888 HOLDINGS

LEADING THE FUTURE OF ONLINE GAMING

888 HOLDINGS PLC

ANNUAL REPORT & ACCOUNTS

2016

WELCOME TO

888 HOLDINGS

888: THE NAME CUSTOMERS CAN TRUST

888 is one of the world's most popular online gaming entertainment and solutions providers. 888's mission is to supply customers with market-leading online gaming entertainment, above all in a safe and secure environment.

At the heart of 888's business is its cutting-edge proprietary gaming technology and associated platforms which are operated by highly sophisticated business analytics-driven marketing and customer relationship management. These strengths enable 888 to deliver to customers and Business to Business partners alike market-leading and continually innovative online gaming entertainment products and solutions.

888 is always mindful of the complex regulatory environment in which it operates and the social responsibility that comes hand-in-hand with the online gaming industry. 888 continually invests time and resources in caring for and protecting its customers and, by successfully doing this, 888's business will continue to grow and prosper.

OVERVIEW OF 888

Overarching 888 brand

888

888's B2C offering

888 bingo | 888 poker | 888 casino | 888 sport

888's B2B offering

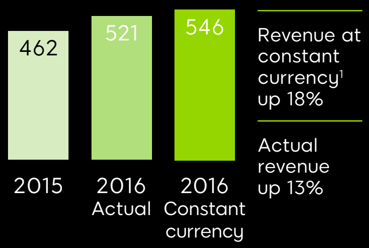
Dragonfish

This Annual Report may contain statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and 888 Holdings plc (the "Company") and its subsidiaries (together, "888", or the "Group") undertake no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing 888 including, without limitation, those risks described in this Annual Report and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this Annual Report should be construed as a profit forecast.

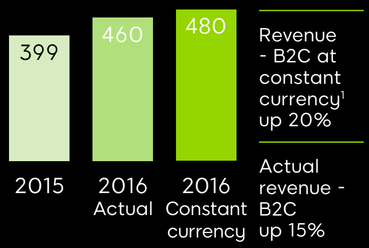
HIGHLIGHTS

Another successful year for 888

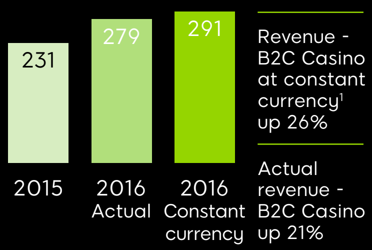
Revenue
US$ million



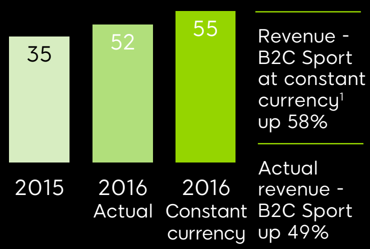
Revenue – B2C
US$ million



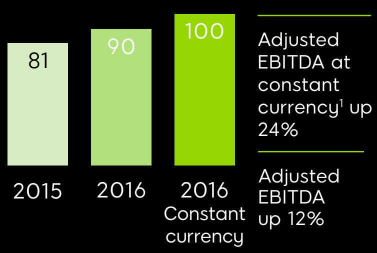
Revenue – B2C Casino
US$ million



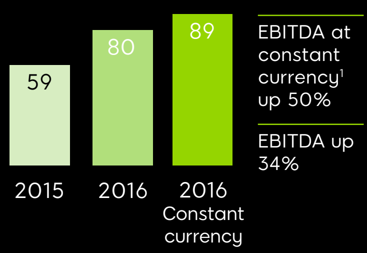
Revenue – B2C Sport
US$ million



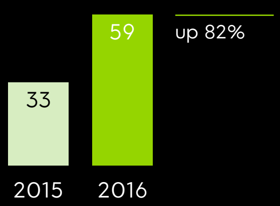
Adjusted EBITDA[2]
US$ million



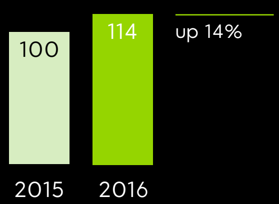
EBITDA
US$ million



Profit Before Tax
US$ million



First Time Depositors (FTDs) %



1 As defined in footnote on page 16.
2 As defined in table set out on page 17.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

> For more information see our website:
corporate.888.com

AT A GLANCE

888 is one of the world's most popular online gaming entertainment and solutions providers. More than a million customers enjoy our online gaming entertainment across more than 100 countries.

MISSION

888's mission is to exceed its customers' expectations and provide the most enjoyable online gaming experience possible. 888 is mindful of the complex regulatory environment in which it operates and the social responsibility that comes hand-in-hand with the online gaming industry. 888 always invests time and resources in caring for and protecting its customers and, by successfully doing this, 888's business will continue to grow and prosper.

ABOUT US

888 has been at the forefront of the online gaming industry since foundation in 1997, providing to players and B2B partners an always innovative and world-class online gaming experience. At the heart of 888's business is its proprietary gaming technology and associated platforms, allowing 888 to differentiate itself from and innovate ahead of competitors.

888 HOLDINGS IS AN…

ESTABLISHED AND GROWING

In the growing and dynamic global online gaming industry, 888 has a proven track-record of consistent growth and outperformance. Revenue in 2016 increased by 13% and 18% at constant currency*.

TECHNOLOGY-CENTRIC

At the heart of 888's business is its cutting-edge, proprietary online gaming technology that underpins the Group's ability to deliver a first class gaming experience across platforms to customers.

INCREASINGLY REGULATED AND DIVERSIFIED

The Group has a portfolio of strong, trusted Business to Customer ("B2C") brands and a leading Business to Business ("B2B") business, Dragonfish. The Group has established leading positions in the Casino, Poker and Bingo markets and is focused on developing the fast-growing 888sport brand. The Group's is truly diversified with successful operations under ten licences.

…GLOBAL INDUSTRY LEADER.

* Constant currency in this document as defined on page 16

WHERE WE OPERATE

888's strong performance continued in the core UK market as well as in key regulated markets in Spain and Italy. During 2016, 888 received a sports betting licence in Ireland as well as casino, poker and sports betting licences in both Denmark and Romania.

UK

888 continued to deliver strong growth in the core UK market with a revenue increasing 16% year on year at constant currency and 5% increase in reported revenue, driven primarily by continued momentum in Casino and Sport supported by cost efficient marketing and effective CRM.

SPAIN

In Spain 888 offers its Casino, Sport and Poker offering across mobile and desktop platforms. Spain is now 888's second largest market and revenue in 2016 continued to grow impressively by 45%, further capitalising on the introduction of slot games midway through 2015 and its Sport offering.

ITALY

In Italy, 888 offers Casino and, as of Q1 2016, Sport on mobile and desktop platforms. 888 continued to grow with revenue rising 66% year on year. This was driven by the launch of 888sport.it in Q1, supported by online and offline marketing campaigns.

DENMARK

In Denmark, 888 offers Casino, Poker and Sport products across mobile and desktop platforms. 888 delivered a solid performance following the Group's launch during 2015 and has quickly built momentum in this exciting market supported by effective online and offline marketing activities.

IRELAND

In 2015, the Group obtained a Sport betting licence in Ireland.

ROMANIA

During 2015, 888 received casino, poker and sports betting licences in Romania.

USA

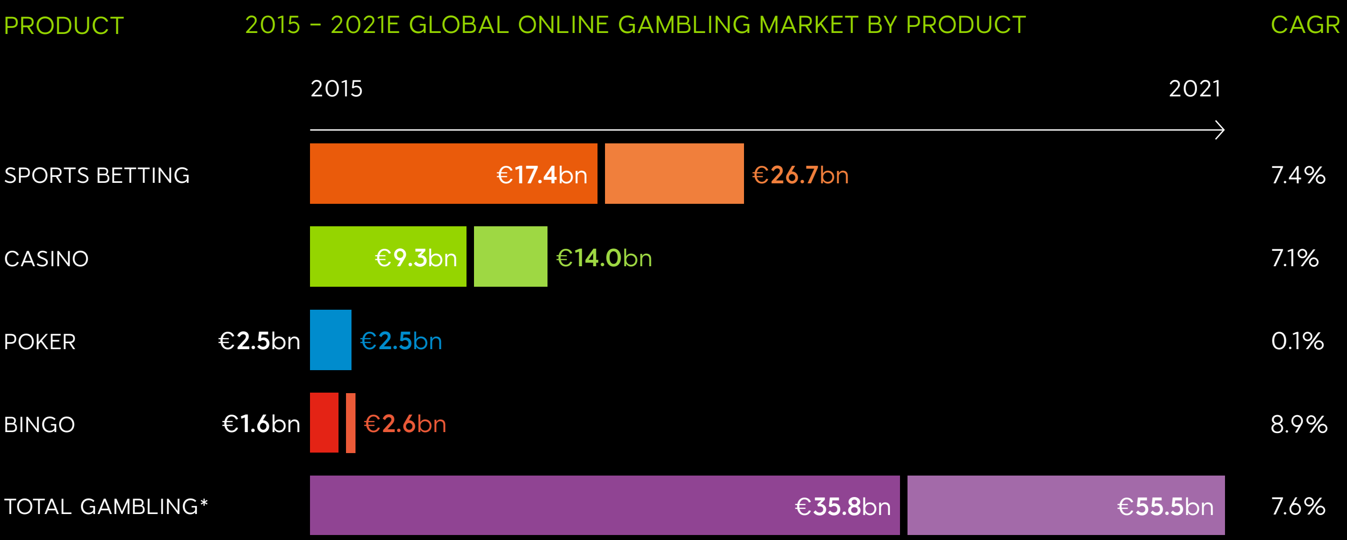
888 is the only operator in all three regulated US states of Nevada, Delaware and New Jersey. Trading in the US has remained in line with the Board's expectations and the Group continues to benefit from the successful launch of the shared poker player liquidity across Delaware and Nevada in early 2015.

ONLINE GAMING IS A GLOBAL GROWTH MARKET

The global online gaming industry is fast-growing and dynamic, supported by technological developments and government regulation.

The online gaming industry has experienced rapid growth since its inception during the mid-1990s and continues to demonstrate strong growth fundamentals. This is supported by product innovation, customers' ever greater access to high-speed and reliable internet connections, the popularity of smart mobile devices, and government regulation.

With the growth of online gaming, many governments have adopted and are continuing to adopt specific regulatory frameworks for the industry and 888 remains focused on growing in sustainable, regulated markets. Whilst new regulation increases duties and costs for operators, it also creates opportunities for brands with scale, proprietary technology and a marketing edge to access new customers in new markets and grow.



* Also includes skill games and lotteries.

Source: H2 Gambling Capital (2 March 2017).

2015 GLOBAL ONLINE GAMBLING MARKET

€35.8bn

With 30.1% from mobile

2021 ESTIMATED GLOBAL ONLINE GAMBLING MARKET

€55.5bn

With 45.8% estimated to be from mobile

WHAT MAKES US DIFFERENT

At the heart of 888's business is its proprietary gaming technology and highly sophisticated marketing, customer relationship management and business analytics. Together, these enable 888 to deliver to customers and B2B partners alike market-leading and continually innovative online gaming entertainment products and solutions.

888'S UNIQUE AREAS OF EXPERTISE

1. Proprietary Gaming Technology
At the heart of 888's business is its cutting-edge, proprietary online gaming technology that underpin the Group's ability to deliver a first class gaming experience to customers across platforms. Technology leadership and continuous innovation are central to 888's progress, and the Group is constantly evolving and developing its proprietary platforms and industry-leading back office systems to maintain its competitive edge.

2. Business analytics
888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals who have analysed and learned from customer behaviour since 888's foundation nearly two decades ago. Teams across 888 from product development to marketing to customer support leverage this extensive and constantly evolving data and, by applying robust statistical models, are able to drive 888's success.

3. Highly sophisticated marketing
At the core of 888's business philosophy is an unwavering focus on return to cost driven marketing. Building on the business' analytics-driven insights and expertise, 888 continuously develops innovative marketing techniques and channels, both online and offline to support its brands' development and increase customer loyalty.

4. Customer Relationship Management
Underpinned by sophisticated statistical models, 888 has a unique understanding of its customers. This understanding helps enable 888 to deliver to customers personalised communications across relevant channels that increase loyalty and activity. Underpinned by 888's analytical approach, the Group offers a broad range of appealing bonuses that are localised from country to country, from product to product, and according to a customer's individual profile.

STAKEHOLDERS

5. Customers
The customer is at the heart of everything 888 does and the business is fully committed to providing the most enjoyable online entertainment possible. 888 is always mindful of the complex regulatory environment in which it operates and the social responsibility that comes hand-in-hand with the online gaming industry. The Group continuously invests time and resources in caring for and protecting its customers and, by successfully doing this, 888's business will continue to grow and prosper.

6. B2B partners
Under its Dragonfish arm, the Group offers gaming partners a comprehensive end-to-end solution, encompassing technology, operations and advanced marketing tools, as well as online best practices. Drawing on two decades of 888's track record and reputation in online gaming, the Dragonfish team is uniquely placed to support its partners and deliver a cutting-edge online proposition.

STRONG GROWTH ACROSS A DIVERSIFIED BUSINESS

888's success in 2016 was characterised by continued investment in our technology leadership; successful further expansion in regulated markets; and standout performances in Casino and Sport.

BRIAN MATTINGLEY
Chairman

Our values place the community and the customer at the centre of all our endeavours.
> See page 36

1 RESPONSIBLE GAMING

2 PROTECTING CUSTOMERS

3 PROTECTING THE VULNERABLE

CHAIRMAN'S STATEMENT

I am delighted to update our stakeholders on what has been another outstanding year for 888. Our strong financial results for the year have been underpinned by significant progress against our strategic objectives. As you will read in more detail throughout this year's Annual Report, 888's success in 2016 was characterised by continued investment in our technology leadership; successful further expansion in regulated markets; and standout performances in Casino and Sport.

RESULTS

2016 was another very busy year at 888 and, testament to the skill and entrepreneurial spirit of our exceptional team, our operational performance was stronger than ever. This resulted in the Group delivering revenue growth of 13% to US$520.8 million (2015: US$462.1 million) despite significant adverse currency movements impacting our reported results. At constant currency revenue increased impressively by 18% to US$546.4 million.

Our core B2C business continued to grow, with a 5% increase in active customers, driven primarily by outstanding results in Casino and Sport, growth in regulated markets and by our offer on mobile devices, which expanded to represent 60% of B2C revenue in the UK (2015: 47%). As a result, total B2C revenue was US$460.2 million, representing a 15% uplift on the prior year (2015: US$399.4 million) or a 20% increase at constant currency to US$479.9 million.

Adjusted EBITDA increased by 12% to US$90.2 million (2015: US$80.6 million) which represented 24% growth at constant currency to US$100 million and profit before tax was 82% higher at US$59.2 million (2015: US$32.5 million). The Group remains highly cash generative with net cash generated from operating activities of US$68.1 million (2015: US$85.0 million).

Given the continuing strong financial performance of the Group and the Board's confidence in the outlook, the Board of Directors is recommending a final dividend of 5.1¢ per share in accordance with 888's dividend policy, plus an additional one-off 10.5¢ per share bringing the total for the year to 19.4¢ per share (2015: 15.5¢ per share).

STRATEGIC PROGRESS

The Board believes that 888's proprietary online gaming technology is second to none. This strength, coupled with the Group's business analytics, customer relationship management and marketing expertise, continues to provide the foundation for 888's competitive advantages. In such a dynamic and rapidly developing industry, continually investing in and developing our own world class technology means that we are able to be nimble in relation to opportunities, respond to regulatory developments and create new, engaging and — above all — safe and secure entertainment for our customers.

In 2016 we delivered further successful expansion across regulated markets where we are able to leverage the Group's full marketing expertise to develop the 888 brands. We continued to make outstanding progress in the UK; Spain, which is now our second largest market; Italy, where we are benefitting from the introduction of Sport in the first quarter of the year; and Denmark, where we successfully launched in the second half of 2015 with a full suite of products and brands. Revenue from regulated markets increased to represent 61% of Group revenue (2015: 59%), significantly outpacing growth from unregulated "dot.com" markets.

The Board had previously identified sports betting as a major opportunity for the Group. In 2016, a major focus was on driving growth in Sport, which we are for the first time in our Annual Results reporting as a standalone product vertical. During the year we significantly increased investment behind marketing the 888sport brand and enjoyed a very successful European Football Championships in the summer, which demonstrated our ability to effectively compete during major sporting events. As a result, Sport customers increased by 49% and revenue increased by 49% to US$51.9 million (2015: US$34.8 million). In 2017, the Group will continue to invest behind delivering the exciting further opportunities for Sport both in terms of revenue growth and efficient customer acquisition.

888's success in Sport is just one example of the Group's ability to identify new growth opportunities and successfully deliver them.

In addition to our organic growth plans, M&A remains a part of the Group's strategic agenda and, with 888 in great health, it is an area that we are able to evaluate from a position of strength. 888 has significant organic growth potential and — where M&A might complement this — we will continue to evaluate and explore appropriate opportunities.

888'S WINNING TEAM

On behalf of the Board, I would like to take this opportunity to thank each and every one of my colleagues at 888 for their commitment during the year. 2016 was a very busy year for the Group and the success we have been able to deliver under 10 licences across regulated markets, four major product verticals and both B2C and B2B divisions speaks volumes for the strength in depth of our people throughout 888. I am confident that their skill and dedication will ensure 888 remains at the forefront of the online gaming industry for years to come.

I would also like to thank Amos Pickel, who has served on the 888 Board as a Non-executive Director and as a Chairman and member of Board Committees since 2006, and who does not intend to offer himself for re-election at the 2017 Annual General Meeting. Amos has brought a wealth of experience and knowledge to the Board, and we wish him well in his future endeavours.

The Board is fully committed to complying with the principles of the UK Corporate Governance Code. You can find the required regulatory and governance disclosures throughout this report and in the compliance statement on page 48.

OUTLOOK

The global online gaming market is dynamic and will continue to grow driven by technology developments, the opening up of new marketing channels and further regulation.

888 operates in a highly regulated industry across multiple geographies and the Group's investment will remain focused on driving growth in markets where there are sustainable regulatory frameworks for online gaming. Regulated markets are the future of our industry and 888 has an enviable track record in adapting to and capitalising on new regulatory developments.

In the UK, in August 2017 changes in remote gaming duty will expand the tax base to include customer bonuses and this will have an impact on the competitive dynamics and profitability of operators. However, with our own gaming platforms and significant experience of adapting to new regulatory environments, 888 remains well positioned to mitigate in part the impact of and capitalise on opportunities presented by these changes.

The Group continues to monitor and plan for potential implications from the UK's decision to leave the European Union. However, we do not anticipate significant impact on our operations. Since the "Brexit" vote Sterling has devalued compared to the US$ and, as the Group has adopted the US$ as its reporting currency, our reported financials have consequently been impacted.

Trading during the financial year to date has been in line with the Board's expectations with average daily revenue more than 11% above the previous year at constant currency.

888 is an increasingly diversified operator with the majority of its income now generated from regulated markets. The Group has significant further growth opportunities across its existing geographies, platforms and product verticals and will continue to evaluate and explore new avenues for growth. Into 2017 and beyond 888's focus will remain as resolute as ever on delivering a truly satisfying experience for our customers, thereby delivering strong, sustainable long term earnings growth for our shareholders.

BRIAN MATTINGLEY
Chairman
21 March 2017

CHIEF EXECUTIVE OFFICER'S STRATEGIC REPORT

888 today is a truly diversified operator across markets and product verticals with a unique technology platform and an outstanding team and culture at its core.

ITAI FRIEBERGER
Chief Executive Officer

During 2016, 888 again made strong progress against its stated strategy. We have continued to deliver outstanding organic growth and expand our brands across the regulated markets we operate in. 888 today is a truly diversified operator across markets and product verticals with a unique technology platform and an outstanding team and culture at its core. With these qualities we continue to see a number of clear growth opportunities for the Group both in existing and new markets.

888'S 'DNA'

888's mission is to supply its customers with innovative and market-leading online gaming entertainment, above all in a safe and secure environment. The Group's competitive advantages to achieve this are built on world class proprietary gaming technology; leading-edge Customer Relationship Management ("CRM") based on business analytics expertise; strong brands and innovative marketing.

