personnel-related costs	264,555	234,410
Employee stock option costs	15,094	6,940
	<u>279,649</u>	<u>241,350</u>

Average number of personnel:

<i>Distribution</i>	4,586	4,782
<i>General and administration</i>	458	472
	<u>5,044</u>	<u>5,254</u>

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.
- 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 eighteen to thirty six 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 USD or GBP, 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 employees consent, to settle fully vested and exercisable options for cash instead of issuing shares.

The Group granted 1,615,579 and 1,500,529 nil cost awards in 2017 and 2016 respectively at fair value per share of between £9.625 and £10.06 in 2017 and between £7.955 and £7.895 in 2016.

At 31 December 2017, options under these schemes were outstanding over:

	2017 Number	2016 Number
Shares vested between 18 June 2008 and 18 June 2010 at an exercise price of £3.96 per share	-	3,750
Shares vested between 31 December 2008 and 31 December 2010 at an exercise price of £3.86 per share	-	5,000
Shares vested between 25 April 2009 and 25 April 2012 at an exercise price of £4.35 per share	-	10,000
Shares vested between 28 November 2009 and 28 November 2012 at an exercise price of £3.20 per share	19,735	29,952
Shares vested on 22 May 2012 at an exercise price of £4.155 per share	-	20,000
Shares vested between 18 April 2012 and 18 April 2013 at an exercise price of £5.12 per share	18,000	23,200
Shares vested between 26 August 2012 and 26 August 2013 at an exercise price of £4.16 per share	30,500	35,811
Shares vested on 10 March 2014 at an exercise price of £3.5225 per share	26,500	49,000
Shares will vest between 17 June 2016 and 17 June 2017 at nil cost	-	28,713
Shares vested on 21 December 2016 at nil cost	-	64,935
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	276,825	383,071
Shares will vest on 1 March 2019 at nil cost	246,728	246,728
Shares will vest between 1 September 2017 and 1 March 2019 at nil cost	429,817	677,338
Shares will vest on 21 December 2019 at nil cost	110,183	111,720
Shares will vest between 1 October 2017 and 1 April 2019 at nil cost	324,494	-
Shares will vest on 1 March 2020 at nil cost	1,228,877	-
	<u>2,858,578</u>	<u>1,836,137</u>

Total number of shares exercisable as of 31 December 2017 is 278,982 (2016: 376,213).

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

	2017 Number of options	2016 Number of options	2017 Weighted average exercise price	2016 Weighted average exercise price
Outstanding at the beginning of the year	1,836,137	607,300	£0.38	\$6.99, £1.52
Granted	1,615,579	1,500,529	Nil	nil
Forfeited	(113,339)	(13,215)	Nil	nil
Exercised	(479,799)	(258,477)	£0.67	\$6.99, £0.87
Outstanding at the end of the year	2,858,578	1,836,137	£0.13	£0.38

Included in the number options exercised during the year is 29,689 options (2016: 14,061) where a cash alternative was received.

The weighted average share price at the date of exercise of options was £8.601 (2016: £8.718).

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

Expiry date	Exercise price	2017 Number	2016 Number
Between 15 May 2017 and 31 December 2017	Between \$7.19 and \$7.79 and between £3.39 and £3.96	-	8,750
Between 25 April 2018 and 31 December 2018	\$4.35 and between £3.17 and £5.31	19,735	39,952
Between 22 May 2019 and 6 November 2019	Between £3.70 and £4.16	-	20,000
Between 18 April 2020 and 26 August 2020	Between £4.16 and £5.12	48,500	59,011
Between 10 March 2021 and 16 December 2021	Between £2.30 and £3.52	26,500	49,000
17 December 2024	Nil	-	93,648
21 December 2025	Nil	423,744	529,990
Between 21 December 2026 and 31 December 2026	Nil	786,728	1,035,786
Between 1 March 2027 and 28 June 2027	Nil	1,553,371	-
		2,858,578	1,836,137

Markets ESOP

The Group has the following employee share option plans ("ESOP") for the granting of non-transferable options to certain employees:

- TradeFX 2009 Global Share Option Plan ("the First Plan"), options granted under the first plan vest on the first day on which they become exercisable which is typically between one to four years after grant date.
- Long Term Incentive Plan 2012 ("LTIP"), awards (options, conditional awards or forfeitable share award) granted under the plan vest on the first day on which they become exercisable which is typically between eighteen to thirty six months after grant date.
- Tradetech Performance Share Plan 2017 ("the Second Plan"), options granted under the second plan vest three years after grant date, according to performance targets in the years 2017 and 2018.