Technology leadership and continuous innovation are central to 888's progress, and the Group is constantly evolving and developing its proprietary platforms and industry-leading back office systems to maintain its competitive edge. This is supported by a strong corporate culture which encourages our skilled end entrepreneurial team to develop innovative ideas and test them. Whilst a significant number of our myriad ideas and projects may never reach the market, they are part of a process and mindset of continually striving to develop our edge and lead the industry.

888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals who have analysed and learned from customer behaviour since 888's foundation nearly two decades ago. Teams across 888 from product development to marketing to customer support leverage this extensive and constantly evolving data and, by applying robust statistical models, are able to successfully influence the following three key drivers of 888's success:

- increasing the number of new players (first time depositors or "FTDs") across 888's brands;
- reducing the cost per acquisition ("CPA") of those new players to 888; and
- maximising the life time value ("LTV") (measured as average forecasted revenue over a customer's entire life cycle) to 888 of each customer.

This is supported by 888's strong, trusted and award-winning brands that remain crucial in the competitive global online gaming market. The Group's consistent and engaging customer offer, focused customer support and heritage in online gaming have meant that 888's brands are amongst the most trusted and recognised in the online industry. The Group's resolute focus on product development, customer service and marketing continue to support the sustained strength and appeal of 888's brands.

As a business we never lose sight of our duty as a responsible operator and 888 acknowledges there is a potential danger that its games may pose for a small minority of people. We take comprehensive steps to minimise fraud, problem gaming and eliminate minors from using our services. Through rigorous and timely customer checks as well as ongoing real-time tracking of customer activity, 888 continually monitors for irregular activity that may be an indication of compulsive gaming or fraud. 888's fraud and prevention and customer service teams are highly trained and have developed efficient and proactive methods to identify issues and notify and protect our customers. Further details on 888's robust Information Technology systems are given in the Risk Management Strategy report on page 26. We pride ourselves on the strength of our customer relationships and first class customer support is offered through telephone, email and online chat functions to customers around the world in nine different languages.

888'S BUSINESS MODEL

888 Holdings is structured into two lines of business: B2C, under the 888 brands, and B2B, conducted through Dragonfish.

Proprietary gaming technology + Leading-edge business analytics expertise

Underpinning 888's ability to deliver these key drivers are 888's proprietary gaming technology and leading-edge business analytics expertise. Influencing factors include, but are not limited to, the following:

INFLUENCING FACTORS

1. Maintaining our strong and trusted brand
A strong brand is a key advantage in what is a competitive global online gaming market. 888's consistently innovative and engaging brand is amongst the most trusted and recognised in the industry.

2. Innovative, driven marketing
888 is resolutely focused on devising and delivering return on investment driven marketing campaigns.

3. Product innovation and leadership
The ability to successfully develop "in-house" proprietary and innovative games on mobile and desktop platforms help to differentiate 888 from competitors.

4. A seamless customer experience
888 delivers its gaming entertainment products seamlessly and responsively across mobile and desktop platforms.

5. Customer relationship management leadership
Underpinned by sophisticated statistical models, 888 has a unique understanding of its customers, enabling 888 to deliver to customers personalised communications across relevant channels.

6. Cross-selling
888 is able to leverage the strength of the brands and customer proposition in each of its four major product verticals and, by using proven predictive modelling, cross-sell gaming entertainment to customers.

7. Excellent customer support
First class customer support is offered through telephone, email and online chat functions to customers around the world in nine different languages.

8. Customer protection
888 takes its duty as a responsible operator very seriously and takes comprehensive steps to minimise fraud, problem gaming and eliminate minors from using its services.

9. Payment processing
888's leading proprietary payment supports more than 35 payment methods in 18 languages, both for desktop and on mobile/tablet devices.

10. Dedicated VIP support
Across 888's B2C brands there is dedicated VIP Support. The role of the VIP Support teams is to provide first class support to "high roller" players and increase their loyalty to 888.

888'S BUSINESS MODEL
continued

B2C — ONLINE BUSINESS CYCLE

ONLINE BUSINESS CYCLE FACTORS

1. Marketing
At the core of 888's business philosophy is an unwavering focus on return to cost driven marketing. The business continually develops innovative marketing techniques and channels, both online (including online advertising, affiliate programmes, search engine optimisation) and offline (including TV and print media advertising, sponsorships) to support its brands and increase customer loyalty. The returns to cost of all marketing campaigns are rigorously tested against 888's strict criteria before being extended to their target markets. This ensures that 888's marketing spend is both cost efficient and highly effective.

2. Acquisition
Effective marketing helps to attract increased customers to 888's brands in the most cost effective manner. Strong levels of customer acquisition, measured by increases in first time depositors ("FTDs"), is the fuel for 888's ongoing growth.

3. Deposits
Customers need to be able to enjoy a seamless, enjoyable journey from the moment they visit our websites through to depositing into their accounts and enjoying our games.

888's leading proprietary payment processing capabilities support a wide variety of languages and currencies with more than 35 payment methods. It is vital that we are able to offer fast, efficient and easy to use payment processing, both to ensure a positive customer experience but also to maximise revenue and convert browsers into players. 888's payment options include a cashier interface available in 18 languages, both for desktop and on mobile/tablet devices, with the most relevant payment methods identified and emphasised for different customers according to their market.

4. Customer Relationship Management
Once we have acquired a customer, we want to keep them enjoying their experience with 888 for the longest time possible.

Underpinned by sophisticated statistical models, the Group is able to effectively predict the life-time value of a new customer within a short period of time of them joining 888. This helps enable 888 to deliver to customers personalised communications across relevant channels that increase loyalty and activity. Underpinned by 888's analytical approach, the Group offers a broad range of appealing bonuses that are localised from country to country, from product to product, and according to a customer's individual profile. Furthermore, 888 is able to apply these skills to accurately identify potential "churning" players according to certain characteristics, interact with those players accordingly, and retain them for longer.

5. Activity
Ensuring that we continually offer a high quality product across our brands helps to increase customer activity and, consequently, life-time value with 888.

888's ability to successfully develop new proprietary games and functionality on mobile and desktop platforms helps to differentiate the 888 experience in the eyes of the customer. 888 combines exclusive and high-quality "in house" created content with third-party games and branded content to ensure that we always offer the freshest and most enjoyable customer proposition. 888's products are seamlessly available and responsive across mobile and desktop platforms and the flexibility and consistent experience across devices means that customers are able to enjoy unrivalled gaming entertainment however and wherever they choose.

With 888's strengths in four major online gaming verticals – Casino, Poker, Sport and Bingo – through the use of analytics and proven predictive modelling, 888 is able to enhance customer activity and life-time value by promoting each relevant product to existing customers in a targeted and attractive way.

6. Gaming revenue
By generating upward trends in customer LTV, our marketing teams are able to increase investment in campaigns to acquire more new customers and still ensure that the business meets its strict return to cost criteria.

OUR B2C BRANDS

PRODUCT	OUR OFFER	HOW WE GENERATE REVENUE
CASINO	888casino is one of the most recognised and longest standing online casino brands in the market, and the winner of numerous prestigious awards. 888casino is known for its generous jackpot prizes and aims to provide the most enjoyable online experience available by combining exclusive in-house developed games alongside branded video slots and "live" Casino games, which offer high-quality video streamed casino games with a range of professional dealers.	Online casinos replicate the real-life casino experience with players playing against "the house" across online versions of classic casino table games such as roulette and blackjack as well as slot and video games. In these games, the house has a statistical advantage or "edge". Casino gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.
POKER	888poker is a multi-award winning poker destination, offering a first-class poker environment that enables players of all abilities to enjoy the games of their choice alongside a variety of innovative features. Formats and features include BLAST (combining gaming with poker, allowing players to compete for a randomly drawn prize pool of up to 10,000 times the player's "buy in" in a time-limited game), PokerCam (enabling players to enjoy secure poker games that are available in real time via 888's streaming webcam technology), 3D Poker, and TeamsPoker tournaments. 888poker offers Texas Hold'em, Omaha Hi'Lo, 7 Card Stud, Razz and other poker variations in Pot Limit, Fixed Limit and No Limit formats.	In online poker the operator acts as the virtual host for the game and provides a platform that enables customers to play various forms of poker against each other. Poker revenue represents the commission (or "rake") charged from each poker hand in ring games, and entry fees for participation in Poker tournaments.
BINGO	888's leading bingo brands each have engaging themes, a variety of games and a strong sense of community, replicating the experience of traditional bingo halls. The Group's bingo brands also benefit from a range of 888 and third party developed slot games, casino games and scratch cards that are offered alongside traditional bingo formats. 888's portfolio of brands includes 888 Ladies, Wink Bingo, Posh Bingo and others.	As with traditional bingo halls, online bingo rooms offer customers the chance of winning prizes by purchasing tickets and playing their bingo format of choice. Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.
SPORT	888sport is a fast-growing sports betting destination. At the heart of the 888sport offer is genuine passion for sport, with thousands of live and pre-event betting markets on offer across hundreds of events, from the obvious to the obscure.	Sportsbook online gaming revenue comprises bets placed less pay-outs to customers. 888 pays a share of net gaming revenue to its third-party sports betting platform provider.

888'S BUSINESS MODEL
continued

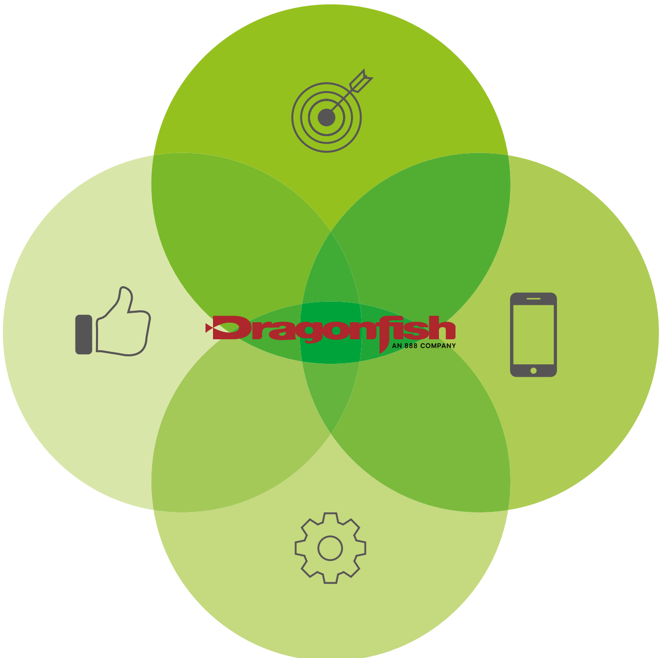
B2B — DRAGONFISH, THE PARTNER OF CHOICE

Under its Dragonfish arm, the Group offers gaming partners a comprehensive end-to-end solution, encompassing technology, operations and advanced marketing tools, as well as online best practices. Drawing on two decades of 888's track record and reputation in online gaming, the Dragonfish team is uniquely placed to support its partners and deliver a cutting-edge online proposition.

Dragonfish's flexible platform and tools have been developed and certified to meet the rigorous regulatory requirements of the different jurisdictions in which its partner operate.

888's B2B business model is based on an agreed share of the revenue generated by its gaming partners.

The division is one of the world's largest providers and operators of bingo software. In addition, through its CasinoFlex platform, Dragonfish offers its partners a wide range of more than 600 Casino games releases, including video slots, progressive jackpots, Live Dealer, video poker, table games and branded titles. Dragonfish/888 is also the only provider of poker and casino solutions across all three regulated US states – New Jersey, Nevada and Delaware. Dragonfish has powered some of the most prominent gaming brands in this space, such as Foxy Bingo, World Series Of Poker (WSOP), Moon Games and Costa Bingo.



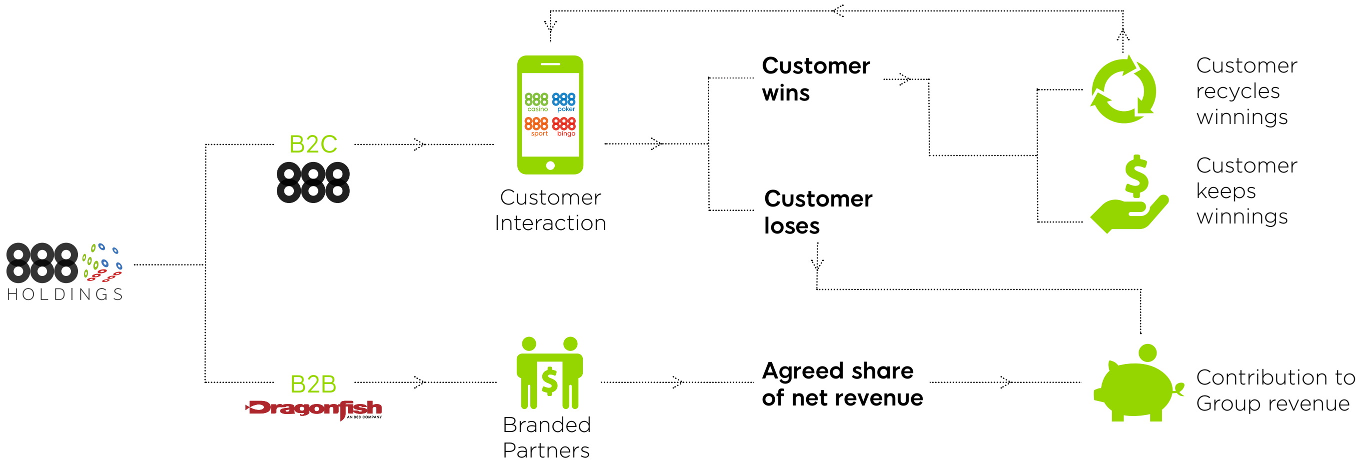
MARKETING
Dragonfish works and supports its partners, ever improving marketing effectiveness and value maximisation. 360° multi-channel marketing includes a full suite of CRM services. Through utilisation of our cutting-edge back office tools, our CRM teams drive partners forward through increased conversion, retention and customer life-time value.

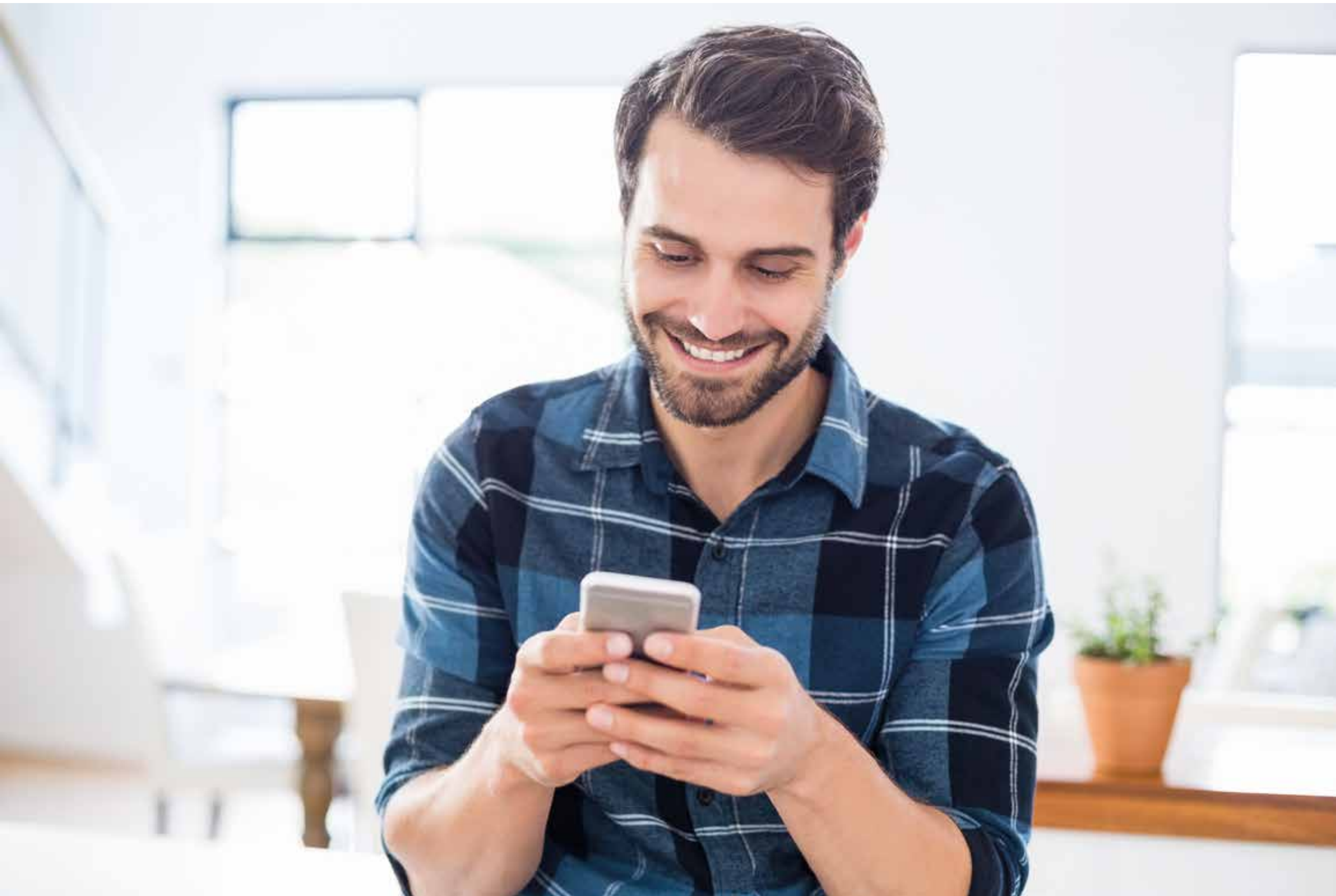
TECHNOLOGY
The Dragonfish technology and product stack was developed and built over 20 years through its parent 888's online track record. Its Casino, Poker and Bingo products have encompassed both in-house and third-party content, while its proprietary back office has been driving growth in the business using industry-leading CRM and analytical tools and capabilities.

OPERATIONS
Dragonfish's turn-key solution offers 24/7 support, risk and fraud management from various global sites, utilising multiple communication channels that serve as the back bone to its award winning proposition, leveraging 20 years of online operational excellence.

RESPONSIBLE GAMING
We believe our primary responsibility is to provide the best online gaming entertainment for our partners. However, we also acknowledge the potential danger that gaming may pose for a small minority of people. Therefore, we strive and are committed for excellence in our responsible gaming policy and ethical conduct.

CREATING VALUE FOR OUR STAKEHOLDERS





888'S GROWTH STRATEGY

888 has a strategy for sustainable growth and to deliver long-term value for all stakeholders by exploiting organic potential as well as evaluating attractive M&A opportunities.

KEY PILLARS	THE KEY PILLARS OF 888'S GROWTH STRATEGY REMAIN:	
DEVELOPMENT OF CORE B2C BRANDS	888's B2C offering remains at the core of the Group and is the foundation of our success. We remain resolutely focused on continuing to develop our proposition to ensure that we offer customers the best possible online gaming entertainment.	888 has established leading brands in Casino, Poker and Bingo as well as the fast-growing and rapidly developing 888sport.
ENHANCING EFFICIENCIES	Management remain steadfastly focused on maximising operational efficiencies, including by constantly developing and refining marketing approaches and driving increased volumes.	
EXPANSION IN REGULATED MARKETS	888's focus is on driving growth in markets where there are sustainable regulatory frameworks for online gaming and where we are able to exploit marketing opportunities for our brands.	888 has a proven track-record in successfully and efficiently launching and growing in attractive regulated markets.
B2B PARTNER OF CHOICE THROUGH DRAGONFISH	We will continue to invest in and develop our B2B offer to establish Dragonfish as the partner of choice in both regulated and newly regulating markets.	
CONTINUE TO PROTECT OUR CUSTOMERS AND ACT RESPONSIBLY	At 888, it's all about having fun and we are focused on ensuring it always remains that way for our customers. The Group is constantly mindful of its social responsibilities, which includes protecting our customers and ensuring they enjoy a truly satisfying experience.	888 continues to invest resources in caring for our customers, protecting the vulnerable, and ensuring that we continue to entertain and delight those who choose to play with 888.

2016 PERFORMANCE HIGHLIGHTS:

- B2C revenue growth of 15% (20% at constant currency)
- Growth drivers continue to be Casino and Sport, capitalising on our focused investments:
  - Casino – 27% increase in active players and 23% increase first time depositors
  - Sport – 49% increase in active players and 52% increase in first time depositors
- Casino revenue up 21% (26% at constant currency) aided by further product development, regulated market growth and outstanding CRM
- New Casino brand, 777.com launched at the end of 2015 performing well
- Outstanding Sport revenue growth up 49% (58% at constant currency) supported by increased marketing investment, strong Euro 2016 performance and enhanced offering
- 888poker remains a credible alternative for Poker players and showed superiority in relative trend
- Poker first time depositors up 6% demonstrating the product's continued importance as a source of players acquisition, retention and cross-selling into Casino and Sport
- Successful introduction of fast featured "Poker BLAST" in the middle of the year and record breaking tournaments during the year fortifying our position as the go-to destination for recreational players
- Bingo increased 7% at constant currency, with high potential for CasinoFlex. Reported Bingo revenue decreased 5% impacted by GBP devaluation
- Bingo active players up 8%
- Mobile continues to drive growth across verticals and in the UK increased to represent 60% of UK B2C revenue (2015: 47%) with an all-time record of 66% of revenues in the second half of 2016

- Continued operational gearing enables the Group to invest more into growth generating activities with the overall cost to revenue ratio stable at 83% despite an increase in the marketing ratio to 32.7% (2015: 30.1%) and gaming duties rising to 11.6% (2015: 10.8%)

- Revenue from regulated markets increased to represent 61% (2015: 59%) of Group revenue (63% at constant currency)
- Strong performance in core UK market driven primarily by continued Casino and Sport growth, offset by adverse currency movements. Underlying UK revenue increase during 2016 was 16% at constant currency and 5% on reported revenue
- Impressive 45% growth in Spain following launch of 888sport.es in H2 2014 and slot games during 2015 to become second largest market for the Group
- Continued progress in Italy supported by launch of Sport in Q1 2016 driving a 66% increase in revenue
- Progress in Denmark where the Group launched its Casino, Poker and Sport brands in H2 2015 as well as in 888's newest regulated territory – Romania

- B2B Revenue up 6% at constant currency and decreased 3% on reported revenue
- 23 new skins added to the Dragonfish Bingo network
- CasinoFlex platform already supports 26 brands with significant further growth potential

- Continued review and optimisation of responsible gaming tools such as self-limits, take a break and self-exclusion
- Continued investment in staff training and procedures to identify instances of problem gambling and fraudulent behaviour
- Close partnership with major helping agencies and support centres
- Continued to monitor environmental performance and identify opportunities for energy consumption and waste reduction

ITAI FRIEBERGER
Chief Executive Officer
21 March 2017

2016 BUSINESS AND FINANCIAL REVIEW

The Group's strong financial performance in 2016 is once again a reflection of 888's continued success in attracting new customers, retaining them and increasing their overall spend.

AVIAD KOBRINE
Chief Financial Officer

INTRODUCTION

888's success is built on its technological strength in combination with the efficient utilisation of this technology, directed by extensive data analytics. The goals of 888's business are simple: to maximise customer recruitment, increase customer life-time value and minimise the cost per customer acquisition, thereby optimising return on marketing investment. The Group's strong financial performance in 2016 is once again a reflection of 888's continued success in attracting new customers, retaining them and increasing their overall spend.

FINANCIAL SUMMARY

	2016[1] US$ million	2015[1,3] US$ million	Change Constant currency[2]	Change Reported
Revenue – B2C				
Casino	279.3	230.6	26%	21%
Poker	84.4	86.7	(3%)	(3%)
Sport[3]	51.9	34.8	58%	49%
Bingo	41.8	44.0	7%	(5%)
Emerging Offerings[3]	2.8	3.3	(14%)	(15%)
Total B2C	**460.2**	**399.4**	**20%**	**15%**
B2B[3]	**60.6**	**62.7**	**6%**	**(3%)**
Revenue	**520.8**	**462.1**	**18%**	**13%**
Operating expenses[4]	(136.1)	(127.4)		
Gaming duties[5]	(60.5)	(50.0)		
Research and development expenses	(34.3)	(36.8)		
Selling and marketing expenses	(170.2)	(138.9)		
Administrative expenses[6]	(29.5)	(28.4)		
Adjusted EBITDA[4,5,6]	**90.2**	**80.6**	**24%**	**12%**
Depreciation and amortisation	(19.0)	(18.6)		
Share benefit charges, finance and other	(8.1)	(6.5)		
Exceptional acquisition costs	(0.9)	(14.6)		
Exceptional retroactive duties and associated charges	(3.0)	(8.4)		
Profit before tax	**59.2**	**32.5**		**82%**
Basic earnings per share	**14.4¢**	**8.3¢**		**74%**

1 Totals may not sum due to rounding.
2 Constant currency: 888 reports its financial results in US$ but (i) generates certain revenue streams from customers using other currencies and (ii) incurs costs in various currencies. Due to the strong US$ in 2016, reported revenue and profit were adversely impacted. Constant currency has been calculated as follows: (i) Revenue: with the exception of Poker, by applying 2015 exchange rates to revenue generated during 2016. Poker revenue was also adversely impacted given that many Poker customers fund their US$ bankroll using other currencies, which suffered reduced purchasing power compared to the US$. It is difficult to quantify reliably this indirect impact (other than a small adjustment which was made to Poker revenue generated in Euro) (ii) Costs were retranslated by applying 2015 exchange rates.
3 Sport, which was previously included in the Emerging Offerings segment, is presented as a standalone segment. Brand licensing on third-party platforms, which was previously included in the Emerging Offerings segment, is now included in the B2B segment. 2015 revenue figures have been re-classified to allow a like for like comparison. These changes are described in note 2 to the financial statements.
4 Excluding depreciation of US$8.4 million (2015: US$8.9 million) and amortisation of US$10.6 million (2015: US$9.7 million).
5 Excluding exceptional retroactive duties and associated charges of US$3.0 million in respect of gaming taxes relating to activity in prior years (2015: US$8.4 million).
6 Excluding share benefit charges of US$6.7 million (2015: US$4.1 million).

RECONCILIATION OF PROFIT BEFORE TAX TO EBITDA AND ADJUSTED EBITDA

	2016[1] US$ million	2015[1] US$ million
Profit before tax	**59.2**	32.5
Finance expense	**1.3**	2.3
Exceptional finance expenses	**—**	5.9
Depreciation	**8.4**	8.9
Amortisation	**10.6**	9.7
EBITDA	**79.5**	59.3
Exceptional legal and professional costs	**0.9**	17.5
Exceptional reimbursement of acquisition costs	**—**	(8.8)
Exceptional retroactive duties and associated charges	**3.0**	8.4
Share benefit charges	**6.7**	4.1
Share of post-tax loss from equity accounted associates	**0.1**	0.1
Adjusted EBITDA[2]	**90.2**	80.6

FINANCIAL RESULTS AND DIVIDEND

In 2016 888's revenue reached an all-time high of US$520.8 million (2015: US$462.1 million), driven by the continued strong performances of Casino, Sport and regulated markets including Spain and Italy as well as further growth on mobile devices. This revenue growth of 13% compared to 2015 was achieved despite weaker currencies compared to the US$ when compared to the prior year. At constant currency, Group revenue increased 18% year on year to US$546.4 million.

Adjusted EBITDA for the year increased by 12% to US$90.2 million (2015: US$80.6 million) which represented 24% growth at constant currency at US$100 million. Adjusted EBITDA margin remained stable at 17.3% (2015: 17.4%) despite significant adverse currency movements. At constant currency, Adjusted EBITDA margin was 18.3%.

Profit before tax increased by 82% to US$59.2 million (2015: US$32.5 million) and profit after tax increased by 75% to US$51.5 million (2015: US$29.5 million). Basic Earnings per Share increased by 74% to 14.4¢ (2015: 8.3¢).

Cash generated from operating activities was US$68.1 million in 2016 (2015: US$85.0 million). The decrease compared to 2015 is more than offset when adding back US$22.7 million cash payments made during the year which relate to previous periods: US$14.5 million costs incurred during 2015 in respect of UK point of consumption tax, VAT and gaming duties (2015: US$3.0 million) and of US$8.2 million in respect of exceptional retroactive duties and associated charges (2015: US$3.2 million).

As at 31 December 2016, the Group's financial position remains strong with cash and cash equivalents of US$172.6 million (2015: US$178.6 million). This is despite the adverse impact from Sterling devaluation of US$8.4 million. As at 31 December 2016, the Group had US$75.7 million liabilities to customers (2015: US$82.4 million), which was effectively reduced by US$3.7 million as a result of Sterling devaluation.

Given the strong results during the year the Board of Directors is recommending a final dividend of 5.1¢ per share in accordance with 888's dividend policy plus an additional one-off 10.5¢ per share bringing the total for the year to 19.4¢ per share (2015: 15.5¢ per share).

B2C OVERVIEW

Active B2C customers and first time depositors, two core KPIs of the B2C business, increased 5% and 14% respectively year on year. This reflects highly effective customer relationship management and marketing activity across our brands as well as strong growth on mobile and in Sport which we are for the first time in the Group's annual results reporting as a standalone vertical. The total number of active customers across 888's B2C Casino and Poker brands in the last quarter of 2016 was 728,000.

B2C revenue during the year was US$460.2 million, representing a 15% increase on the prior year (2015: US$399.4 million) and 88% of total Group revenue (2015: 86%). This strong outcome was driven primarily by continued momentum in Casino, outstanding growth in Sport, further growth in regulated markets and the increasing popularity of mobile.

1 Totals may not sum due to rounding.
2 Adjusted EBITDA is the main measure analyst community use to evaluate the Company and compare it to its peers.

2016 BUSINESS AND FINANCIAL REVIEW
continued

Mobile remains a key driver in terms of revenue, deposits and customer recruitment across product verticals for 888 and the Group continues to benefit from owning its own proprietary mobile solution and games. B2C revenue from mobile devices in the UK increased to represent 60% (2015: 47%) of total UK revenue with customer recruitment and deposits from mobile devices also rising significantly.

B2C – PRODUCT SEGMENTATION

888's revenue by product segment is set out in the table below:

	2016 US$ million	2015 US$ million	Change Constant currency	Change Reported
Revenue – B2C				
Casino	279.3	230.6	26%	21%
Poker	84.4	86.7	(3%)	(3%)
Sport[1]	51.9	34.8	58%	49%
Bingo	41.8	44.0	7%	(5%)
Emerging Offerings[1]	2.8	3.3	(14%)	(15%)
Total B2C	460.2	399.4	20%	15%
B2B[1]	60.6	62.7	6%	(3%)
Revenue	520.8	462.1	18%	13%

REVENUE BY GEOGRAPHIC MARKET

Revenue from regulated markets increased to represent 61% of total Group revenue while revenue from regulated and taxed markets[2] increased to 71% of total revenue (2015: 59% and 68% respectively). This expansion is in line with the Group's strategic priority of targeting growth in sustainable regulated markets.

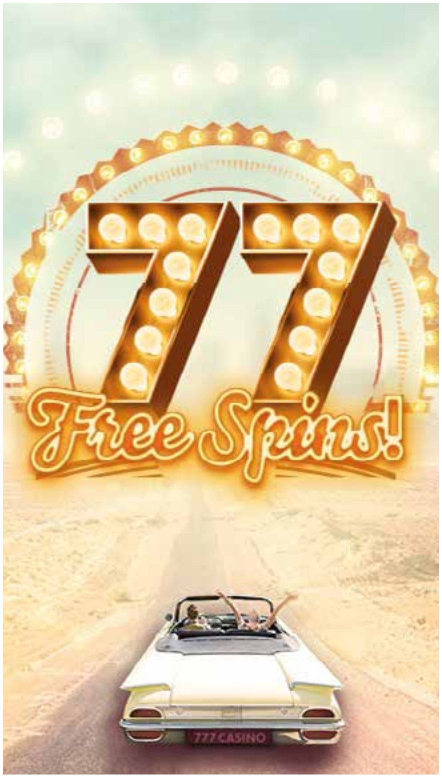
	2016 US$ million	2015 US$ million	Growth (decline) from previous year	% of reported revenue
UK	223.2	212.7	5%	43%
Europe (excluding UK)	231.0	178.4	29%	44%
Americas	44.9	48.5	(7%)	9%
Rest of world	21.7	22.5	(4%)	4%
Revenue	520.8	462.1	13%	100%

1. The Group has changed its operating segments in the period to reflect a change in the way that the business is managed and reported internally. Sport is now presented separately, having previously been reported in Emerging Offerings. Brand licensing on third-party platforms, which was previously included in Emerging Offerings, is now included in the B2B segment. The comparative segment results for the year ended 31 December 2015 have been re-classified to reflect this change to allow a like for like comparison. Of the Emerging Offerings revenue of US$41.3 million, US$34.8 million has been classified in the Sport segment and US$3.2 million in the B2B segment.
2. Regulated and taxed markets refers to jurisdictions where there are regulations in place or where the Group is liable for gaming duties or VAT (or its equivalent).

888 continued to deliver growth in the UK market with a revenue increase of 16% year on year at constant currency and 5% increase year on year at reported revenue, driven by strong performances in Casino and Sport and supported by innovative multi-channel marketing initiatives and CRM enhancement enabling effective cross-sell.

Europe's (excluding UK) significant growth of 29% reflects the strong progress delivered across regulated markets mainly in Italy which commenced offering Sport during the first quarter of 2016, and Spain, where a strong product suite offering and successful marketing campaigns are driving growth. The Group also saw new contributions from Denmark and Romania.

Other markets (America and Rest of world) continue to represent smaller proportion of Group's revenue and, as such, fewer resources have been allocated to them, which resulted in a year.



CASINO
Results overview

+21%

in revenue and 26% at constant currency

Results overview
Casino continued its outstanding momentum delivering another year of double digit revenue growth. Casino revenue increased 21% to US$279.3 million (2015: US$230.6 million). At constant currency, growth was 26%. Active players rose 27% compared to the prior year and first time depositors increased by 23% despite the strong prior year comparatives.

This very good result reflected further growth on mobile and excellent momentum across a number of regulated markets, notably Spain and Italy. Casino also benefitted from the successful launch of the Group's new 777.com towards the end of 2015 as well as effective cross-sell from other verticals, notably the fast-growing Sport.

Product overview
The success of Casino remains underpinned by our heritage as an online casino operator and innovative customer proposition alongside highly effective CRM and marketing. Casino offers classic table games, such as blackjack and roulette, as well as, exclusive in-house developed proprietary games which differentiate the brand in the market. The Group constantly develops its Casino offer and, during 2016, added 57 new games across mobile and desktop platforms. In addition to our unique content we also provide best-in-class and carefully selected third-party content to accommodate all our customers' needs.

POKER
Results overview

+6%

in first time depositors

Results overview
In 2016, Poker again outperformed a challenging poker market backdrop to increase first time depositors by 6% and remains a credible alternative for Poker players. Poker revenue for 2016 was US$84.4 million (2015: US$86.7 million). The Poker product continued to be an attractive source of player's acquisition, retention and cross-sell into Casino and Sport. When factoring 888poker's cross-sell contribution, 888poker revenue did not decline year on year.

Product overview
The Group's Poker continues to be recognised as a premier destination for recreational players and benefit from a fully integrated casino gaming suite and sports betting proposition, supporting the Group's ability to cross-sell effectively. Poker revenue in Q4 2016 was the highest of the year (at constant currency) driven by the successful launch of Poker "BLAST" in July 2016, a "Sit n' Go" Poker tournament format for a pre-set number of players.

888poker prides itself on delivering an incomparable gaming experience with the widest possible range of formats and tournaments. Tournaments are critical to the success of the Poker business, driving both active customers and first time depositors. During the year, 888 hosted four major poker tournaments ("XL Tournaments"), with more prize money on offer to players than ever before. As well as continuing to drive growth through profitable tournaments, in 2017 a major focus will be on growing 888poker by developing new variants and games that are designed to enhance the customer experience on mobile devices.

BINGO
Results overview

+8%

in active players

Results overview
Bingo active players increased 8% compared to 2015 in a highly competitive and challenging market, reflecting the success of marketing activity and CRM as well as the growth of our bingo brands on mobile. Mobile devices represent 54% of Bingo B2C revenue in the UK (2015: 40%). At constant currency, revenue increased by 7% supported in part by newly launched brands, notably Winkslots which offers a wide variety of games.

Reported Bingo revenue was US$41.8 million (2015: US$44.0 million) as a result of a significant adverse currency impact with the vast majority of Bingo revenue denominated in Sterling, which was weaker year on year compared to the US$, the Group's reporting currency.

Product overview
888 offers online bingo entertainment across a broad range of branded bingo sites, each with its own engaging theme and rich content. During the year, the Group's bingo brands also continued to benefit from new content including in-house developed games and greater shared progressive jackpots, which together contribute to enhancing and differentiating 888 in this competitive market.

2016 BUSINESS AND FINANCIAL REVIEW
continued

SPORT
Results overview

+49%

in revenue and 58% increase at constant currency

Results overview
Sport is an increasingly important market for 888 both in terms of revenue and customer acquisition and, reflecting this, the Group is now presenting Sport as a standalone operational segment.

Following exceptional growth in 2015, Sport delivered another outstanding results in 2016 with revenue for the period of US$51.9 million (2015: US$34.8 million), a 49% increase compared to the prior year and 58% growth at constant currency. Active Sport customers in 2016 increased by 49% and first time depositors increased by 52% year on year. This very strong performance was supported by accelerated marketing investment, growth on mobile and a successful Euro 2016 which demonstrated the Group's ability to successfully compete during major sporting events. 888sport's continued growth and momentum also benefited from launches into Denmark towards the end of 2015 and Italy during the first quarter of this year.

Product overview
Supported by increased marketing investment and the consistent development of markets and events for customers to enjoy, the 888sport brand is increasingly recognised by customers as a premier sports betting destination.

As well as agreeing sponsorship deals with four Championship League football clubs to raise the profile of the brand, in September the Group launched a new multi-channel marketing campaign in the UK to support 888sport's growth. The new campaign, themed "Take'Em On", is focused away from the noise of simply promoting customer offers and matching odds and has greater emphasis on customer engagement and empowering customers by placing them and their competitive spirit at the center of the 888sport experience.

We continued to develop our innovative mindset to sports betting with the development of a new 'Free Bet Hunt' game for customers. The Free Bet Hunt is a geo-technology game allowing customers to search for free-bet offers when near to particular football stadia. This was a first in the market and captured a wider consumer trend for geo-technology games, helping to drive brand engagement and customer recruitment.

As well as providing a growing revenue stream for 888, Sport is an increasingly important customer acquisition channel for the Group, with the lowest cost per acquisition for new customers across product verticals. Using the Group's first class CRM and analytics capabilities, as well as leveraging 888's strong brands in other verticals, 888 remains focused on cross-selling customers to other 888 games and brands as a major driver of the Group's overall strategy and continued success.

B2B REVIEW
Results overview
Revenue from Dragonfish, 888's B2B offering, was US$60.6 million (2015: US$62.7 million), with weaker Sterling impacting the results from our UK bingo network. At constant currency, B2B revenue increased 6% to US$66.5 million.

B2B revenue from the USA business was slightly lower compared to prior year reflecting continued operational changes being implemented that are aimed at increasing the long term sustainability of the business.

Operational overview
During 2016 the B2B platform continued to grow with 23 new skins added to the network and our partners continuing to benefit from new features and functionality including the developments of shared jackpots across bingo brands on the network. In the US, our partners in the states of Delaware and New Jersey continued to benefit from our unique interstate network launched in February 2015 that enables the pooling of poker players across the two states.

Dragonfish continued to enjoy success following the launch of the CasinoFlex brand (the Group's Instant Games Only Platform) towards the end of 2015 with more brands added to the platform during the year. Increased Casino games on offer and integrations with vendors serving to further differentiate the Group's B2B casino offering in the market.