The overall term of the ESOP is ten years. These options are settled in equity once exercised. Option prices are either denominated in USD, depending on the option grant terms.

Total number of share options exercisable as of 31 December 2017 is 100,416 (2015: 10,126 ; 2016: 55,734).

	2017 Number	2016 Number
Shares vested between 1 June 2011 and 31 December 2017 at an exercise price of \$4 per share	750	3,800
Shares vested between 1 November 2013 and 31 December 2017 at an exercise price of \$12 per share	4,475	4,338
Shares vested between 1 December 2016 and 31 December 2017 at an exercise price of \$70 per share	95,191	47,596
	100,416	55,734
Shares vesting on 1 January 2017 at an exercise price of \$12 per share	-	612
Shares vesting between 1 January 2017 and 31 August 2020 at an exercise price of \$70 per share	53,495	103,715
Shares will vest between June 2020 November 2020 at nil cost	7,898	-
	61,393	104,327
	161,809	160,061

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

	2017	2016	2017	2016
	Number of options	Number of options	Weighted average exercise price	Weighted average exercise price
Outstanding at the beginning of the year	160,061	168,899	\$ 60.7	\$ 60.7
Granted through the year	7,898	11,000	\$ 70	\$ 70
Forfeited	(5,600)	(12,410)	\$ 36.75	\$ 36.75
Exercised	(550)	(7,428)	\$ 9.17	\$ 9.17
Outstanding at the end of the year	161,809	160,061	\$ 66.64	\$ 66.64

Included in the number of options exercised during the year is 550 (2016: 1,049) where a cash alternative was received. The weighted average share price at the date of exercise of options was \$5.82.

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

	2017	2016
	Number	Number
Share options to be expired between 1 June 2020 and 1 August 2022 at an exercise price of \$4 per share	750	3,800
Share options to be expired between 1 September 2022 and 1 November 2023 at an exercise price of \$12 per share	4,475	4,950
Share options to be expired between 1 December 2024 and 10 March 2025 at an exercise price of \$70 per share	148,686	151,311
Share options to be expired between June 2027 and November 2027 at nil cost	7,898	-
	161,809	160,061

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	Computers	Gaming machines	Office furniture, equipment and motor vehicles	Freehold and leasehold buildings and improvements	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2016	67,191	-	8,973	26,598	102,762
Additions	14,754	3,062	2,844	5,564	26,224
Acquired through business combinations	2,229	12,163	1,049	44	15,485
Disposals	(243)	(3)	(218)	(169)	(633)
Foreign exchange Movements	51	2	24	1	78
At 31 December 2016	83,982	15,224	12,672	32,038	143,916
Accumulated depreciation					
At 1 January 2016	43,411	-	3,467	4,547	51,425
Charge	12,630	2,789	2,058	2,615	20,092
Disposals	(203)	(3)	(124)	(199)	(529)
Foreign exchange Movements	26	1	8	-	35
At 31 December 2016	55,864	2,787	5,409	6,963	71,023
Net Book Value					
At 31 December 2016	28,118	12,437	7,263	25,075	72,893
At 31 December 2015	23,780	-	5,506	22,051	51,337

	Computers	Gaming machines	Office furniture and equipment	Buildings and leasehold buildings and improvements	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2017	83,982	15,224	12,672	32,038	143,916
Additions	15,009	11,816	2,717	5,150	34,692
Acquired through business combinations	101	1	44	-	146
Disposals	(1,610)	-	(415)	(1,785)	(3,810)
Foreign exchange Movements	(175)	(5)	(74)	(2)	(256)
At 31 December 2017	97,307	27,036	14,944	35,401	174,688
Accumulated depreciation					
At 1 January 2017	55,864	2,787	5,409	6,963	71,023

Charge	14,842	5,835	2,764	3,103	26,544
Disposals	(1,490)	66	(251)	(1,351)	(3,026)
Foreign exchange movements	90	3	36	2	131
At 31 December 2017	69,306	8,691	7,958	8,717	94,672
Net Book Value					
At 31 December 2017	28,001	18,345	6,986	26,684	80,016

NOTE 12 - INTANGIBLE ASSETS

	Patents, domain names and license	Technology IP	Development costs	Customer list & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'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 assets	-	-	-	-	(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
As of 31 December 2015	48,510	26,128	57,885	149,136	469,213	750,872

	Patents, domain names & License	Technology IP	Development costs	Customer list & Affiliates	Goodwill	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cost						
As of 1 January 2017	79,123	93,983	158,733	391,756	620,257	1,343,852
Additions	1,601	-	50,683	1,460	-	53,744
Disposals	(2,838)	-	(2,349)	(28)	-	(5,215)
Assets acquired on business combinations	1,289	9,389	3,336	15,623	98,940	128,577
Assets acquired on business combinations in prior year					2,017	2,017
Impairment of intangible asset	-	-	-	-	(7,845)	(7,845)
Foreign exchange movements	(4,595)	(2,619)	(2,137)	(12,216)	(33,793)	(55,360)
As of 31 December, 2017	74,580	100,753	208,266	396,595	679,576	1,459,770
Accumulated amortisation						
As of 1 January 2017	20,439	26,093	87,657	195,028	-	329,217
Provision	7,909	16,101	27,976	35,001	-	86,987
Disposals	-	-	(2,349)	(28)	-	(2,377)
Foreign exchange movements	(627)	(779)	(822)	(3,061)	-	(5,289)
As of 31 December 2017	27,721	41,415	112,462	226,940	-	408,538

Net Book Value

As of 31 December 2017	46,859	59,338	95,804	169,655	679,576	1,051,232
------------------------	--------	--------	--------	---------	---------	-----------

In 2016 amortisation included €3.3 million in relation to the release of the buyout of reseller agreement.

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets, including goodwill. Goodwill is allocated to thirteen (2016: eleven) cash generating units ("CGU"). Following the restructure of the Sports division, the previous CGU's of Mobenga, Genuity, BGT and other acquisitions were combined to form the Sports CGU. Also, Quickspin and other gaming studios were combined with the Casino product in accordance with IAS 36. Management determines which of those CGU's 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 million, €221.5 million (2016: \$265.3 million, €252.3 million)
- Services, with a carrying value of €95.2 million (2016: €100.0 million);
- Sport, with a carrying value of €132.5 million (2016: €126.1 million, BGT €88.3 million);
- Casino product, with a carrying value of €81.8 million (2016: current presentation €67.1 million, previous presentation €34.0 million, Quickspin €26.8 million, Other acquisitions €6.3 million);
- Tradetech Alpha, with a carrying value of €63.5 million (2016: €0.9 million);

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 one year period to 31 December 2018 in addition to 2-3 years 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 discount rates to the cash flow projections between 10.53% and 24.53% (2016: between 11.9% and 13.9%).

In 2017 the results of the review indicated that there was an impairment of goodwill of the 1 CGU in a total amount of €7.8 million (2016: €12.3 million) which has been charged to the income statement.

The directors' sensitivity analysis does not result in an impairment charge of any other CGU and, given the level of headroom in value in use they show, the directors do not envisage reasonably possible changes to the key assumptions would be sufficient to cause an impairment at this time.

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 there was no impairment of the intangible assets at 31 December 2017.

NOTE 13 - INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES & JOINT VENTURES

	2017 €'000	2016 €'000
Investment in joint ventures comprise:		
A. Investment in joint ventures	1,255	2,091
Investment in equity accounted associates:		
B. Investment in associates	17,400	11,612
C. Investment in structured agreements	18,561	25,323
	<hr/> 37,216	<hr/> 39,026

A. Investment in joint ventures

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 investments of €1.4 million during the year (2016: €1.4 million).

Other individually immaterial investments in joint venture

During the year the Group paid €0.1 million consideration to other joint venture.

Movements in the carrying value of the investment during the year are as follows:

	€'000
Investment in joint venture at 1 January 2017	2,091
Share of profit in joint venture	464
Investment in joint venture in the year	100
Return of investment	<hr/> (1,400)
Investment in joint venture at 31 December 2017	<hr/> 1,255

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 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. At the reporting date the Group's NBV of investment in BGO totals €7.9 million (2016 €7.0).

Aggregated amounts relating to BGO Limited are as follows:

	2017 €'000	2016 €'000
Total non-current assets	124	77
Total current assets	9,581	5,958
Total non-current liabilities	(3,417)	(3,521)
Total current liabilities	(5,568)	(4,475)
Revenues	39,401	40,609
Profit/(loss)	3,128	(3,484)

Other individually immaterial investments

During the year the Group paid €7.3 million consideration to non-controlling investments (2016: €0.2 million additional consideration to non-controlling investments acquired in previous years). At the reporting date the Group's NBV of the other investments totals €9.5 million (2016 €4.6).