EXPENSES OVERVIEW
888's strategic decision to accelerate Sport marketing activities, substantially invest in Casino and drive continued expansion in regulated markets has resulted in increased selling and marketing investment. This investment created strong foundations for outstanding results in Sport, following exceptional growth in 2015, and Casino, with another year of double digit revenue growth.

The continued growth in regulated and taxed markets which represented 71% of total revenue, resulted in an increase in gaming duties* levied in these markets during the year.

The Group continues to sustain its operating efficiencies, which resulted in a lower expenses to revenue ratio for expenses other than selling and marketing and gaming tax.

Operating expenses
Strong performance of Sport product which is powered by third-party platform coupled with the substantial increase in Casino that was supplemented by Live Casino provider, resulted in increased associated charges. This has contributed to the increase of 7% in operating expenses* to US$136.1 million (2015: US$127.4 million).

The proportion of operating expenses* (which mainly comprise employee related costs, commissions and royalties payable to third parties, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services) to revenues decreased to 26.1% (2015: 27.6%) reflecting continued operating efficiencies, strict cost control and the effect of weaker currencies compared to the US$. Reported operating expenses amounted to US$155.1 million (2015: US$146.0 million).

Staff costs as a percentage of revenues was 11%, compared to 12% in prior year, with the reduction primarily a result of moderate cost increase offset by currency movements.

Deposit volumes substantially increased during the year while the chargebacks ratio remained stable at 0.8% (2015: 0.7%) of revenue, reflecting an optimised balance between maintaining revenues and increased deposits inflow whilst reducing transactions with high risk profiles. This was achieved through the continued use of risk management and fraud detection mechanisms which enhance internal monitoring systems, alert processes and reporting including the continued use of 3DSecure verification systems. In addition, during the year the Group intensified its ability to verify members through document submission, an integral part of our regulatory "Know Your Customer" obligations.

* As defined in the table set out on page 16.

Gaming taxes and duties

Further Revenue growth in regulated markets primarily as a result of the launch of Sport in Italy as well as newly regulated and taxed markets, which commenced activity in the second half of 2015, namely Denmark, Romania and Ireland, resulted in an increase of 21% in gaming duties* to US$60.5 million (2015: US$50.0 million).

Reported gaming taxes and duties amounted to US$63.5 million (2015: US$58.4 million).

* As defined in the table set out on page 16.

Research and development expenses

Research and development expenses in the income statement decreased to US$34.3 million (2015: US$36.8 million). However, when adding back capitalised development expenses, overall research and development spend would have increased 4% to US$43.9 million (2015: US$42.0 million). This reflects significant investment in regulated markets expansion and the Group's continued focus on product development, including the development of new games, conversion of Flash technology to advanced HTML5 across PC and mobile.

Selling and marketing expenses

888's strategic decision to accelerate Sport and Casino marketing activities and continued expansion in regulated markets has resulted in increased selling and marketing investment of US$170.2 million (2015: US$138.9 million). The marketing to revenue ratio stabilised in the second half of the year at 30.9%, after a peak of 34.4% in the first half of 2016, resulting in an overall 32.7% ratio in 2016 (2015: 30.1%). As a result of this investment, Casino maintained its strong momentum across regulated markets, benefiting from the success of the new 777.com brand launched at the end of 2015.

Sport achieved a 49% revenue increase compared to previous year supported by a very successful Euro 2016, the launches into Denmark towards the end of 2015 and Italy during the first quarter of the year as well as continued brand expansion in the UK with the sponsorship of four Championship football clubs.

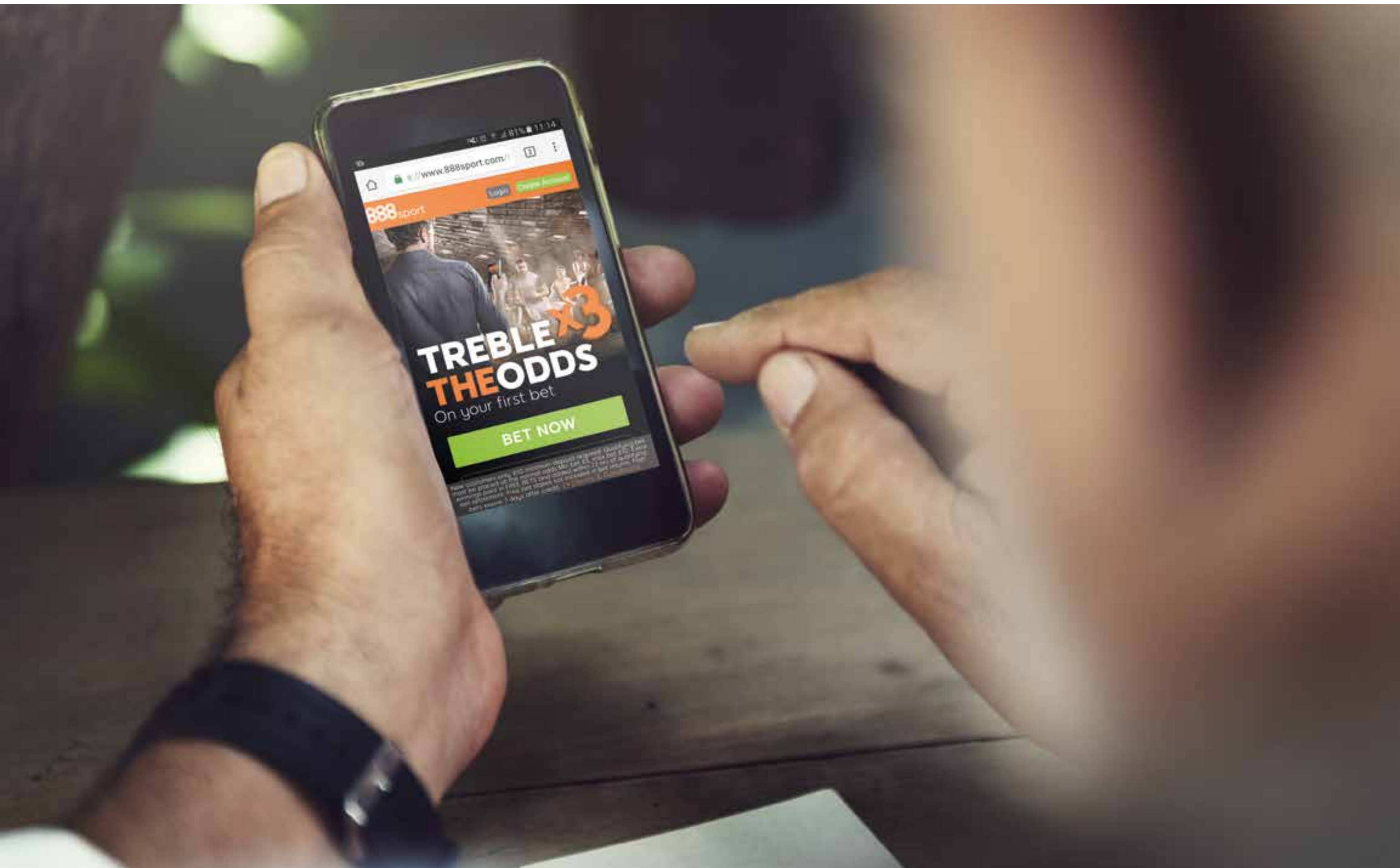
Administrative expenses

Administrative expenses* amounted to US$29.5 million (2015: US$28.4 million) but represented a lower proportion of revenue compared to the previous year at 5.7% (2015: 6.2%). The slight increase in administrative expenses is attributed to legal costs associated with the increased focus in regulated markets. Reported administrative expenses amounted to US$36.2 million (2015: US$32.5 million).

* As defined in the table set out on page 16.

Adjusted EBITDA

Adjusted EBITDA increased 12% to US$90.2 million (2015: US$80.6 million). This is a strong result given external factors during the year including new gaming duties from regulated markets which commenced activity during the second half of 2015, namely Denmark, Romania and Ireland, with costs of US$4.4 million (2015: US$1.7 million), and adverse currency movements, principally as a result of the weaker Sterling. Adjusted EBITDA at constant currency increased 24% to US$100 million. The Adjusted EBITDA margin remained steady at 17.3% (2015: 17.4%) or 18.3% at constant currency. EBITDA for the period increased 34% to US$79.5 million (2015: US$59.3 million).



2016 BUSINESS AND FINANCIAL REVIEW
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Share benefit charges
Share benefit charges relate to long-term incentive equity awards granted to eligible employees.

Equity settled share benefit charges of US$6.7 million (2015: US$2.4 million) comprise of new grants during the year and the full year effect of awards granted in previous years and amounted to US$2.4 million and US$4.3 million, respectively.

There are no Cash settled share benefit charges for 2016 (2015: US$1.7 million). Further details are given in the Directors' Remuneration Report on page 54.

Finance income and expenses
Finance income of US$0.4 million (2015: US$0.3 million) less finance expenses of US$1.7 million (2015: US$2.6 million, excluding exceptional items) resulted in a net expense of US$1.3 million (2015: expense of US$2.3 million). The decrease compared to the previous year is attributable to the fair value of operational hedging instruments.

888 continually monitors foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This has resulted in an income of US$0.9 million in respect of hedging of the foreign exchange movements between US$ and Israeli Shekels. An additional expense of US$2.6 million is attributable to the valuation of assets and liabilities denominated in currencies other than the 888's functional currency mainly impacted by devaluation of the Sterling following the UK's EU membership referendum on 23 June 2016.

Exceptional costs
During 2016 888 incurred exceptional legal and professional costs of US$0.9 million associated with the subsequently aborted proposal for a potential combination between the Group, The Rank Group plc and William Hill plc.

Separately, 888 incurred exceptional retroactive duties and associated charges relating to prior years of US$3.0 million in respect of gaming taxes (2015: US$8.4 million).

In total 888 recorded US$3.9 million (2015: US$23.0 million) of exceptional costs.

Profit before tax
The Group's excellent performance resulted and continued success has resulted in an 82% increase in profit before tax to US$59.2 million (2015: US$32.5 million), representing a ratio of 11% to revenue (2015: 7%).

Taxation and Profit after tax
Profit after tax substantially increased by 75% to US$51.5 million (2015: US$29.5 million).

The tax charge for the year was US$7.7 million (2015: US$3.0 million). The higher tax charge is attributed to withholding tax payable on dividends distributed by a subsidiary to the parent company during the year and one off tax credits in 2015 in respect of prior years. In 2015 and early 2016 the Group reached agreement on a number of tax matters with tax authorities in the key jurisdictions from which it operates. Further information on the Group's corporate tax is given in note 8 to 2016 financial statements.

Earnings per share
Basic earnings per share increased 74% to 14.4¢ (2015: 8.3¢). Adjusted basic earnings per share increased 9% to 17.4¢ (2015: 15.9¢). Further information on reconciliation of Adjusted basic earnings per share is given in note 9 to 2016 financial statements.

Dividend
Given the strong results during the year the Board of Directors is recommending a final dividend of 5.1¢ per share in accordance with 888's dividend policy plus an additional one-off 10.5¢ per share bringing the total for the year to 19.4¢ per share (2015: 15.5¢ per share).

Cash flow
The Group's strong performance and operating efficiency led to substantial free cash allowing for dividend payments during the year of US$56.6 million (2015: US$53.5 million).

Cash generated from operating activities amounted to US$68.1 million (2015: US$85.0 million). The decrease is more than offset when adding back US$22.7 million payments in respect of previous periods comprising: US$14.5 million relating to costs incurred during 2015 in respect of UK point of consumption tax, VAT and gaming duties (2015: US$3.0 million) and US$8.2 million in respect of exceptional retroactive duties and associated charges (2015: US$3.2 million).

Balance sheet
888's balance sheet remains strong, with no debt and ample liquid resources. 888's cash position as at 31 December 2016 was US$172.6 million (2015: US$178.6 million) impacted by Sterling's devaluation of US$8.4 million. Balances owed to customers were US$75.7 million (2015: US$82.4 million) effectively reduced by US$3.7 million as a result of the Sterling devaluation.

888
poker

MARKET REVIEW: GROWTH IN REGULATED MARKETS

REGULATED MARKETS

UK

888 continued to deliver strong growth in the core UK market with a revenue increasing 16% year on year at constant currency and 5% increase in reported revenue, driven primarily by continued momentum in Casino and Sport supported by cost efficient marketing and effective CRM.

DENMARK

In Denmark, 888 offers Casino, Poker and Sport products across mobile and desktop platforms. 888 delivered a solid performance following the Group's launch during 2015 and has quickly built momentum in this exciting market supported by effective online and offline marketing activities.

IRELAND

In 2015, the Group obtained a Sport betting licence in Ireland.

ROMANIA

During 2015, 888 received casino, poker and sports betting licences in Romania.

USA

888 is the only operator in all three regulated US states of Nevada, Delaware and New Jersey. Trading in the US has remained in line with the Board's expectations and the Group continues to benefit from the successful launch of our shared poker player liquidity across Delaware and Nevada in early 2015.

UK & EUROPE

888 continued to deliver strong growth in the core UK market with revenue increasing 16% year on year at constant currency and 5% increase as reported to US$223.2 million (2015: US$212.7 million). This growth was driven primarily by continued momentum in Casino and Sport and supported by cost efficient multi-channel marketing investment and effective customer relationship management.

In August 2017, changes in remote gaming duty impacting customer bonuses in the UK are expected to be implemented that will impact on the competitive dynamics of the industry. However, as a large, established operator with its own gaming platforms and significant experience of adapting to new regulatory environments, 888 remains well positioned to mitigate in part the impact of and capitalise on opportunities presented by these changes.

Europe (excluding UK) revenue continued to expand by 29% to US$231.0 million (2015: US$178.4 million). Within this performance, Spain, which is now the Group's second largest market, continued to grow impressively by 45%, further capitalising on the introduction of slot games midway through 2015 and its Sport offering. The scope, strength and breadth of the Group's offering in Spain is supporting the development of the 888 brand in that market and enabling the Group to capitalise on cross-sell opportunities.

In Italy, the Group continued to grow with revenue rising 66% year on year. This was supported by the launch of 888sport.it in Q1 of the year, supported by online and offline marketing campaigns, which has helped to drive upward trends across the Group's acquisition and activity KPIs. Now with a key Sport product in the Italian market, the Group has a clear opportunity to effectively cross-sell customers to Casino and drive further growth.

In Denmark, 888 delivered a good performance following the Group's launch in that market during 2015. The Group launched in Denmark with a comprehensive suite of Casino, Poker and Sport products across mobile and desktop platforms and this had enabled 888 to quickly build momentum in this exciting market supported by effective online and offline marketing activities.

The Group's significant experience of successfully entering regulated markets and rapidly developing leading positions in those markets means that 888 remains well placed to capitalise on positive regulatory developments across the global industry.

We maintain a close eye on the regulatory environment across Europe and are monitoring developments in a number of countries that are considering or are in the process of reforming their regulatory landscapes. We are following progress in the Netherlands and, on a broader level, continue to assess any potential impact of the UK's decision to leave the European Union on our business in various EU jurisdictions.

UNITED STATES

Trading in the US market during 2016 remained in line with the Board's expectations. The Group continues to benefit from the successful launch of our shared poker player liquidity across Delaware and Nevada in early 2015 and we continue to believe that pooled liquidity arrangements will be an important feature of future states as and when they regulate.

As the only operator in all three regulated states, 888 has a unique experience of and operational edge in the US market. We continue to monitor the regulatory landscape in the US and we remain confident that 888 is exceptionally well placed to capitalise on future potential regulatory developments as and when they occur.

ITALY

+66%
in revenue

In Italy, 888 offers Casino and, as of Q1 2016, Sport on mobile and desktop platforms. 888 continued to grow with revenue rising 66% year on year. This was driven by the launch of 888sport.it in Q1, supported by online and offline marketing campaigns.

The Group has seen upward trends across the Group's acquisition and activity KPIs. Now with a key Sport product in the Italian market, the Group has a clear opportunity to effectively cross-sell customers to Casino and drive further growth.

SPAIN

+45%
in revenue

In Spain 888 offers its Casino, Sport and Poker offering across mobile and desktop platforms. Spain is now 888's second largest market and revenue in 2016 continued to grow impressively by 45%, further capitalising on the introduction of slot games midway through 2015 and its Sport offering.

The scope, strength and breadth of the Group's offering in Spain is supporting the development of the 888 brand in that market and enabling the Group to capitalise on cross-sell opportunities.

RISK MANAGEMENT STRATEGY

The Board acknowledges that there is no return without risk. However, key risks must be identified, evaluated and where possible quantified in order for the Board to rationally determine how to harness risk to generate optimal return.

In 2016, the Board adopted 888's Risk Management Policy, which aims to explicitly identify and evaluate key risks underlying its core business strategy and standardise the approach to risk prioritisation and management across 888's operations, which in turn means that effective controls can be put in place to ensure 888 is able to manage its operations effectively now and into the future. The risk register has been updated and is being maintained as a springboard for discussion at Board and management level of the role of risk in 888's business. The risk register is a living document which is regularly reviewed on an ongoing basis, serves as a record of the high-level challenges faced by the business over time, and also serves as an action plan. The Board furthermore discussed its approach and response to 888's various risks with a view to setting a clear boundary between acceptable and unacceptable types and levels of risk.

888's culture emphasises the need for employees to take responsibility for managing the risks in their own areas and to transparently and timely report "bad news" and "near miss" incidents, with a willingness to constantly learn and improve.

The Board considers that 888 complies with the requirements of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting dated September 2014, and specifically confirms that:

- it is responsible for 888's risk management systems and for reviewing their effectiveness;
- there is an on-going process for identifying, evaluating and managing the principal risks faced by 888;
- the systems have been in place during 2016 and up to the date of approval of the annual report and accounts; and
- they are regularly reviewed by the Board (please see page 51 for further details of the review conducted in 2016).

RISK APPETITE

Risk is a high priority for the Board and effective risk management is an integral part of the way we conduct our business on a daily basis. The Board factors into the risk assessment impact, likelihood and appetite considerations. Risk is managed across the Group in the context of overall risk appetite and the Board considered risk appetite to ensure adequate resources are allocated to the risks. The Board reviewed and approved the following risk appetite statement:

Category of risk	Tolerance	Risk parameters
Strategic	Medium	During development and implementation of new propositions and assessing new opportunities including potential transactions, we are prepared to accept medium risks that support our pursuit of growth.
Operational	Low to medium	When operating within our business, we have a low to medium tolerance for risk. We will take a cautious approach to risk within our operations, but consider that certain risks will be taken in order to achieve our strategic objectives and maintain our competitive position.
Financial	Low	We consider that robust financial controls are necessary to manage our business effectively. All our operating processes are based around policies and procedures that minimise the risk of a loss of financial control.
Compliance	Extremely low to zero	We have an extremely low to zero tolerance when complying with laws and regulations that relate to bribery, corruption and AML. We have controls in place that are designed to mitigate these risks, and detailed and tested procedures in place for dealing with these types of scenarios when they arise.

888 FACES THE FOLLOWING SIGNIFICANT RISKS:

KEY OF CHANGE

Increased Decreased Remained stable

REGULATORY RISK

The risk:
The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction can have a material adverse effect on business volume and financial performance in that jurisdiction. In addition, a number of jurisdictions have regulated online gaming, and in several of those jurisdictions 888 holds licences. However, in some cases, lack of clarity in the regulations, or conflicting legislative and regulatory developments, mean that 888 may risk failing to obtain an appropriate licence, having existing licences adversely affected, or being subject to other regulatory sanctions. Furthermore, legal and other action may be taken by incumbent gaming providers in jurisdictions which are seeking to regulate online gaming, in an attempt to frustrate the grant of online gaming licences to 888.

Relevance to strategy:
Compliance with regulatory requirements and the maintenance of regulatory relationships in multiple jurisdictions is key to maintaining 888's online gaming licences which are critical to the operation and growth of its online gaming business. In addition, 888 may be exposed to claims in jurisdictions which do not regulate online gaming, seeking to block access to 888's offering of players located in such jurisdiction. A robust understanding of the legal and regulatory position in key locations worldwide is crucial to mitigating this risk.