Total associates:

	€'000
Investment in associates at 1 January 2017	11,612
Share of loss	(662)
Investment in associates in the year	7,269
Subsidiary acquired in steps	(819)
Investment in associates at 31 December 2017	17,400

C. Investment in structured agreements

During the year the Group invested additional €0.7 million in an existing agreement (2016: The Group entered into two agreements with a Nil initial cost and additional €1.4 million invested in existing agreements). These structured agreements are individually immaterial. During the year the Group impaired €7.5 million of structured agreements (2016: €1.6 million).

Movement in structured agreements:

	€'000
Investment in structured agreements at 1 January 2017	25,323
Additional investment in structured agreements in the year	698
Impairment of investment in structured agreements	(7,460)
Investment in structured agreements at 31 December 2017	18,561

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 was calculated as follows:

Profit on disposal of investment of associate	2016 €'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-SELL INVESTMENTS

	2017 €'000	2016 €'000
Investment in available-for-sale investments at 1 January	230,278	237,100
Investment in the year (Note 13c)	-	44,477
Decline in fair value of available-for-sale investment recognised in income statement	(467)	-
Unrealised valuation movement recognised in equity	157,809	(53,868)
Foreign exchange Movements	(6,274)	2,569
Investment in available-for-sale investments at 31 December	<u>381,346</u>	<u>230,278</u>
	2017 €'000	2016 €'000

Available-for-sale financial assets include the following:

Quoted:		
Equity securities - UK	378,210	225,280
Equity securities - Asia	3,136	4,998
	<u>381,346</u>	<u>230,278</u>

The fair value of quoted investments is based on published market prices (level one).

The maximum exposure of the available for sale financial assets 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

	2017 €'000	2016 €'000
Loans to customers	-	7,293
Loan to affiliate	2,208	4,382
Rent and car lease deposits	3,779	3,758
Guarantee for gaming licenses	2,000	2,000
Related parties (Note 28)	-	5,050
Deferred tax	2,775	2,025
Non-current prepayments	600	740
Other	<u>8,631</u>	<u>1,613</u>
	<u>19,993</u>	<u>26,861</u>

NOTE 16 - TRADE RECEIVABLES

	2017 €'000	2016 €'000
Customers	102,253	71,506
Related parties (Note 28)	4,912	2,238
	<u>107,165</u>	<u>73,744</u>

NOTE 17 - OTHER RECEIVABLES

	2017 €'000	2016 €'000
Prepaid expenses	18,857	17,054
VAT and other taxes	11,326	9,675
Advances to suppliers	158	2,141
Proceeds from disposal of investment (note 13c)	39,426	39,865
Related parties (Note 28)	190	228
Loans to associates (Note 28)	6,334	-
Other receivables	<u>17,031</u>	<u>5,003</u>
	<u>93,322</u>	<u>73,966</u>

NOTE 18 - CASH AND CASH EQUIVALENTS

	2017 €'000	2016 €'000
Cash at bank	558,527	409,158
Cash at brokers	17,771	-
Deposits	7,659	135,685
	<u>583,957</u>	<u>544,843</u>

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.

	2017 €'000	2016 €'000
Funds attributed to jackpots	46,870	31,587
Security deposits	15,805	15,172
Client deposits	71,628	76,229
Client funds	37,074	29,863
	<hr/> 171,377	<hr/> 152,851

NOTE 19 - SHAREHOLDERS' EQUITY

A. Share Capital

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

	2017 Number of Shares	2016 Number of Shares
Authorised*	N/A	N/A
Issued and paid up	317,344,603	317,344,603

* 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 2016 the Group cancelled 5,280,000 shares as part of share buy back 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 450,110 shares (2016: 244,416) were issued as a settlement for employee share option exercises with a cost of €3.8 million (2016: €2.1 million), and as of 31 December 2017, a balance of 2,585,563 (2016: 3,035,673) shares remains in the trust with a cost of €21.6 million (2016: €25.4 million).

C. Share options exercised

During the year 479,799 (2016: 258,477) share options were exercised. The Group cash-settled 29,689 share options during the year (2016: 14,061).

D. Distribution of Dividend

In June 2017, the Group distributed €68,404,085 as a final dividend for the year ended 31 December 2016 (21.7 € cents per share).

In October 2017, the Group distributed €36,251,442 as an interim dividend in respect of the period ended 30 June 2017 (12.1 € 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

NOTE 20 - LOANS AND BORROWINGS

The loan balance as of 31 December 2017 is €200 million (2016: €200 million). The loan is a revolving credit facility available until June 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, totaled €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 €8.8542 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 of the bond at 31 December 2017 was €342.4 million (2016: €341.3 million), based on readily available quoted prices.

The amortised cost of the liability component of the Bonds (including accrued interest) at 31 December 2017 amounted to €276.6 million (2016: €266.2 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 2017 was €45.4 million (2016: €45.4 million).

NOTE 22 -CONTINGENT CONSIDERATION AND REDEMPTION LIABILITIES

	2017 €'000	2016 €'000
Non-Current contingent consideration consists:		
Acquisition of Tradetech Markets Limited	-	139,133
Acquisition of ACM Group (Note 26b)	66,791	-
Acquisition of Quickspin AB (Note 27a)	14,670	24,143
Acquisition of Eyecon Limited (Note 26a)	1,315	
Acquisition of Playtech BGT Sports Limited (Note 27b)	-	4,792
Other acquisitions (Note 26c)	4,518	1,645
	<u>87,294</u>	<u>169,713</u>

Non-Current redemption liability consists:

Acquisition of Consolidated Financial Holdings A/S (Note 27d)	22,398	17,102
Acquisition of Playtech BGT Sports Limited (Note 27b)	25,934	16,593
Acquisition of ECM Systems Holdings Limited (Note 27c)	1,190	1,142
Other acquisitions	264	-
	<u>49,786</u>	<u>34,837</u>
Total Non-Current contingent consideration and redemption liability	137,080	204,550

Current contingent consideration consists:

Acquisition of ACM Group (Note 26b)	4,601	-
Acquisition of Quickspin AB (Note 27a)	9,440	-
Acquisition of Playtech BGT Sports Limited (Note 27b)	4,958	-
Acquisition of ECM Systems Holdings Limited (Note 27c)	-	3,061
Acquisition of Consolidated Financial Holdings A/S (Note 27d)	-	336
Other acquisitions	1,593	1,180
	<u>20,592</u>	<u>4,577</u>

On 8 May 2015, the Group acquired 95.05% of the shares of Tradetech Markets Limited (previously named TradeFX), 91.1% on fully diluted basis. The Group paid total cash consideration of €208 million and additional cash consideration, capped at €250 million, was to be payable based on 2017 EBITDA multiple, less initial consideration. Following the completion of the 2017 results, which were negatively impacted by one-sided crypto currency trading in the final quarter of 2017, compounded by a lack of volatility in other asset classes for the majority of the second half of 2017, the directors calculate that there is no further consideration payable and so the contingent consideration liability was released to the income statement.

NOTE 23 - TRADE PAYABLES

	2017 €'000	2016 €'000
Suppliers	30,554	23,235
Fair value of open B2B financial trading positions	25,739	-
Customer liabilities	5,091	3,932
Related parties (Note 28)	-	573
Other	585	431
	<u>61,969</u>	<u>28,171</u>

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:

	2017 €'000	2016 €'000
At the beginning of the year	40,443	14,049

Arising on the acquisitions during the year (Note 26)	781	29,743
Reversal of temporary differences, recognised in the consolidated statement of comprehensive income (Note 8)	(4,592)	(3,349)
Reversal of deferred tax upon sale of intangible asset recognised in the consolidated statement of comprehensive income	(3,824)	-
Foreign exchange Movements	(1,525)	-
	31,283	40,443

NOTE 25 - OTHER PAYABLES

	2017	2016
	€'000	€'000
Payroll and related expenses	41,322	37,626
Accrued expenses	17,923	16,328
Related parties (Note 28)	402	1,309
Other payables	4,151	3,173
	63,798	58,436

NOTE 26 - ACQUISITIONS DURING THE YEAR

A. Acquisition of Eyecon Limited and Eyecon PTY

On 7 February 2017, the Group acquired 100% of the shares of Eyecon Limited and Eyecon PTY (together "Eyecon"), an Australian specialist supplier of online gaming slots software.

The Group paid total cash consideration of €27.7 million (GBP 23.7 million) and additional consideration capped at €29.0 million (GBP 25.0 million) in cash will be payable based on an EBITDA multiple less initial consideration paid and is payable in 2020.