How the risk is managed:
888 manages its regulatory risk by routinely consulting with legal advisers in the jurisdictions where its services are offered or are accessible, where necessary obtaining formal legal opinions from local counsel. Furthermore, 888 obtains frequent and routine updates regarding changes in the law that may be applicable to its operations, working with local counsel to assess the impact of any changes on its operations. 888 constantly adapts and moderates its services to comply with legal and regulatory requirements. Finally, 888 blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate.

What happened in 2016:
In light of increased regulatory scrutiny and a review of enforcement policy in the UK, 888 commenced a review process with its English counsel aimed to enhance and improve its internal processes related to customer on boarding, AML and responsible gaming, a process which is ongoing. Consistent with its growth strategy in regulated markets, 888 obtained a permanent gambling licence in Romania.

BREXIT-RELATED RISKS

The risk:
The proposed status of Gibraltar in relation to the United Kingdom as a result of "Brexit" is at present unclear. If 888 were to remain registered, licensed and operating in Gibraltar in these circumstances, its ability to rely on EU freedom of services/establishment principles in supplying its services within the EU will be limited; furthermore, it may become ineligible to continue to hold regulatory licences in certain EU jurisdictions. "Brexit" could adversely affect economic or market conditions in the United Kingdom, Europe or globally and could contribute to instability in global financial markets, in particular until there is more certainty as to the form that "Brexit" will take and its effect on Gibraltar, the United Kingdom and the EU.

Relevance to strategy:
The ability to rely on EU principles underpins 888's regulatory strategy regarding major EU markets.

How the risk is managed:
888 would not be able to control or mitigate political changes of this nature, however it would reconsider the appropriateness of remaining registered, licensed and operational in Gibraltar in these circumstances. Malta may be considered as an alternative "dot com" licensing jurisdiction.

What happened in 2016:
On June 23, 2016, it was decided by UK referendum that the UK should leave the EU. However, the UK Prime Minister has not yet given written notice under Article 50 of the Treaty on European Union, which would then start an up to two-year negotiation period on the terms of exit and the relationship between the UK and the EU following exit.

RISK MANAGEMENT STRATEGY
continued

KEY OF CHANGE

Increased Decreased Remained stable

INFORMATION TECHNOLOGY AND CYBER RISKS

The risk:
IT systems may be impacted by unauthorised access, cyber-attacks, DDoS (Distributed Denial of Service) attacks, theft or misuse of data by internal or external parties, or disrupted by increases in usage, human error, natural hazards or disasters or other events. 888 processes a large quantity of personal customer data including sensitive data such as name, address, age, bank details and gaming/betting history as part of its business; such data could be wrongfully accessed or used by employees, customers, suppliers of third parties, or lost or disclosed or processed in breach of data protection regulation. Cyber-attack and data theft incidents may expose 888 to “ransom” demands and costs of repairing physical and reputational damage. Failure of IT systems, infrastructure or telecommunications/third-party infrastructure may cause significant cost and disruption to the business and harm revenues. 888 could also face liability under data protection laws and could be exposed to action by government agencies or private litigation and loss of customer goodwill and confidence. Lengthy down-time of the site (including in transitioning to activated disaster recovery servers) could also cause 888 to breach regulatory obligations.

Relevance to strategy:
As an online B2C and B2B business, the integrity of 888’s IT infrastructure is crucial to the supply of its offerings and compliance with its regulatory obligations. The holding and processing of sensitive data in a lawful and robust manner is furthermore central to 888’s analytics-based business strategy. These are also key to maintenance of the impressive customer loyalty with which 888 is entrusted.

How the risk is managed:
Cutting-edge technologies and procedures are implemented throughout 888’s technology operations and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS devices and Anti-Virus protection from leading vendors. Physical and logical network segmentation is also used to isolate and protect 888’s networks and restrict malicious activities. The IT environment is audited by independent auditors, such as PCI DSS security audit and eCOGRA audit. These audits form part of 888’s approach to ensuring proper IT procedures and a high level of security. In order to ensure systems are protected properly and effectively, external security scans and assessments are carried out on a regular basis. 888 has a disaster recovery site to ensure full recovery in the event of disaster. All critical data is replicated to the disaster recovery site and stored off-site on a daily basis. In the event of loss of functionality of 888’s critical services, the business can be fully recovered through the resources available at the disaster recovery site. In order to minimise dependence on telecommunication service providers, 888 invests in network infrastructure redundancies whilst regularly reviewing its service providers. 888 has two Internet service providers in Gibraltar in order to minimise reliance on one provider. As a part of its monitoring system, 888 deploys set user experience tests which measure performance from different locations around the world. Network-related performance issues are addressed by rerouting traffic using different routes or providers. 888 operates a 24/7 Network Operations Centre (NOC). The NOC’s role is to conduct real time monitoring of production activities using state-of-the-art systems. These systems are designed to identify and provide alerts regarding problems related to systems, key business indicators and issues surrounding customer usability experience. The IT environment tracks changes, incidents and SLA KPIs in order to ensure that client experience is consistent and well managed. As part of these procedures, capacity planning takes place and infrastructure is built accordingly. System-wide availability and business-level availability is measured and logged in the IT information systems.

What happened in 2016:
At 888, IT security is deeply embedded within the organisation, and security projects are implemented on a constant ongoing basis. Awareness training is carried out for Group personnel at all office locations by the CISO. Software development personnel are trained in IT security and computerised systems monitor coding vulnerabilities in real time and provide timely notifications to management. Various IT security projects were implemented by 888’s IT Department under the guidance of its IT Security Committee. 888 continued to undergo regular IT security audits, including reviews by the internal IT team and external audit by gaming regulators.

TAXATION RISK

The risk:

Heightened attention to matters of cross-border taxation, including through the G20/OECD Base Erosion and Profit Shifting (BEPS) project, as well as in other public forums and the media, has increased the likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions. A finding of taxable presence of the 888 group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as considered in the BEPS reports), or a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), may have a substantial impact on the amount of income tax or VAT paid by 888. The introduction of the UK Diverted Profits Tax also gives rise to a risk that, whilst 888 carries out its operations from Gibraltar and has a considerable presence there, elements of its business carried out from the UK may be found to constitute an "avoided PE" giving rise to tax at a rate of 25% of the profit attributed to such avoided PE. The possible imposition by the UK of "use and enjoyment" rules with respect to advertising, which could be implemented during 2017 or 2018, may significantly increase 888's UK-facing marketing expense; the UK VAT rate is presently 20%. The UK Finance Bill 2017 provisions pursuant to which free plays will be treated as taxable for Remote Gaming Duty purposes is expected to have an adverse tax impact on 888 with effect from 1 August 2017; however, questions remain regarding how this will be implemented in practice. Uncertainties with regard to the application of VAT to certain of 888's offerings and the tax base to be applied thereto also gives rise to the risk of disputes with tax authorities, as do the imposition of gaming taxes in jurisdictions in which 888 has customers but does not hold a local licence. Furthermore, the imposition in certain jurisdictions of taxation of player winnings and/or imposition of a withholding obligation on foreign operators may make 888's offerings less attractive to players in relevant jurisdictions.

Relevance to strategy:

In addition to the financial consequences of a challenge to 888's tax structure, tax compliance — and being seen to be paying the "right amount" of tax — is becoming a serious reputational issue as well as being a regulatory compliance issue. As such, it is crucial that 888 has a solid basis for its tax positions taken in relevant jurisdictions.

How the risk is managed:

888 aims to ensure that each legal entity within its group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. In addition, certain jurisdictions impose tax by reference to customers' activity, regardless of whether 888 has a taxable presence in such jurisdiction. In this respect, 888 incurred VAT in certain countries in which certain of its online gaming offerings are considered services subject to VAT. Furthermore, jurisdictions in which online gaming is regulated impose gaming duties on licensed operators and in some cases even on unlicensed operators. In this respect, 888 monitors and seeks to comply with its legal obligations in various jurisdictions, whilst taking such action as is necessary to prevent the improper imposition of unlawful or double taxation.

What happened in 2016:

888 entered into discussions with relevant tax authorities in order to regularise its tax position and mitigate exposures. In addition, it reviewed its structure in light of the BEPS recommendations and consulted with tax and legal advisers to determine the manner and timing of their implementation in relevant jurisdictions, in order to ensure compliance with increased tax reporting obligations.
888 furthermore took advice with regard to VAT and gaming duty obligations and registered for such taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis in the appropriate jurisdictions, whilst reserving its position concerning contesting its liability in appropriate cases.
888 is furthermore closely following the UK developments regarding taxation of free plays for Remote Gaming Duty purposes, and possible imposition of "use and enjoyment" VAT rules regarding advertising, directly and via relevant industry bodies, as well as preparing mitigation actions.

RISK MANAGEMENT STRATEGY
continued

KEY OF CHANGE

Increased Decreased Remained stable

REPUTATIONAL RISK

The risk:
The reputation of 888 is affected by the profile of both other online gaming and betting operators, as well as the gaming and betting industry as a whole. The perception could therefore develop that minors and vulnerable players are not adequately protected, and there could also be claims for damages due to compulsive gambling. It is also difficult to ensure that affiliate marketers ethically source reliable data for marketing purposes such that advertising codes can be strictly adhered to and only appropriate age groups or demographics are targeted.

Relevance to strategy:
Underage and problem gaming are risks associated with an online gaming business, and ensuring compliance with regulatory requirements for the protection of vulnerable people is critical to maintaining 888's online gaming licences.

How the risk is managed:
888 devotes resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update their procedures to ensure that minors are unable to access their gaming sites. Staff are trained to provide a safe gaming experience to customers and to recognise and take appropriate actions if they identify compulsive or underage activity. 888 also complies with eCOGRA guidelines to protect customers. Web links to professional help agencies are provided on 888's real money gaming sites, and 888 has a dedicated website which provides information regarding responsible gaming. Players can also limit their play pattern or request to be self-excluded. 888 furthermore — directly or via industry bodies — seeks to ensure that legislators and regulators are provided with accurate and useful information regarding protections against problem and underage gaming.

What happened in 2016:
888 continued to invest in staff training and procedures to identify instances of problem gambling and fraudulent behaviour, as well as reviewing and optimising responsible gaming tools such as self-limits, take a break and self-exclusion, continuing to monitor the effectiveness of responsible gaming measures, and continuing its close partnerships with major helping agencies and support centers. 888 furthermore updated its business practices in order to comply with specific new regulatory requirements imposed in its major regulated markets, including responsible gaming measures required under the UK Gambling Commission's Licensing Conditions and Codes of Practice. In this context, 888 implemented a new version of its player behaviour monitoring system during 2016.

PARTNERSHIP RISK

The risk:
888 has in recent years rationalised its B2B contracts to focus on fewer, higher-value contracts. This exposes 888 more to termination or reduction of volume under existing B2B contracts.

Relevance to strategy:
B2B is a material part of 888's business. 888's key B2B contracts in terms of financial impact are its major Bingo B2B contracts; in addition, its US B2B contracts have strategic importance for the longer term.

How the risk is managed:
Whilst 888 generally protects itself contractually in this respect, it is often not commercially practicable to compel B2B partners to continue utilising the Dragonfish platform in the long term. The main method of mitigation is therefore to maintain commercial relevance in terms of the functionality and technology of the B2B platform offered, competitive pricing, maintaining an ongoing relationship with B2B partners, and ensuring that 888 has a good understanding of the needs of its B2B partners and their owners.

What happened in 2016:
During the year, 888 maintained its ongoing dialogue with major B2B partners, with a view to continued renewal of contracts aligned with 888's strategy, and mitigation of the risk of termination of contracts due to changes in partner circumstances.


888
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REGULATION AND GENERAL REGULATORY DEVELOPMENTS

With regulation playing an increasingly dominant role in defining and framing our business, 888 continues to monitor closely global legal and regulatory developments.

As a business operating in a highly regulated environment, which is deeply committed to operating in a lawful, compliant and responsible manner, 888 is profoundly impacted by regulatory changes related to its business operations.

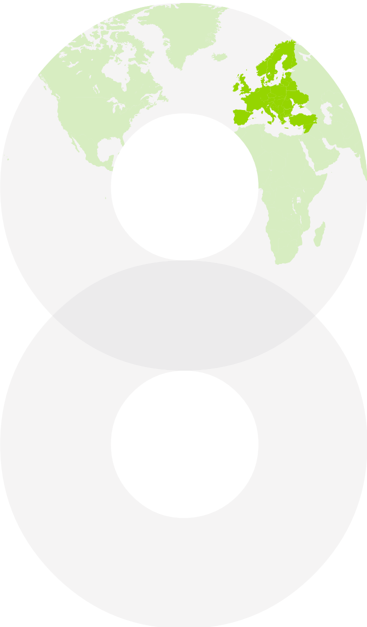
The online gambling industry underwent a number of legal and regulatory changes in jurisdictions around the world during 2016. Each such change initiated an internal review process within 888, aimed at analysing the potential opportunities, and managing potential risks, resulting from each such change.

Although changes were often unforeseen and inconsistent, which called for constant vigilance, 888 remains a strong proponent of the forming of strong regulatory regimes. Such regimes would, in 888's view, contribute towards advancing the online gambling industry in its entirety, providing added clarity and certainty in the business environment, benefitting regulators and compliant, responsible operators alike. Strong, well-structured frameworks inevitably trickle down and ultimately improve the services provided to customers, enhancing operators' reliability.

Naturally, with regulation playing an increasingly dominant role in defining and framing our business, 888 continues to monitor closely global legal and regulatory developments and to assess their impact on 888's operations. We continue to support regulation of the industry and to work with our partners in the industry and with our regulators towards shaping a regulatory landscape that is business-friendly while safeguarding the objectives of regulation.

The following paragraphs summarise the main relevant regulatory developments of 2016 and our expectations regarding changes that will impact 888 in 2017.

EUROPE



Regulated European markets that 888 currently operates in include:


UK


DENMARK


IRELAND


ITALY


ROMANIA


SPAIN

The general trend throughout the European Union in 2016 was the continued strive towards local regulation by individual member states. Some of those efforts were directed towards amending local law so that it will better comply with EU law, and some focused on bolstering existing, non-EU law compliant regimes.

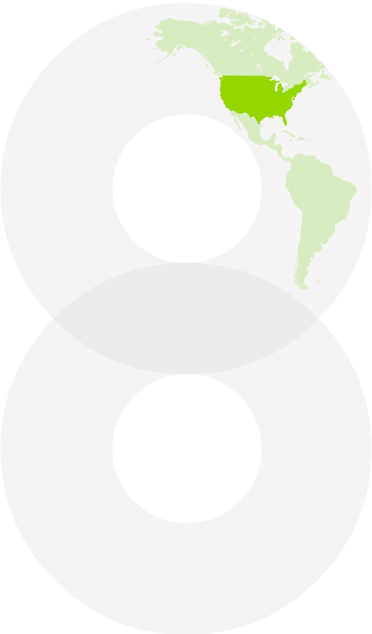
There were no significant actions taken by the European Commission with respect to online gambling in 2016. Other than minimal action with respect to member states whose gaming laws are considered to infringe EU law (such as Greece), the European Commission took very little action directly related to the regulation of online gambling.

Nonetheless, there were a number of general EU law developments which also impacted the online gambling industry. For example, new requirements relating to consumer dispute resolution came into force at the beginning of 2016. As a business incorporated and licensed in various EU member jurisdictions, 888 is directly impacted by these changes and will continue to be impacted by future changes (such as the entry into force of the 4th AML Directive now scheduled for mid-2017).

Several regulatory developments in specific European jurisdictions affected 888's operations in 2016:

- As in 2015, the UK's move to a place-of-consumption based regulatory regime continued to have a dramatic impact on 888 in 2016, given the prominence of 888's UK-facing operations. 888's continued adaptation to the new metrics and regulatory requirements of the UK market continued to necessitate significant efforts and the implementation of changes in many areas of the business. 888's continued prominence in the UK market speaks to the overall success of that process, however we continue to work to adapt our operations and working modalities to ensure ongoing adherence to the various (and evolving) requirements applicable to our UK operations.
- During the course of 2016, the Group was awarded a permanent operating licence in Romania, after operating based on an interim licence since its application for Romanian licensure in 2015.
- The regulatory landscape in Germany as a whole continued to be mired by uncertainty in 2016 with courts in various German states issuing conflicting rulings with respect to the validity and interpretation of the German Inter-State Gambling Treaty (the "Treaty"). The tender process for the award of 20 sports-betting licenses has been suspended (possibly indefinitely), and local attempts at regulating the industry in other manners (such as the Hesse "toleration" process which was aimed at regulating local provision of remote sports betting services in Hesse) were unsuccessful. It is unclear how the regulatory landscape in Germany will evolve in 2017 as the term of the current Treaty nears expiry.
- In late 2016, the Norwegian government published a white paper on the country's gambling policy, supporting the existing monopoly model.
- The Greek Government's announcements during 2015 and 2016 of plans to put a licensing regime in place as a revenue-generating measure have yet to materialise.
- Switzerland pushed on its draft bill that would allow the country's casinos to offer online gaming. The bill has now unanimously passed the upper house of the Federal Assembly of Switzerland and is due to be brought before the lower house early in 2017, which supports website blocking of unauthorised operators. However, implementation of these changes is not anticipated earlier than 2019.
- Regulatory reform in The Netherlands is still pending, after the Dutch lower house of parliament passed a bill to regulate online gambling in July 2016, which is now pending before Senate. 888 continued to conduct its operations in The Netherlands in accordance with interim guidelines issued by the local authorities and awaits developments in this important market. However, reasonable estimates do not predict final change in this respect sooner than 2018.
- In the course of 2016, several European regulators have expressed their intent to promote the sharing of poker liquidity within Europe and beyond. Such statements were made by regulators from the UK, France, Italy, Spain and Portugal. In November 2016, an informal meeting of the abovementioned regulators on the issue took place, where it was concluded that efforts would be made to reach agreed liquidity sharing arrangements by mid-2017. Consequently, in late 2016, France adopted a bill allowing the French gaming regulator to enter into liquidity sharing agreements with other EU/EEA member states. In addition, early in 2017, Portugal notified draft technical standards for such liquidity sharing to the European Commission, in preparation of possible future liquidity sharing agreements with EU member states.

UNITED STATES



In 2016 888 continued to operate in the US online gaming market with activity in all three states in which commercial internet gaming is operational – Nevada, New Jersey and Delaware. 888 continues to be the only online gaming operator authorised to conduct business in each of these jurisdictions.

Despite debates in the legislatures of various states regarding online gaming (in some cases – online poker) during 2016, no significant legislative changes occurred. 888 continues to closely monitor discussions and initiatives in the various jurisdictions, with the knowledge that positive developments in these large-scale markets could present tremendous opportunities for 888.

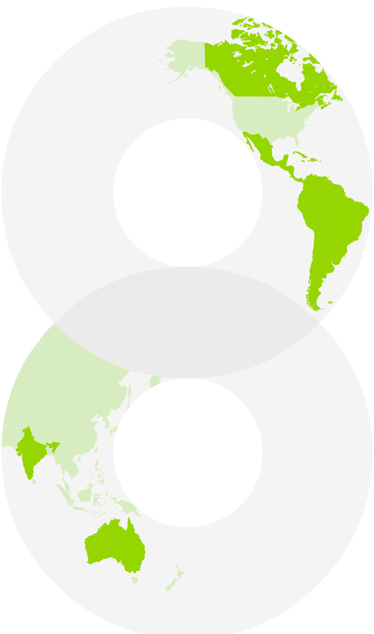
- The New York state legislature debated a bill in 2016 to regulate online provision of poker. The bill was stalled after passing the state senate. This legislative initiative is likely to recommence in 2017.
- In addition, we anticipate another attempt on New York's side to try and challenge the federal prohibition on sports betting embodied in the Professional and Amateur Sports Protection Act of 1992 ("PASPA"). 2017 will most likely see a new bill being introduced in an attempt to regulate sports betting within the State of New York, which if passed, is expected to be challenged immediately in federal court.
- The state of New Jersey continued its legal challenges to the federal prohibition on sports betting and made its appeal to the Supreme Court on the matter in late 2016. A decision by the Court whether to hear New Jersey's appeal is expected in early 2017.
- In 2016, the California state legislature debated a bill for the regulation of online poker. However, the bill ended up being abandoned mid-year. Pennsylvania made a similar effort to amend an existing bill on slot machine tax to include text authorising casinos to offer internet gambling in late 2016. This bill was similarly abandoned but may be reintroduced in 2017.