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	77
Intangible assets	12,990
Trade and other receivables	1,361
Cash and cash equivalent	575
Trade payables	(2,834)
Net identified assets	12,169
Goodwill	16,859
Fair value of consideration	29,028
	€'000
Cash consideration	27,735
Non-current contingent consideration	1,486
Finance cost arising on discounting of contingent consideration	(193)
Fair value of consideration	29,028
Cash purchased	(575)
Net cash payable	28,453

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
IP Technology	9,279	16.7-33
Customer relationships	2,436	10
Brand	1,275	10

The main factor leading to the recognition of goodwill is the revenue stream from new games and new licensees, assembled work force with vast experience and strong records and cost synergies. In accordance with IAS36, the Group will regularly monitors the carrying value of its interest in Eyecon.

The key assumptions used by management to determine the value in use of the Customer relationships within Eyecon are as follows:

- The MPEEM income approach.
- The discount rate assumed is equivalent to the WACC for the Customer relationships.
- 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 Brand within Eyecon 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 Brand.
- The discount rate assumed is equivalent to the WACC for the Brand.
- 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 Eyecon 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.
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed Eyecon 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 2017 been disclosed, because the amounts are not material.

B. Acquisition of ACM Group assets

On 1 October 2017, the Group acquired technology, Intellectual property and certain customer assets (together "the assets") from ACM Group Limited to enhance its Financials Division's B2B offering and to deliver a bespoke risk management and trading solution to B2B customers.

The Group paid total cash consideration of €4.2 million (\$5.0 million) and additional consideration capped at €122.7 million (\$145.0 million) in cash will be payable based on 2017, 2018 and 2019 EBITDA multiple and is payable annually over the term.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Intangible assets	12,602
Goodwill	62,573
Fair value of consideration	<u>75,175</u>
	€'000
Cash consideration	4,233
Non-current contingent consideration	69,621
Current contingent consideration	4,984
Finance cost arising on discounting of contingent consideration	<u>(3,663)</u>
Fair value of consideration	<u>75,175</u>

The fair value of the assets acquired:

	Amount €'000	Amortisation %
Customer relationships	12,602	7

The main factor leading to the recognition of goodwill is ACM's well-known brand and market in the CFD industry with strong customer relationship, key personnel and future revenue and cost synergies. In accordance with IAS36, the Group will regularly monitor the carrying value of its interest in ACM Group assets.

The key assumptions used by management to determine the value in use of the Customer relationships within ACM Group assets are as follows:

- The MPEEM income approach.
- The discount rate assumed is equivalent to the WACC for the Customer relationships.
- The growth rates and attrition rates were based on market analysis.

Management has not disclosed ACM contribution to the Group profit since the acquisition, because the amounts are not material. The combined Group revenue as if ACM acquisition had occurred on 1 January 2017 would have been higher by €9.2 million, the combined Group adjusted EBITDA and adjusted net profit would have been higher by €2.1 million.

C. Other acquisitions

During the period, the Group acquired the shares of various companies for a total consideration of €14.4 million. One of these subsidiaries was acquired in steps, additional 45% acquired in the year and previous consideration of €0.8 million paid to acquire the previously recognized 35% interest in associate. A fair value movement was required on conversion to a subsidiary of €0.1m.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Fair value on acquisition €'000
Intangible assets	3,812
Trade and other receivables	897
Loans acquired	(8,629)
Cash and cash equivalent	1,386
Trade and other liabilities	(1,912)
Deferred tax liability	(781)
Net identified assets	<u>(5,227)</u>
Non-controlling interest	<u>(117)</u>

Goodwill	19,741
Total fair value of consideration	14,397
<hr/>	
	€'000
Cash consideration	8,582
Deferred consideration	144
Non-current contingent consideration	4,749
Current contingent consideration	557
Finance cost arising on discounting of contingent consideration	(454)
Conversion of previously recognised associate	819
Fair value of consideration	14,397
Cash purchased	(1,386)
Net cash payable	13,011

Adjustments to fair value include the following:

	Amount €'000	Amortisation %
IP Technology	2,345	12.5-50
Customer relationships	353	12.5

The main factor leading to the recognition of goodwill is the frontend framework and its software integration, unique workforce and future revenue and cost synergies. In accordance with IAS36, 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 and Customers relationship within these acquisitions are as follows:

- The income approach, in particular, the MPEEM method and the with and without models.
- The discount rate assumed is equivalent to the WACC for the IP Technology and the Customer relationship.
- 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 2017 been disclosed, because the amounts are not material.

NOTE 27 - ACQUISITIONS IN PRIOR 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.

B. Acquisition of Playtech BGT Sports Limited (previously named 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 6 times 2019 EBITDA capped at €55.0 million. The founder and CEO of BGT has certain put options over his 10% holding at the same valuation.

In December 2017 the Group announced the internal re-organisation of the Playtech BGT Sports division ("PBS"). As part of the re-organisation the basis for the consideration payable on the put/call was revised, which will result in Dr. Segeder will be rewarded for the incremental growth of the non-BGT business in addition to the BGT standalone business. The maximum amount payable pursuant to the revised arrangements was increased to €95.0 million.

The increase in the liability fair value as a result of the revised put/call option terms was recognised as employment cost in the income statement and non-current liability. The fair value of the put/call option liability as of 31 December 2017 was €25.9 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. Total payments in the current year are €2.0 million.

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 paid €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 2017 was €1.1 million. The Group paid to an escrow account the fair value of the option.

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 ECM.

The Group paid total cash consideration of €38.6 million (\$41.0 million). The company paid €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 6 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. In 2017 the Group acquired 5.83% of minority shares for a total consideration of €3.07 million. Accordingly, the proportional part of the redemption liability and the put/call option capital reserve of a total €3.3 million was removed. The fair value as of 31 December 2017 of the put/call option to purchase/sale the remaining 24.17% shares was €22.4 million.

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.

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.

On 27 June 2017, Brickington Trading Limited ("Brickington") decreased its holding to 6.3% (31 Decemebr 2016: 21.93%) of Playtech plc shares and the relationship agreement terminated. From this date Brickington no longer meets the definition of a related party. Accordingly, the following companies are not accounted as related parties from the same date:

Skywind Holdings Limited ("Skywind"), SafeCharge Limited, Crossrider Technologies Ltd ("Crossrider"), Royalfield Limited, Easydock Investments Ltd. (Easydock), Selfmade Holdings, Glispa GmbH ("Glispa"), Anise Development Limited and Anise Residential Limited (together "Anise").

The transaction amounts with the abovementioned companies reflects the period ended 27 June 2017, when they ceased to be related parties.

Mr Teddy Sagi, the ultimate beneficiary of Brickington, provides advisory services to the Group for a total annual consideration of €1.

The joint ventures and the structured agreements are associates of the Group by virtue of the Group's significant influence over those arrangements.

The following transactions arose with related parties:

	2017 €'000	2016 €'000
Revenue including revenue from associates		
Skywind	720	1,683
Structured agreements and associates	<u>21,294</u>	<u>12,904</u>
Share of profit in joint venture	464	146
Share of loss in associates	<u>(662)</u>	<u>(693)</u>
 Operating expenses		
SafeCharge Limited	3,612	6,150
Crossrider	1,314	2,615
Structured agreements	9	1,309
Anise	518	1,037
Skywind, net of capitalised cost	334	82
Glispa GmbH	165	28
Selfmade Holdings	-	11
Royalfield Limited	-	4
Easydock	<u>-</u>	<u>1</u>
 Interest income		
Structured agreements	<u>85</u>	<u>-</u>

The following are year-end balances:

Intangible assets		
Skywind		4,128
Cash and cash equivalent		
Safecharge Limited		2,968
Structured agreements and associates		5,050
Total non-current related party receivables		5,050
Structured agreements and associates	11,246	1,971
Skywind	-	267
Crossrider	-	228
Associates and joint ventures	190	-
Total current related party receivables	11,436	2,466
SafeCharge Limited	-	200
Structured agreements	402	1,682
Total related party payables	402	1,882

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	Isle of Man	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 Gentity 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
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 license
Intelligent Gaming Systems Limited	UK	100%	Casino management systems to land based businesses
VF 2011 Limited	Alderney	100%	Holds license in Alderney for online gaming and Bingo B2C operations
PT Turnkey Services Limited	British Virgin Islands	100%	Holding company of the Turnkey Services group
PT Turnkey EU Services	Cyprus	100%	Turnkey services for EU online