The 2016 election cycle brought with it uncertainty about changes that may take place in the US's approach (federal and state alike) towards gambling in coming years. The incoming US Attorney General, Jeff Sessions, commented in his Senate confirmation hearing that he intended to review the DOJ's position on the interpretation of the Federal Wire Act which is the keystone to the current remote casino and poker offerings in the US. Also on the federal level, a bill has been proposed to levy a federal tax on gambling-related income. As of yet, the position of the Trump administration on gambling issues remains uncertain.

On the state level, various legislative initiatives are already surfacing which would seek to introduce online gaming on the intra-state level.

888 will, of course, continue to follow these developments as they evolve.

FURTHER AFIELD



In 2016, the Australian Government presented draft legislation to Parliament aimed at strengthening the 2001 Interactive Gambling Act's prohibition on online gaming.

As anticipated, regulatory reform reached Latin America in 2016, with Colombia adopting a regime for the regulation and licensing of online gambling and sports betting.

Further reforms may be brought forward in 2017, in places such as Mexico and Brazil.

The Indian State of Nagaland adopted a regime for the regulation of online games of skill in 2016.

888 continues to follow these developments to assess their impact on our business and to identify potential opportunities for growth.

VIABILITY STATEMENT

The Directors have carefully considered 888's current position and principal risks, and have assessed the prospects of 888 over a period of three years. The directors consider this period appropriate for the assessment of viability of an online gaming company in 888's circumstances, taking into account the following factors:

- The Directors are mindful that the Company operates in the online gaming sector which, whilst having matured substantially since the early days of the internet, remains a fast-moving industry subject to ongoing change in the global regulatory and competitive landscape; and
- Management currently prepares a detailed bottom-up forecast on an annual basis, long range plans of up to three years are prepared using a top-down approach, and capital investment projects are planned over a period of three to five years.

With respect to the period assessed, the Directors have considered:

- 888's resilience to threats to its viability in severe but plausible scenarios;
- Both qualitative and quantitative analyses, including the combined impact of the crystallisation of multiple risks simultaneously, as well as stress testing, reverse stress testing and sensitivity analyses, which the directors consider sufficiently robust to make a sound statement; and
- A broad range of relevant matters that may threaten 888's viability.

Specific scenarios tested and considered by the Directors included: exit/closure of major markets due to regulatory or legal events, loss of major B2B customers, a major cyber-attack, and anticipated tax developments together with the crystallisation of tax risks. In addition, a "reverse stress test" was carried out in order to analyse combinations of risks which could bring about insolvency of the Company unless capital were raised; in such cases it is anticipated that mitigation measures (including reduction in dividends and overheads) could be implemented in order to forestall such an outcome.

The Directors confirm they have carried out a robust assessment of the principal risks facing 888, including those that would threaten its business model, future performance, solvency and liquidity, has been carried out.

In light of the foregoing, the Directors confirm they have a reasonable expectation that 888 will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2019.

Details of 888's risk management strategy and how it manages and mitigates its risks are set out in the Risk Management Strategy on page 26.

CORPORATE RESPONSIBILITY

As global leaders in online gaming entertainment we are committed to a pro-active policy of corporate and social responsibility, which reflects the high professional and ethical standards we have set for ourselves.

1 OUR RESPONSIBILITIES

ENVIRONMENTAL
888's activities have a relatively small impact on the environment. However, we remain committed to ensuring that wherever possible we minimise what little effect we have.

OUR EMPLOYEES
888's success depends on the quality and commitment of its people. We take our responsibilities to our staff around the world very seriously and aim to provide an enjoyable, fair and rewarding work environment.

SOCIAL COMMUNITY AND HUMAN RIGHTS
Our values place the community and the customer at the centre of all our endeavours.

RESPONSIBLE GAMING
888 places customer protection at the heart of its business and is always mindful of its customers' enjoyment and welfare.

PROTECTING MINORS
Underage activity on our sites is strictly prohibited and 888 takes the matter of underage gaming extremely seriously. We constantly revise innovative procedures to ensure minors are unable to access our gaming sites.

DIVERSITY
Diversity is important to 888 as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers.

2 OUR PHILOSOPHY

Our philosophy of responsibility is comprehensive and diverse.

- We sponsor and participate in activities in the neighbourhoods in which we live and work.
- We create collaborative and rewarding work environments where new ideas can flourish and employees can grow.
- We encourage responsible gaming practices to avoid the dangers of problem gambling, and we have taken rigorous steps at all our online sites to prevent underage gambling.
- We acknowledge the fact that even our most minuscule actions may affect the environment and take pro active measures to protect the world we live in.

3 OUR VALUES

Our values place the community and the customer at the centre of all our endeavours. We are constantly creating new and innovative ways to create a caring, responsible gaming environment and to ensure all those who visit our site can do so with confidence and safety, and that those for who our games are not intended, notably underage individuals and those vulnerable to addiction, will not be drawn into the gaming environment.

Our dedicated website is available at **888responsible.com**

888 is always mindful of the complex regulatory environment in which it operates and the social responsibility that comes hand-in-hand with the online gaming industry. 888 places customer protection at the heart of its business and is always mindful of its customers' enjoyment and welfare. By looking after its customers, 888's business is able to continue to flourish.

As an employer of more than 1,300 people, 888 is constantly focused on creating a collaborative, rewarding and fair working environment for all employees across the world.

888 is mindful of its environmental footprint and continues to monitor environmental performance and identify opportunities for energy consumption and waste reduction.

ENVIRONMENTAL IMPACT

As an online business, 888's activities have a relatively small impact on the environment. However, we remain committed to ensuring that wherever possible we minimise what little effect we have with the following areas being the key focus points:

- Energy consumption: we continuously monitor our energy consumption to help us ensure we are being as energy efficient as possible.
- Water: we use only ecological detergents in our offices and use water saving devices in most of our locations.
- Travel: to minimise the impact of travel on the environment we encourage employees to either cycle to work and, in certain locations, provide buses for commuters. We also continue to invest in the state-of-the-art technology to help meetings occur remotely.

888 commissioned a study by AVIV AMCG regarding 2015 to provide quantitative information regarding its environmental impact, as reflected through 888's Greenhouse Gas emissions for the period 1 January to 31 December 2015, and to assist it in finding ways to further reduce its Greenhouse Gas emissions. Details of the results were set out in the Company's 2015 Annual Report. Whilst 888 is committed to complying with UK disclosure requirements and appropriately managing its Greenhouse Gas emissions, given 888 has low emissions and in light of the costs involved in monitoring and measuring such emissions, the Board has concluded that a review will be carried out once every several years rather than annually. The Board acknowledges its overall responsibility for environmental issues and monitors 888's environmental performance in light of internal targets.

EMPLOYEES

888's success depends on the quality and commitment of its people. We take our responsibilities to our staff around the world very seriously and aim to provide an enjoyable work environment where employees are challenged and motivated to excel, where flair is rewarded, compensation is fair and the balance between work and family is respected.

Some highlights from 2016 include the following:

- We ran a number of management skills programs for both senior managers and team leaders from all divisions.
- During the year we had team building activities intended to create better connections among team members and managers, including a half day fun day for each department, overnight event combining engagement activities and professional lectures, as well as holiday celebrations on all Company sites.
- We have continued our annual evaluation process which is based on the principle that giving and getting feedback is key to each employee's growth and development and that regularly evaluating on the job performance helps achieve success and is essential for the well-being of all employees.
- We continued our efforts to extend our recruitment channels, including "refer a friend", social networks and internet channels.
- We believe that employees should share part of 888's success. This year, due to our great achievements and business success, we granted various performance bonuses to some employees of 888.
- 888 employees were involved in various charity initiatives according to office location.
- Specific retention efforts were carried out with respect to key employees.

STRATEGIC REPORT
GOVERNANCE
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CORPORATE RESPONSIBILITY
continued

888 takes its employees' health and safety seriously and has written policies in place with regard to occupational health and safety issues in its major offices. The Board will consider setting targets with regard to occupational health and safety issues in order to monitor performance. The Board acknowledges its overall responsibility for human resources issues, including for human resources and labour standards, implementing management structures and systems to monitor and evaluate employee performance and satisfaction, promoting diversity at all levels of 888 and within 888's supplier base, providing employees with the opportunity to have formal input into matters that affect them, oversee and allocate resources to employee training, and to monitor key health and safety performance goals and indicators. During 2016, there were no material labour disputes, litigation, or health and safety related fines or sanctions imposed on 888. 888 does not have a written policy for the employment, training, career development and promotion of disabled persons, but in certain of its locations is subject to statutory requirements in this respect. During 2016, steps were taken to maintain and develop arrangements to provide information to employees regarding financial and economic factors affecting 888's performance, including divisional and company-wide seminars, email communications and publication of pertinent public financial information on the 888 internal portal.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

Our values

At 888 we are fully committed to maintaining a high standard of corporate and social responsibility. This ethos is part of our culture and permeates throughout our business into the everyday business decisions we make on a day-to-day basis.

We also recognise that a responsible approach is not only the correct way to do business but one that enhances our credibility amongst all our stakeholders and thereby supports the development of 888. The Board acknowledges its overall responsibility for social, community and human rights issues.

Responsible gaming

Our values place the community and the customer at the centre of all our endeavours. We aim to provide our customers with the best online gaming entertainment experience. However, we acknowledge that gaming poses a potential risk to a small minority of people. We are constantly revising our innovative procedures to ensure minors are unable to access our gaming sites. We also continuously train all our staff in how to provide a safe gaming experience to our customers. Our training programme incorporates methods and techniques to help our employees recognise and take appropriate actions if they identify compulsive or underage activity. We continue to innovate in this area including the development of our proprietary sophisticated player behaviour monitoring system to help identify and prevent compulsive activity; in this respect, a new version of this system was implemented during 2016.

Protecting customers

- As a responsible, regulated gaming group we comply with the eCOGRA guidelines. eCOGRA ensures that approved online casinos are properly and transparently monitored to provide player protection.
- Our sites include links to professional help agencies and we have placed many safeguards for those who need help with controlling their gaming.
- Self-assessment test: for players who are worried about their gaming habits and want to know more about the signs of compulsive gambling.
- Controlling deposit limits: should clients feel the need to, they can control their play pattern by self limiting the amounts they deposit per day, per week or per month.
- Self exclusion: a player can request to be self excluded for a chosen period, due to different concerns. Based on internal studies we decided to increase time periods available for clients to "cool off". Customers can choose from six different exclusion periods from one day to six months or more. During this period, 888 blocks the account and no promotional emails are sent to the customer.
- During 2016, we revised our anti-money laundering considerations in general, and specifically how they relate to our social responsibility program.

Protecting minors

Underage activity on our sites is strictly prohibited and 888 takes the matter of underage gaming extremely seriously. Our offering is not designed to attract minors. We make every effort to prevent minors from playing on our sites and use sophisticated verification systems as well as a third-party verification supplier to identify and track minors if they log into our software. The verification process today consists of two independent verification systems, ID3 Global by GB Group and Call Validate by Call Credit.

We train our staff to be highly sensitive to the possibility of underage activity and make sure we suspend any account suspected to be an underage account.

888RESPONSIBLE

Since 2007, 888 has made available a dedicated website, www.888responsible.com, providing information regarding all aspects of responsible gaming.

COMMUNITY

888 is committed to supporting both the various local communities in which it operates and also the broader global community. Our community investment programme includes charitable donations and long-standing community involvement in our key areas across the world. In the past 888 supported the International Medical Corps in their efforts to assist people affected by Typhoon Haiyan which struck the Philippines.

FISCAL CONTRIBUTIONS

During the year the Group made fiscal contributions totalling US$79.5 million (2015: US$ 71.6 million) comprising of corporation tax of US$7.7 million (2015: US$3.0 million), VAT of US$8.3 million (2015: US$ 10.2 million) and gaming duties of US$63.5 million (2015: US$58.4 million).

HUMAN RIGHTS

888 ensures that its policies comply with local law, in addition to reflecting 888's values. These policies set clear standards of behaviour to which all Group personnel are expected to adhere, including as regards social, ethical and environmental matters. In this respect, 888 is guided by the ten principles of the United Nations (UN) Global Compact, which encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda.

DIVERSITY

Diversity is important to us as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers. We actively seek to recruit and advance women into our top management. A summary of the breakdown of men and women across 888 as of 31 December 2016, is as follows:

	Men		Women	
	Number	Percentage	Number	Percentage
Board of Directors	5	100%	0	0%
Senior Vice Presidents	4	66.6%	2	33.3%
Vice Presidents	18	75%	6	25%
All Employees	**801**	**59%**	**552**	**41%**

The Board acknowledges that the lack of women on the Board is a major challenge for 888, and that it is the Board's responsibility to address this. In seeking to recruit new Non-executive Directors to the Board, the Nominations Committee specifically seeks to include female candidates amongst the list of candidates presented for its consideration.

On behalf of the Board:

BRIAN MATTINGLEY
Chairman
21 March 2017

BOARD OF DIRECTORS

BRIAN MATTINGLEY

Chairman

Age:
65

EXPERIENCE

Brian Mattingley was Deputy Chairman of the Company and Senior Independent Non-executive Director from March 2006 until March 2012, and was then Chief Executive Officer until March 2016. He joined the Board in August 2005. He was previously Chief Executive of Gala Regional Developments Limited until 2005. From 1997 to 2003 he was Group Finance and Strategy Director of Gala Group Plc, prior to which he was Chief Executive of Ritz Bingo Limited. He has held senior executive positions with Kingfisher Plc and Dee Corporation Plc.

In his capacity as Chairman of the UK Bingo Association, Mr Mattingley spent a great deal of time with regulators, which has assisted in the Board's understanding of UK gaming regulation and laws. Mr Mattingley has been in the gaming industry since 1993, and launched one of the UK's first online Bingo sites whilst at Gala.

> Read more from Brian on pages 06 and 07

ITAI FRIEBERGER

Chief Executive Officer

Age:
46

EXPERIENCE

Itai Frieberger was appointed Chief Executive Officer of the Company on 2 March 2016. He was previously Chief Operating Officer since April 2011, and was appointed to the Board as an Executive Director on 13 May 2015. He also serves as Managing Director of the Company's Israeli subsidiary, Random Logic Ltd. He has worked for the Group since 2003, and previously served as Senior Vice President of Product Technologies, as well as leading various parts of the business such as marketing, product and business development. Prior to joining the Group, he held several management positions at Orange, one of the world's leading telecommunications operators.

Mr Frieberger brings to the role operational experience both from within and outside the online gaming sector, as well as personal relationships and valuable insight into the industry as a whole.

> Read more from Itai on pages 08 to 15

AVIAD KOBRINE

Chief Financial Officer

Age:
53

EXPERIENCE

Aviad Kobrine has been Chief Financial Officer of the Company since June 2005, and was appointed to the Board in August 2005. From October 2004 he was a consultant to the Company. Previously, he was a banker with the Media Telecoms Investment Banking Group of Lehman Brothers and prior to that, he was a senior associate with Slaughter and May. He holds a Masters in Finance from the London Business School (Distinction), a BA in Economics and an LLB from Tel Aviv University.

Mr Kobrine brings with him extensive finance, economic and analytical experience, in-depth knowledge of the group and detailed knowledge of the City's workings.

> Read more from Aviad on pages 16 to 22

RON MCMILLAN
Senior Independent Director
Age:
64

EXPERIENCE
Ron McMillan was the PricewaterhouseCoopers Global Finance Partner, Northern Regional Chairman of the UK firm and Deputy Chairman and Head of Assurance for the Middle East firm, in addition to serving as audit engagement leader on a number of major listed companies. He is the Senior Independent Director and Chairman of the Audit Committee of N Brown Group Plc and SCS Plc, Chairman of the Audit Committee of B&M European Value Retail SA and Chairman of Welcome to Yorkshire. Mr McMillan is the Chairman of the Company's Audit Committee and a member of the Remuneration Committee, Nominations Committee and Gaming Compliance Committee.

Having worked in PWC's assurance business for 38 years, Mr McMillan brings to the Board a deep understanding of auditing, financial reporting regulatory matters and corporate governance.

Ron McMillan was appointed as Non-executive Director on 15 May 2014, and Senior Independent Director on 9 May 2016.

COMMITTEES
A R N G

AMOS PICKEL
Independent Non-executive Director
Age:
50

EXPERIENCE
Amos Pickel was appointed in March 2006. Formerly Chairman of the Board of Berggruen Residential Limited, Chief Executive Officer of Atlas Management Company Limited, Chief Executive Officer and member of the Board of Directors of Red Sea Hotels Ltd., and a Non-executive Director of Gresham Hotel Group Plc, he is a non-practising solicitor holding a Master's in Law from New York University and an LLB from Tel Aviv University. He currently serves as an Executive Director of Swiftstake Technologies SA. Mr Pickel is the Chairman of 888's Remuneration Committee and Nominations Committee, and is a member of the Audit Committee and Gaming Compliance Committee.

Amos Pickel does not intend to offer himself for re-election at the 2017 Annual General Meeting.

COMMITTEES
A R N G

COMMITTEE KEY
A Audit Committee

R Remuneration Committee

N Nominations Committee

G Gaming Compliance Committee

Chairman of Commitee

Member of Commitee

DIRECTORS' REPORT

The Directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2016. The Strategic Report, Corporate Governance Statement and Directors' Remuneration Report on pages 8, 48 and 54 respectively, form part of this Directors' Report.

Results

The Group's profit after tax for the financial year of US$51.5 million (2015: US$29.5 million) is reported in the consolidated income statement on page 78. The Board is recommending a final dividend of 5.1¢ per share plus an additional one-off 10.5¢ per share (which together with the interim dividend equals 19.4¢ per share for the year (2015: 15.5¢ per share).

Directors and their interests

Biographical details of the current Board of Directors, setting out their relevant skills and experience and their professional commitments, are shown on page 40. The Directors who served during the year are shown below. In line with the UK Corporate Governance Code and as required by the Company's Articles of Association, all Directors retire at each Annual General Meeting and those who wish to continue to serve offer themselves for re-election.

Brian Mattingley (first appointed 30 August 2005).
Itai Frieberger (first appointed 13 May 2015).
Aviad Kobrine (first appointed 30 August 2005).
Ron McMillan (first appointed 15 May 2014).
Amos Pickel (first appointed 14 March 2006). Amos Pickel does not intend to offer himself for re-election at the 2017 Annual General Meeting.

The beneficial and non-beneficial interests of the Directors in shares of the Company are set out in the Directors' Remuneration Report on pages 54 to 66. There has been no change in the interests of Directors in shares of the Company between 31 December 2016 and the date of this Report.

Except as noted above, none of the Directors had any interests in the shares of the Company or in any material contract or arrangement with the Company or any of its subsidiaries.

Share capital

Changes in share capital of the Company during the financial year are given in the Consolidated Statement of Changes in Equity. As at 31 December 2016, the issued share capital of the Company comprised 358,585,958 Ordinary Shares of GBP £0.005 each (Ordinary Shares).

At the Annual General Meeting held in May 2016, the Board was empowered to allot securities of a value up to 66.66% of the Company's ordinary share capital in issue as at 31 March 2016. Furthermore, the Board was empowered to equity securities of the Company for cash without application of pre-emptive rights under the Company's Articles, provided that such power is limited:

(a) to the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of: (i) Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them; and (ii) holders of other equity securities if this is required by the rights of those securities, or if the Directors consider it necessary, as permitted by the rights of those securities; so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

(b) to the allotment (otherwise than pursuant to sub-paragraphs (a) above and (c) below) of equity securities up to an aggregate nominal value of £89,317.50; and

(c) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities in connection with an acquisition or specified capital investment up to an aggregate nominal value of £89,317.50;

and shall expire upon the earlier of: (i) the conclusion of the next Annual General Meeting of the Company after passing the resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and (ii) 30 June 2017.