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Limited			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 employees services to parent company
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 license 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 VLT's
V.B. Video (Italia) S.r.l.	Italy	100%	Trading company for the Aristocrat Lotteries VLT's
PT Entertainment Services LTD	Antigua	100%	Holding gaming license in the UK
Tradetech Markets Limited	Isle of man	98.62%	Owns the intellectual property rights and marketing and technology contracts of the financial division
Safecap Limited	Cyprus	98.62%	Primary trading company of the Financial division. Licensed investment firm and regulated by Cysec
TradeFXIL limited	Israel	98.62%	Financial division sales, client retention, R&D and marketing
ICCS BG	Bulgaria	98.62%	Financial division back office customer support
Magnasale	Cyprus	98.62%	Financial division. Licensed and regulated investment firm
Stronglogic Services Limited	Cyprus	98.62%	Maintains the financial division marketing function for EU operations
Yoyo Games Limited	UK	100%	Casual game development technology
Quickspin AB	Sweden	75.86%	Owns video slots intellectual property

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Best Gaming Technology GmbH	Austria	90%	Owes sports betting intellectual property solutions and primary trading company for sports betting
ECM Systems Holdings Ltd	UK	90%	Owes bingo software intellectual property and bingo hardware
Consolidated Financial Holdings AS	Denmark	70%	Owes the intellectual property which provides brokerage services, liquidity and risk management tool
CFH Clearing Limited	UK	70%	Primary trading company of CFH Group
Eyecon Limited	Alderney	100%	Develops and provides online gaming slots
Tradetech Alpha Limited	Isle of Man	100%	Regulated FCA broker providing trading, risk management and liquidity solutions

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 financial trading 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 associates for a total amount of €8.5 million (2016: €5.5 million). The average interest on the loans is 5%.

A 1% change in deposit interest rates would impact on the profit before tax by €85 thousands.

B. Credit risk

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

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

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

Wherever possible and commercially practical the Group invests cash with major financial institutions that have a rating of 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 3% of its funds (2016: 4%) in financial institutions below A- rate and 8% in payment methods with no rating (2016: 2%).

	Total €'000	Financial institutions with A- and above rating €'000	Financial institutions below A- rating and no rating €'000
--	----------------	--	---

At 31 December 2017	583,957	520,147	63,810
At 31 December 2016	544,843	476,904	67,939

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 2017	107,165	82,517	16,075	8,573
At 31 December 2016	73,744	55,928	5,325	12,491

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:

	2017 €'000	2016 €'000
Provision at the beginning of the year	1,132	86
Charged to income statement	565	795
Provision acquired through business combination	-	404
Utilised	(267)	(153)
Provision at end of year	1,430	1,132

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.

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 2017 includes available-for-sale investments with a value of €381.3 million (2016: €230.3 million) which are subject to fluctuations in the underlying share price.

A change of 1% in price will have an impact of €3.8 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.

Financial 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.

	€'000	€'000
Client deposits	43,741	46,760
Open positions	(6,667)	(16,897)
Client funds	37,074	29,863

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 2017 was €71.6 million (2016: €76.2 million).

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
2017				
Trade payables	61,969	61,969	-	-
Other accounts payable	63,798	63,798	-	-
Loans and borrowings	200,000	200,000	-	-
Progressive and other operators' jackpots	62,675	62,675	-	-
Client deposits	71,628	71,628	-	-
Client funds	37,074	37,074	-	-
Contingent consideration and redemption liability	157,672	42,990	114,682	-
Other non-current liabilities	474	-	-	474
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 deposits	76,229	76,229	-	-
Client funds	29,863	29,863	-	-
Contingent consideration	209,127	4,577	204,550	-
Other non-current liabilities	1,627	-	-	1,627

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:

	2017 €'000	2017 €'000	2016 €'000	2016 €'000
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalent	583,957	583,957	544,843	544,843
Available-for-sale investments	381,346	381,346	230,278	230,278
Other assets	198,848	198,848	174,571	174,571
Deferred and contingent consideration and redemption liability	157,672	157,672	209,127	209,127
Convertible bonds	342,000	276,638	341,300	266,230
Loans and borrowings	200,000	200,000	200,000	200,000
Other liabilities	164,369	164,369	148,319	148,319

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 2 to 5 years and many have break clauses. Total operating lease cost before capitalization in the year was €17.9 million (2016: €14.7 million).

The total future value of minimum lease payments is due as follows:

	2017 €'000	2016 €'000
Not later than one year	15,564	15,257
Later than one year and not later than five years	38,606	38,470
Later than five years	9,185	1,249
	63,355	54,976

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR ELLBLVLFZBBE