In paragraph (c) "specified capital investment" means one or more specific capital investments in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to those assets is made available to shareholders to enable them to reach an assessment of the potential return.

In 2016, the Company did not exercise any of the foregoing powers and authorities.

The Directors do not have any power in relation to the buy back by the Company of its own Ordinary Shares. In 2016, the Company did not seek authority to and did not purchase any of its own shares.

Rights attaching to Ordinary Shares in the Company

The rights and obligations attaching to Ordinary Shares are set out in the Memorandum & Articles of Association of the Company.

Holders of Ordinary Shares are entitled to attend and speak at general meetings, to appoint one or more proxies and to exercise voting rights. Holders of Ordinary Shares may receive a dividend and on liquidation may share in the Company's assets. Holders of Ordinary Shares are entitled to receive the Annual Report. Subject to meeting certain thresholds, holders of Ordinary Shares may requisition a general meeting or the proposal of resolutions at general meetings.

Memorandum & Articles of Association

The Memorandum & Articles of Association of the Company can only be amended by a special resolution at a general meeting of shareholders. There were no changes to the Memorandum & Articles of Association of the Company during 2016.

Deadlines for exercising voting rights

Electronic and paper proxy appointment and voting instructions must be received by the Company's registrars not later than 9.00am CET (8.00am GMT) on 5 May 2017. Forms of Direction from persons holding depository interests in the Company in uncertificated form through CREST must be received by the Company's registrars not later than 9.00am CET (8.00am GMT) on 4 May 2017.

Restrictions on transfer of shares and limitations on holdings

There are no restrictions on transfer or limitations on the holding of Ordinary Shares other than under restrictions imposed by law or regulation (for example, insider trading laws) or pursuant to the Company's share dealing code.

During 2016, the Company adopted a revised Share Dealing Code as well as an Inside Information Disclosure Policy, in line with the EU Market Abuse Regulation (EU 596/2014) (MAR). The policy acknowledges the Company's obligation to disclose inside information as soon as possible to the market via a Regulatory Information Service (RIS), and that disclosure of inside information may only be delayed in circumstances set out in MAR, that is: (i) to protect the Company's legitimate interests, (ii) if delaying disclosure is not likely to mislead the public; and (iii) the Company can ensure that the information is kept confidential. The policy sets out procedures for control of inside information and the preparation of insider lists, as well as for disclosing or delaying the disclosure of inside information and communication with analysts and the media.

Requirements of gaming regulations

Amongst others, the Group:

(i) holds a licence from the Nevada Gaming Commission as the sole shareholder of an Interactive Gaming Service Provider licencee, and as such is subject to the Nevada Gaming Control Act and to the licensing and regulatory control of the Nevada State Gaming Control Board and the Nevada Gaming Commission;

(ii) holds a transactional waiver from the New Jersey Division of Gaming Enforcement permitting it to be the sole shareholder of a Casino Service Industry Enterprise licence applicant (presently holder of a transactional waiver allowing it to conduct online gaming related business in New Jersey), and as such is subject to the New Jersey Casino Control Act and to the licensing and regulatory control of the New Jersey Division of Gaming Enforcement; and

(iii) holds a Gaming Vendor Licence from the Delaware Department of Finance, State Lottery Office, and as such is subject to Title 29 of the Delaware Code and to the licensing and regulatory control of the Delaware Department of Finance, State Lottery Office.

The Company and holders of Ordinary Shares therein may also in the future be subject to similar restrictions in other jurisdictions where the Group secures a gaming licence.

The criteria used by relevant regulatory authorities to make determinations as to suitability of an applicant for licensure varies from jurisdiction to jurisdiction, but generally require the submission of detailed personal and financial information followed by a thorough investigation. Gaming authorities have very broad discretion in determining whether an applicant (corporate or individual) qualifies for licensing or should be found suitable.

Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage (typically five percent) of the Company's securities, to report the acquisition to the gaming authorities and apply for a finding of suitability. Many gaming authorities allow an "institutional investor" to apply for a waiver that allows such institutional investor to acquire up to a certain percentage of securities without applying for a finding of suitability, subject to the fulfillment of certain conditions. In some jurisdictions, suitability investigations may require extensive personal and financial disclosure. The failure of any such individuals or entities to submit to such background checks and provide the required disclosure could jeopardise the Group's eligibility for a required licence or approval.

Any person who is found unsuitable by a relevant gaming authority may be prohibited by applicable gaming laws or regulations from holding, directly or indirectly, the beneficial ownership of any of the Company's securities.

The Company's Memorandum and Articles of Association include provisions to ensure that the Company has the required powers to continue to comply with applicable gaming regulations.

These provisions include providing the Company, in the event of a Shareholder Regulatory Event (as defined in the Articles), with the right to:

(a) suspend certain rights of its members who do not comply with the provisions of the gaming regulations (the Affected Members);

(b) require such Affected Members to dispose of their Ordinary Shares; and

(c) subject to (b) above, dispose of the Ordinary Shares of such Affected Members.

The Company considers that these rights are required in order to mitigate the risk that an interest in Ordinary Shares held by a particular person could lead to action being taken by a relevant Regulatory Authority which in turn could lead to the withdrawal of existing licences held by the Group or the exclusion of being awarded further licences in other jurisdictions that the Group seeks to pursue. This potential Regulatory Authority action could therefore cause substantial damage to the Group's business or prospects.

Entities holding company shares on behalf of Group employees

At 31 December 2016, Virtual Share Services Limited (a wholly owned subsidiary of the Company) held 3,403,891 Ordinary Shares in its administrative capacity in connection with the 888 All-Employee Share Plan and under the 888 Holdings plc Long-Term Incentive Plan 2015. Full details are set out on page 57.

DIRECTORS' REPORT
continued

Substantial shareholdings
As at 31 December 2016, the Company had been notified of the following interests in 5% or more of its share capital under Disclosure Guidance and Transparency Rules (DTR) Rule 5 of the UK Listing Authority:

Principal shareholders	Number of shares	% issued share capital	Nature of Holding
Sinitus Nominees Limited in trust on behalf of Dalia Shaked	86,283,534	24.1%	Indirect
O Shaked Shares Trust	86,283,534	24.1%	Indirect
Majedie Asset Management Limited	35,336,801	9.9%[1]	Indirect

1 Holding disclosed under Rule 8.3 of the Takeover Code.

No notifications pursuant to DTR Rule 5 have been received by the Company between 31 December 2016 and the date of this Annual Report. Information provided to the Company pursuant to the DTRs is publicly available via the regulatory information services and the Company's corporate website corporate.888.com.

Shareholder agreements and consent requirements
There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Relationship Agreement
Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company is known as a "Controlling Shareholder" for the purposes of the UK Listing Rules. The UK Listing Rules require companies with Controlling Shareholders to enter into an agreement which is intended to ensure that the Controlling Shareholders comply with certain independence provisions in the UK Listing Rules. Sinitus Nominees Limited in trust on behalf of Dalia Shaked, O Shaked Shares Trust and Ben-Yitzhak Family Shares Trust (together, the Principal Shareholder Trusts) are "Controlling Shareholders" of the Company.

The Company entered into a relationship agreement with the Principal Shareholder Trusts on 14 September 2005 which was amended on 28 August 2015 and 22 November 2015 (the Amended Relationship Agreement).

The Amended Relationship Agreement includes the following provisions in respect of the independence of 888 Holdings plc (in accordance with the UK Listing Rules) which provide that each of the Principal Shareholder Trusts shall, and shall procure as far as it is legally able, that each of their respective associates:

- will conduct all transactions and relationships with 888 Holdings plc and any member of the Group on an arm's length basis and on a normal commercial basis;
- will not take any action which precludes or inhibits 888 Holdings plc, or any member of the Group, from carrying on its business independently of them;
- will not take any action that would have the effect of preventing the Company, or any member of the Group, from complying with its obligations under the UK Listing Rules; and
- will not propose or procure the proposal of any shareholder resolution which is intended, or appears to be intended, to circumvent any proper application of the UK Listing Rules.

It further provides that each of the Principal Shareholder Trusts will not solicit Group employees without consent, that only independent directors can vote on proposals to amend the Relationship Agreement, that the Principal Shareholder Trusts will consult the Company prior to disposing of a significant number of shares in order to maintain an orderly market and shall not disclose confidential information unless required to do so by law or relevant regulation or having first received the Company's consent.

The Amended Relationship Agreement also includes restrictions on the Principal Shareholder Trusts' power to appoint Directors and includes obligations on the trusts to exercise their voting rights to ensure that the majority of the Board, excluding the Chairman, is independent.

The Principal Shareholder Trusts can nominate a non-executive director for appointment to the Board. In the event that this right is exercised and it results in fewer than half the Board (excluding the Chairman of the Board) being Independent Directors, such appointment shall only become effective upon the appointment to the Board of an additional Independent Director acceptable to the Nominations Committee. There are no such nominated directors at present.

Such restrictions and obligations apply in respect of the O Shaked Shares Trust and Sinitus Nominees Limited in trust on behalf of Dalia Shaked whilst they collectively hold not less than 7.5% of the issued share capital of the Company.

The obligations of the parties to the Amended Relationship Agreement are at all times subject to all relevant legal and regulatory requirements and obligations of the parties thereto in the United Kingdom, Gibraltar or elsewhere.

Confirmation of independence

As required pursuant to LR 9.8.4(14)R, the Board confirms that during the financial year 2016:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the controlling shareholders and their associates; and
- so far as the Company is aware, none of the Principal Shareholder Trusts or any of their respective associates proposed or procured the proposal of any shareholder resolution which circumvented the proper application of the UK Listing Rules.

There were no instances in which an independent director of the Company did not support the Board's statements regarding compliance with the aforementioned independence criteria.

Shareholders' Agreement

The Company has been informed that the Principal Shareholder Trusts and certain other shareholders entered into a shareholders' agreement on 14 September 2005 (the Shareholders' Agreement).

Pursuant to the Shareholders' Agreement, restrictions are imposed on substantial disposals of Ordinary Shares by any of the parties to the Shareholders' Agreement without first offering such Ordinary Shares to the other Principal Shareholder Trusts. With respect to the Principal Shareholder Trusts, a substantial disposal is a disposal of more than 1% of the issued ordinary share capital of the Company. This provision does not apply to: (i) disposal in the context of a recommended public takeover for the Company; or (ii) transfers to another Principal Shareholder Trust or a party associated to a Principal Shareholder Trust.

In addition, the Shareholders' Agreement requires that the Principal Shareholder Trusts all vote in favour of any resolution(s) proposed at a general meeting or all vote against such resolution(s) or, failing agreement amongst the Principal Shareholder Trusts, vote in such manner as maintains the status quo. The other parties to the Shareholders' Agreement will vote or act in accordance with the vote cast or action taken as the case may be, by the Principal Shareholder Trusts.

The Shareholders' Agreement shall terminate in the event that: (i) the E Shaked Shares Trust and the O Shaked Shares Trust, and their respective associates, collectively have an interest in less than 5% of the issued share capital of the Company and the Ben-Yitzhak Family Shares Trust and its associates collectively have an interest in less than 5% of the issued share capital of the Company; or (ii) all the parties and the associates of the Principal Shareholder Trusts collectively, in aggregate, have an interest in less than 10% of the issued share capital of the Company.

On 22 November 2015, in connection with the transfer of the entire shareholding in the Company held by E Shaked Shares Trust to Sinitus Nominees Limited in trust on behalf of Dalia Shaked, a deed of adherence was executed pursuant to which Sinitus Nominees Limited in trust on behalf of Dalia Shaked undertook to observe, be bound by and comply in all respects with the provisions applicable to it as a shareholder pursuant to the Shareholders‘ Agreement, and to assume the benefits of the Shareholders‘ Agreement, as if it had executed the Shareholders‘ Agreement and was named as a party to it.

Change of control

A change of control in the Company may, in the event of failure to fulfil any applicable consent requirement, give rise to certain revocation or termination rights under the Group's gaming licences or certain contracts to which Group companies are a party.

Donations

The Group did not make any donations to any political party (including any non-EU political party) or organisation or independent election candidate or incurred any political expenditure during the year.

Financial instruments

The Company considers the Group's exposure to financial risks, including and exposure to specific countries and trading counterparties, to be low. During 2016, hedging of the Group's foreign currency risks was carried out solely with leading banks including Barclays plc. Further information on the Group's use of financial instruments is set out in note 24 to the annual accounts on page 107.

Directors' indemnities

The Company's Articles of Association permit the Company to indemnify its Directors in certain circumstances, as well as to provide insurance for the benefit of its Directors. The Company has undertaken to indemnify certain of its Non-executive Directors: (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of such Non-executive Director or in which such Non-executive Director is acquitted; or (b) in connection with any application under Section 477 of the Gibraltar Companies Act (pursuant to which the court may provide relief to such Non-executive Director in any proceedings for negligence, default, breach of duty or breach of trust on grounds that such Non-executive Director has acted honestly and reasonably, and that, having regard to all circumstances of the case, including those connected with his appointment, he ought fairly to be excused from liability on such terms as the court thinks fit). The Company also undertook in favour of Aviad Kobrine to indemnify him to the fullest extent permitted by applicable law and 888's Articles of Association in connection with the execution of his duties and/or exercise of his powers, authorities and discretions pursuant to his employment agreement. In addition, certain special indemnities were provided to the Executive Directors in connection with the compliance and licensing procedures relating to 888's business in the United States, details of which were provided in 888's 2011 Annual Report.

Corporate governance

The corporate governance statement is on pages 48 to 53 and is incorporated in this Directors' Report by reference.

Going concern and viability statements

The going concern and viability statements required to be included in the annual report pursuant to the UK Corporate Governance Code are on pages 53 and 35 respectively, and are incorporated in this Directors' Report by reference.

DIRECTORS' REPORT
continued

Principal subsidiary undertakings
The principal subsidiary undertakings are listed on page 103.

Research and development activities
In 2016, the Group maintained its focus on delivery of its offerings to regulated markets, expansion of its mobile channel strategy and expansion of the capabilities of its gaming platform and offerings.

Some relevant achievements during the year in the field of research & development included:

- Further development of our gaming and betting offerings in regulated markets, including Italy (Sports) and Romania (Casino, Poker and Sport);
- Modification of our back-end and front-end systems to support the re-launched 888poker customer loyalty program;
- Poker Blast, a new speedy and exciting poker variation, was launched during August with great success;
- Bingo new variants added to the Bingo offering expanding Dragonfish's proposition and player experience;
- Addition of more than 100 new games by PC and mobile, with an emphasis on development in HTML5;
- Continued investment in special features and usability for the company's Mobile channel, including rating of apps and special payment methods such as Apple Pay;
- Development of a Sport "Freebet Hunt" mobile app allowing freebet tokens to be scattered on a real-life map for players to "grab" when they reach the designated location;
- Development of new marketing tools for improved optimisation of bonuses and customer experience;
- Enhancements to customer verification tools for customer due diligence, responsible gaming and anti-money-laundering;
- Ongoing improvement to our back office and support tools; and
- Continued investment in our core platform and data centre infrastructure.

Greenhouse gas emissions
Details of 888's greenhouse gas emissions are set out in the Corporate Responsibility section of the Strategic Report on pages 36 and 37.

Auditors
A resolution for the reappointment of Ernst and Young LLP and EY Limited, Gibraltar, (together, EY), as auditors of the Company will be proposed at the 2017 Annual General Meeting.

During the year ended 31 December 2016, Ernst and Young LLP were reappointed auditors for the purposes of the Company preparing financial statements as required pursuant to the UK Listing Rules. EY Limited, Gibraltar, which is approved as a registered auditor under the Gibraltar Financial Services (Auditors) Act 2009, is the statutory auditor of the Company including for the purposes of issuing an audit report pursuant to the Gibraltar Companies Act 2014.

During 2016, EY charged 888 US$0.3 million in audit fees and US$0.3 million in non-audit fees, and during 2015, EY charged 888 US$0.4 million in audit fees and US$3.4 million in non-audit fees (out of which US$3.3 million was associated with the proposed acquisition of bwin.party digital entertainment plc).

Directors' statement of responsibilities
Company law requires the Directors to prepare financial statements in accordance with the Gibraltar Companies Act 2014.

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

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Gibraltar Companies Act 2014.

Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors are responsible for preparing the annual report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with IFRSs as adopted by the EU and have also chosen to prepare financial statements for the Group in accordance with IFRSs as adopted by the EU.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Each of the Directors confirms, to the best of his knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board:

ITAI FRIEBERGER
Chief Executive Officer
21 March 2017

CORPORATE GOVERNANCE STATEMENT

The Company is admitted to the UK Official List and its shares are traded on the London Stock Exchange under a Premium Listing. As such, despite being incorporated in Gibraltar, the UK Corporate Governance Code (the "Code" or "UK Corporate Governance Code") applies to the Company pursuant to the UK Listing Rules and is available at www.frc.org.uk. The version of the Code published in September 2014 applied to the financial year under review, and 888 has applied the version of the Code published in April 2016 since its financial year end.

The Board remains committed to the principles of corporate governance in the UK Corporate Governance Code which it considers to be central to the effective management of the business and to maintaining the confidence of investors. This report explains how the Company has applied the main principles of the UK Corporate Governance Code.

The statement contained in this section explains the key features of the Company's governance structure and compliance with the UK Corporate Governance Code. Where the Company has not complied with the UK Corporate Governance Code, explanations are given below.

This statement also includes items required by the UK Listing Rules and the Disclosure Guidance and Transparency Rules, including how the "Main Principles" of the UK Corporate Governance Code have been applied.

The Board remains committed to the principles of corporate governance in the UK Corporate Governance Code which it considers to be central to the effective and efficient management of 888's business and to maintaining the confidence of investors for its long-term success. This report explains how the Company has applied the main principles of the UK Corporate Governance Code.

Statement of compliance with the UK Corporate Governance Code

During 2016, the Company was in material compliance with the UK Corporate Governance Code 2014, other than as regards the following:

- A.2.1: The roles of chairman and chief executive were exercised by the same individual, Brian Mattingley, until the appointment of Itai Frieberger as Chief Executive Officer of the Company and Brian Mattingley as Chairman, on 2 March 2016.
- A.4.1: There was no designated Senior Independent Director until Ron McMillan's appointment in May 2016.
- C.3.1/D.2.1: As there are only two Independent Non-executive Directors serving on the Board, it has not been possible for the Board to appoint three Independent Non-executive Directors to the Audit and Remuneration Committees. The appointment of an additional Non-executive Director to the Board was delayed in light of potential corporation transactions which were under discussion during the year. The Board is in advanced stages of appointing one additional Non-executive Director to the Board; in addition, a recruitment agency has been engaged with a view to recruiting a further Non-executive Director.

Leadership

The Directors consider it essential that the Company should be both led and controlled by an effective Board.

Board responsibilities and procedures

The Board focuses upon the Company's long-term objectives, strategic and policy issues and formally and transparently considers the management of key risks facing the Group, as well as determining the nature and extent of significant risks it will take in achieving its strategic objectives, maintaining sound risk management and internal control systems and reviewing annually the effectiveness of the Company's risk management and internal control systems. The Board is responsible for acquisitions and divestments, major capital expenditure projects and considering the Company's budgets and dividend policy. The Board also determines key appointments. The Board receives regular updates on shareholders' views.

Board-level responsibilities of the Chairman are clearly and formally defined, with the Chairman being responsible for the effective operation of the Board as a whole, leadership of the Board in achieving a culture of constructive challenge by Non-executive Directors (including the Senior Independent Director), regularly agreeing and reviewing each Director's training and development needs, and supporting key external relationships; the CEO has the overall executive responsibility for the running of the Company's business; and the Non-executive Directors (including the Senior Independent Director) are responsible to constructively challenge and help develop proposals on strategy; no one individual has unfettered powers of decision.

The Board has an established calendar of business. This covers the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar forms the basis for effective integration of business activities as between the Board and its principal committees (see pages 48 to 53), which individually consider their own operating frameworks against the Board's business programme.

The Directors have wide-ranging business experience, and no individual, or group of individuals, dominates the Board's decision making.

Reserved powers and delegation

A schedule of matters reserved to the Board has been adopted and its content is reviewed to align it with operational needs and the Board's preference to monitor and, where appropriate, approve matters of substance to 888 as a whole. Senior executives have given written undertakings to ensure compliance within their business operations with the Board's formal schedule of matters reserved to it for decision or approval.

Chairman and Chief Executive Officer

Brian Mattingley, who served as Chief Executive Officer from March 2012, became Executive Chairman in May 2015, a role which he fulfilled until the appointment of Itai Frieberger as Chief Executive Officer on 2 March 2016, at which time Mr Mattingley became a non-executive Chairman. The Board consulted with 888's major shareholders in 2016 with regard to these succession planning matters.

Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016. Mr Mattingley and Mr Frieberger have a close working relationship to ensure the integrity of the decision making process of the Board and the successful delivery of 888's strategy. There is now a clear division of responsibilities between the Chairman and the CEO, which the Board considers an important part of its corporate governance.

Non-executive Director independence

Amos Pickel served as a Non-executive Director of 888 since March 2006. During 2016, the Board carefully considered whether Mr Pickel's length of service had compromised his independence and concluded that he remained independent in character and judgement and that there were no relationships or other circumstances which were likely to affect, or could appear to affect, his judgement. Moreover, from the rigorous review carried out by the Board of its members' performance, it concluded that Mr Pickel continued to bring invaluable experience and insight to the Board and to contribute positively to Board and committee deliberations. The Board was therefore entirely satisfied as to Mr Pickel's performance and continued independence.

Ron McMillan was appointed Senior Independent Director during 2016 and the Board is confident that he is and remains independent in character and judgment and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement.

Directors' insurance cover

The Company has arranged and maintains, at its expense, a directors' and officers' liability insurance policy in respect of legal actions against its Directors, as recommended by the UK Corporate Governance Code. To the extent permitted by Gibraltar law, the Company may also indemnify the Directors. Neither the insurance nor the indemnity provides cover where a director has acted fraudulently or dishonestly.

Diversity policy

Details of the Company's diversity position and involvement of women in management of the Group are set out in the Corporate Responsibility section of the Strategic Report on pages 36 to 39.

EFFECTIVENESS

Board composition

During 2016, the Board consisted of five Directors, as follows: a Senior Independent Director (Ron McMillan), an independent Non-executive Director (Amos Pickel), a Chairman (Brian Mattingley who was Executive Chairman until the appointment of Itai Frieberger as Chief Executive Officer on 2 March 2016), and two Executive Directors (Itai Frieberger as the Chief Executive Officer (Chief Operating Officer until 2 March 2016) and Aviad Kobrine as the Chief Financial Officer).

The biographical details of all of the Directors, setting out their relevant skills and experience and their professional commitments, are given on pages 40 and 41.

Independent Directors

Half of the Directors, excluding the Chairman, are Non-executive Directors determined by the Board to be independent for the purposes of the UK Corporate Governance Code.

The role of the Senior Independent Director is to provide a sounding board for the Chairman, to evaluate the Chairman's performance and lead the Board's succession planning, and to serve as an intermediary for the other Directors where necessary.

Ron McMillan was appointed as the 888 Board's Senior Independent Director on 9 May 2016.

Nominations Committee

The Board considers succession planning matters on an ongoing basis, with particular focus on succession planning for the CEO role as well as for senior management. At Board level, the Board has prioritised the recruitment of experienced Non-executive Directors, although appointments were delayed during 2016 due to potential corporate transactions.

The Board has established a nomination committee to lead the process for Board appointments and to make recommendations to the Board (the Nominations Committee).

During the year, the Nominations Committee comprised independent Non-executive Director Amos Pickel (Chairman), and Senior Independent Director Ron McMillan.

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nominations Committee is responsible for reviewing, from time to time, the structure of the Board, determining succession plans for the Chairman and Chief Executive Officer, and identifying and recommending suitable candidates for appointment as Directors. In accordance with the Nominations Committee's terms of reference, the Committee Chairman does not chair the Nomination Committee when it is dealing with the appointment of a successor to the chairmanship, and the Nomination Committee is tasked with preparing a description of the role and the capabilities required for particular roles.

The Nominations Committee's terms of reference are available on the Company's website, corporate.888.com.

The Nominations Committee and the Board will continue its efforts in 2017 to recruit suitable and experienced independent Non-executive Directors.

The Nominations Committee is also responsible for pursuing diversity within the scope of its mandate, including setting any measurable objectives and monitoring progress on achieving such objectives. In considering new Board appointments, diversity (including gender diversity) is one of the criteria considered by the Nominations Committee. The Company's statement regarding diversity is set out in the Corporate Responsibility section of the Strategic Report on pages 36 to 39.

CORPORATE GOVERNANCE STATEMENT
continued

Re-election and appointment of Directors
All Directors are subject to reappointment by shareholders on an annual basis in accordance with the provisions of the UK Corporate Governance Code.

When proposing Directors for re-election, the Board rigorously reviews the performance of each Director and assesses whether the individual's performance continues to be effective and that he or she continues to demonstrate commitment to the role, taking into account the need for progressive refreshing of the Board.

The Board may appoint any person to be a Director of the Company and such Director shall hold office only until the next AGM, when he or she shall be eligible for reappointment by the shareholders.

Commitment
The opportunity to hold office as Non-executive Directors of other companies enables the Directors of 888 to broaden their experience and knowledge, which benefits the Company. Executive Directors may be allowed to accept non-executive appointments with the Board's prior permission, so long as these are not likely to lead to any conflict of interest. Executive Directors may be required to account for fees received from such other companies. Non-executive Directors are required to allocate sufficient time to perform all applicable roles and to both disclose any external appointments and consult with the Company prior to accepting any new major external appointments. During 2016, the Board considered Amos Pickel's executive role with Swiftstake Technologies S.A. and concluded that it did not derogate from his commitment of sufficient time to his Non-executive Director role with 888.

The Chairman has disclosed details of his other significant commitments to the Board during 2016 and these are detailed in his biography on page 40.

The Board considers that Brian Mattingley's other commitments do not interfere with the discharge of his responsibilities to the Group and is satisfied that he makes sufficient time available to serve 888 effectively.

The terms of appointment for each Non-executive Director, including expected time commitment are available for inspection at the Company's registered office during normal business hours and at the AGM.

Meetings and attendance
The Board plans to meet six times a year. When urgent decision making is required between meetings on matters reserved to the Board, there is a process in place to facilitate discussion and decision making. The Directors regularly communicate and exchange information irrespective of the timing of meetings.

During 2016, the Board met eight times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2016. The reason for holding more annual meetings than the usual six was primarily the Company's proposed takeover offer of William Hill plc which was subsequently withdrawn.

The Chairman has responsibility for ensuring that agendas for Board meetings are set in advance. Board papers are issued to Directors sufficiently in advance of meetings to facilitate both informed debate and timely decisions. If a Director is unable to attend a meeting, he is given the opportunity to raise any issues and give any comments to the Chairman in advance.

None of the Directors have raised any concerns about the running of the Company or a proposed action which needed to be recorded in the Board minutes of the Company or in a statement to the Chairman for circulation to the Board.

Meetings with Non-executive Directors
The Chairman holds meetings at least once per year with the Non-executive Directors without the Executive Directors being present.

The Non-executive Directors meet once per year without the Chairman present in order to appraise the performance of the Chairman and take into account the views of the Executive Directors. Under the UK Corporate Governance Code, it is part of the role of the Senior Independent Director to lead this process.

Board evaluation
The Board has established a formal process for the annual evaluation of its performance, and the performance of its committees and individual Directors. The evaluation process covers a range of issues such as Board processes, Board roles and responsibilities, Board agendas and committee processes.

An externally facilitated evaluation of the Board and its Committees relating to performance in 2016 was carried out in September 2016, and included evaluation of the performance of the Board and each Committee as a whole as well as evaluation of individual Directors and the Chairman against criteria and minimum requirements set by the Board. The evaluation was carried out by Mr Raymond Dinkin of Consilium Board and Leadership Development, a London based management consulting firm to Boards and executives which has no other connection with 888. The evaluation included

Total number of meetings held during the year ended December 2016 and the number of meetings attended by each Director

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total held in year	8	3	2	1
Brian Mattingley	8	N/A	N/A	N/A
Itai Frieberger	8	N/A	N/A	N/A
Aviad Kobrine	7	N/A	N/A	N/A
Ron McMillan	7	3	2	1
Amos Pickel	8	3	2	1

questionnaires and face to face meetings with Board members, senior management, representatives of major shareholders and 888's external legal advisers.

The evaluation culminated in a number of recommendations, including as regards succession planning, the structure of Board meetings, tracking of Board decisions and financial reporting to the Board. The Board adopted all recommendations which arose from the evaluation. The evaluation concluded that the Board and its Committees are well-balanced and effective, and are a forum for meaningful deliberation and constructive challenge with regard to the matters of strategic importance to the Company.

Following the evaluation, the Board was satisfied that each of the Non-executive Directors continues to be effective and to demonstrate commitment to their respective roles. The Board proposes Ron McMillan for re-election to the Board and notes that Amos Pickel will not be offering himself for re-election at the 2017 Annual General Meeting.

Development and advice

The Board understands that there should be a formal, rigorous and transparent procedure for the induction of new Directors, which has been formulated with the guidance of the Nominations Committee.

All Directors have access to the advice and services of the Company Secretary and the Company's nominated advisers, who are responsible for ensuring that Board procedures are followed. Directors are able to seek independent professional advice, if required, at the Company's expense provided that they have first notified the Company of their intention to do so.

No new Directors were appointed during 2016. On 9 May 2016, Ron McMillan was appointed Senior Independent Director. On 2 March 2016, Itai Frieberger was appointed as Chief Executive Officer, at which time Brian Mattingley became a non-executive Chairman.

As noted above, the Chairman regularly agrees and reviews each Director's training and development needs. Members of the committees receive specific updates on matters that are relevant to their role. Members of the senior management team with responsibility for the Group's business make periodic presentations at Board meetings about their functions, performance, markets and strategy.

Information and support

Each of the Directors has access to the advice and services of the Company Secretary. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring information flows within and between the Board, its Committees and senior management, as well as facilitating induction, evaluation and professional development activities, and advising the Board on corporate governance, legal and procedural matters.

The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Conflicts of interest

Conflicts of interest of the Directors are dealt with in accordance with the procedures set out in the Company's Memorandum & Articles of Association and are monitored by the Chairman. Specifically, a Director does not vote on Board or Committee resolutions in which he or persons connected with him have an interest (other than by virtue of a shareholding in the Company) which is to his knowledge material, except in specific limited circumstances. Such procedures operated effectively during the year.

ACCOUNTABILITY

Risk management and internal control

The Directors acknowledge that they are responsible for the Company's system of internal control, for setting policy on internal control and risk management, and for reviewing the effectiveness of internal control and risk management.

The Directors monitor the Company's systems of internal control and risk management on an ongoing basis, including identifying, evaluating and managing the significant risks faced by the Company. The Board believes that its risk management process accords with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and carries out an annual review of its effectiveness covering all material controls, including financial, operational and compliance controls.

The annual review considers individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. Such a review was carried out in respect of the processes that were in place throughout 2016 up until the date of approval of the Annual Report and Accounts. No significant failings or weaknesses were identified in the review.

It is management's role to implement Board policies on risk and control, including reporting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Audit Committee also reviews the appropriateness and adequacy of systems of internal control and risk management in relation to the financial reporting process on an ongoing basis and makes recommendations to the Board based on its findings.

888's internal control and risk management systems in relation to the process of preparing consolidated accounts include the following:

- Identification of significant risk and control areas of relevance to group-wide accounting processes;
- Controls to monitor the consolidated accounting process and its results at the level of the Board and at the level of the companies included in the consolidated financial statements;
- Preventative control measures in the finance and accounting systems of the Company and of the companies included in the consolidated financial statements and in the operative, performance-oriented processes that generate significant information for the preparation of the consolidated financial statements including the Strategic Report, including a separation of functions and pre-defined approval processes in relevant areas;
- Measures that safeguard proper IT-based processing of matters and data relevant to accounting;
- Reporting information of companies around the Group which enable the Company to prepare consolidated financial statements including management accounts.

CORPORATE GOVERNANCE STATEMENT
continued

The reporting structure relating to all the companies included in the consolidated financial statements requires that significant risks are to be reported immediately to the Board on identification.

Audit Committee and auditors

The Board has established an Audit Committee. Details of the Audit Committee's functions, together with its specific activities in 2016, are set out in the Audit Committee Report on pages 67 to 70.

During the year the Company's Audit Committee comprised Senior Independent Director Ron McMillan (Chair) and Independent Non-executive Director Amos Pickel. As there are only two Independent Non-executive Directors serving on the Board, it has not been possible for the Board to appoint three Independent Non-executive Directors to the committee.

During 2016, Deloitte carried out the Company's internal audit function, reporting to the Audit Committee; during 2016, the internal auditor provided seven reports to the Audit Committee and discussed the internal audit working plan for 2017.

888's payment risk management team, based in Gibraltar, has developed stringent payment risk management and fraud control procedures. The team makes use of external and internal systems to manage the payment risks. Detailed procedures exist throughout the Company's operations and compliance is monitored by operational management and the internal audit function.

Details of the Company's risk management strategy and the Board's assessment of the Company's viability in light of its risks are set out on pages 26 and 35 respectively.

Remuneration Committee

The Board has overall responsibility for determining the framework of executive remuneration and its cost. It is required to take account of any recommendation made by the Remuneration Committee in determining the remuneration, benefits and employment packages of the Executive Directors and senior management and the fees of the Chairman.

During the year the Company's Remuneration Committee comprised Independent Non-executive Director Amos Pickel (Chair) and Senior Independent Director Ron McMillan. As there are only two Independent Non-executive Directors serving on the Board, it has not been possible for the Board to appoint three Independent Non-executive Directors to the Committee.

The Remuneration Committee determines the Chairman's and Executive Directors' fees, whilst the Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. Further details are provided on page 61.

The Remuneration Committee is advised by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc, which has no other connection with 888. Further details are provided on page 66.

All new long-term incentive schemes and significant changes to existing long-term incentive schemes are put to the shareholders of the Company for approval before they are adopted (save for certain circumstances as set out in the Listing Rules).

The Directors' Remuneration Report, which outlines the Remuneration Committee's work and details of Directors' remuneration, is on pages 54 to 66. The Remuneration Committee's terms of reference are available on the Company's website, corporate.888.com.

Gaming Compliance Committee

In accordance with Nevada Gaming Control Board requirements, the Board has appointed a Gaming Compliance Committee. Its members are Michael Alonso (an external consultant to the Company), Ron McMillan and Amos Pickel.

The Gaming Compliance Committee is entrusted with making sure that the Group's licensed gaming activity is carried out with honesty and integrity, in accordance with high moral, legal and ethical standards, and free from criminal and corruptive elements. As such, the committee is responsible and has the power to identify and evaluate situations arising in the course of the Company's and its Affiliates' business that may adversely affect the objectives of gaming control.

The Committee is not intended to displace the Board or the Company's executive officers with decision-making authority but is intended to serve as an advisory body to better ensure achievement of the Company's goals of avoiding unsuitable situations and in entering into relationships exclusively with suitable persons.

The Committee's work is being done independently and impartially. To this end, its members are appointed by and report directly to the Board of Directors.

Whistle-blowing policy

The Company's whistle-blowing policy sets out the overall responsibility of the Board for implementation of the policy, but notes that the Board has delegated day-to-day responsibility for overseeing and implementing it to the designated whistle-blowing officer. The policy provides that where an employee is not comfortable making a disclosure to his/her respective direct line manager, disclosure can be made to the designated whistle-blowing officer whose details are provided. If the subject of the disclosure in any way involves the designated whistle-blowing officer, the disclosure may be made directly to the Chairman of the Audit Committee or to another member of the Group's senior management. Whilst employees are permitted to make disclosures anonymously, disclosing employees are encouraged to reveal their identity to the designated whistle-blowing officer in order to allow a full and proper investigation to take place; measures can be taken to preserve the confidentiality of the disclosure where appropriate. The Board commits to investigating all disclosures fully, fairly, quickly and, where circumstances permit, confidentially. Undertakings are made to employees who raise genuinely held concerns in good faith under the procedure that they will not be dismissed or subjected to any detriment as a result of his/her action. Employees of the Group are regularly sent reminders regarding the whistle-blowing policy as part of general refreshers of various Group policies.

No reports of incidents under the whistle-blowing policy were received in 2016 and up to the date of this annual report.

Relations with shareholders and key financial audiences

The Company maintains an active and regular dialogue with principal and institutional shareholders and sell-side analysts through a planned programme of investor relations and financial PR activity. The Board also keeps up to date with the views of major shareholders through meetings and discussions with shareholder representatives throughout the year.

The outcome of this dialogue and meetings is reported to the Board. The programme includes formal presentations of full year and interim results, analysts' conference calls and periodic roadshows and discussion of the Company's strategy and governance. Discussions were held with shareholder advisory bodies in 2016, in particular to discuss Directors' remuneration and matters relating to the remuneration policy.

The Senior Independent Director and Non-executive Director are available to talk to shareholders if they have any issues or concerns or if there are any matters where contact with the Chairman, Chief Executive Officer and Chief Financial Officer is inappropriate or where such contact has failed to resolve the issue.

All shareholders are welcome to attend the 2017 Annual General Meeting (scheduled to be held on 9 May 2017) and private investors are encouraged to take advantage of the opportunity given to ask questions. All Board members (including the Chairmen of the Audit, Remuneration and Nominations Committees) will attend the meeting and be available to answer questions.

Compliance with statutory provisions

As the Company is registered in Gibraltar, it is subject to compliance with Gibraltar statutory requirements. The main corporate legislation relevant to the Company in Gibraltar is the Gibraltar Companies Act 2014. The Company is in full compliance with the Gibraltar Companies Act.

Going concern

After careful review of the Group's budget for 2017, its medium-term plans, liquid resources and all relevant matters, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the approval of this Annual Report. They have therefore continued to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the Risk Management Strategy report on page 26.

Viability Statement

The Company's Viability Statement is set out on page 35.

Corporate Social Responsibility Statement

The Group's Chief Executive Officer is the Director responsible for monitoring corporate social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer. Further details are set out in the Corporate Responsibility section on pages 36 to 39.

Other disclosures

The following matters can be found in this report on the following pages:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(1) Interest capitalised by the Group	N/A
(2) Publication of unaudited financial information	N/A
(3) Details of long-term incentive schemes only involving a Director	N/A
(4) Waiver of emoluments by a Director	N/A
(5) Waiver of future emoluments by a Director	N/A
(6) Non pro-rata allotments for cash (issuer)	N/A
(7) Non pro-rata allotments for cash by major subsidiaries	N/A
(8) Parent participation in a placing by a listed subsidiary	N/A
(9) Contracts of significance	N/A
(10) Provision of services by a controlling shareholder	N/A
(11) Shareholder waivers of dividends	N/A
(12) Shareholder waivers of future dividends	N/A
(13) Agreements with controlling shareholders	Page 44

On behalf of the Board:

BRIAN MATTINGLEY
Chairman
21 March 2017

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

Dear shareholder,

I am pleased to present our Directors' Remuneration Report to shareholders.

As a company incorporated in Gibraltar, 888 Holdings plc is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of 888's Premium Listing on the London Stock Exchange and reflecting the Committee's approach to good governance, we have adopted in full the disclosure requirements of a UK incorporated company, and shareholders will be given the opportunity to approve our Annual Report on Remuneration, which is subject to an advisory vote at the 2017 Annual General Meeting.

Remuneration and strategy

Our goal is to reward executives fairly, by providing an appropriate balance between fixed and variable remuneration, linked to the achievement of suitably challenging performance measures. As highlighted at the front of this Annual Report, our strategy focuses on the following pillars:

- Development of core B2C brands;
- Driving margin growth through operational efficiencies;
- Expansion in regulated markets;
- B2B partner of choice; and
- Continue to protect our customers and act responsibly.

Our incentive plans are aligned to profitability of the 888 business and shareholder value, which we believe derive from implementation of this strategy.

Pay outcomes for 2016

The annual bonus was focused on the achievement of stretching like-for-like adjusted EBITDA growth[1] targets. Like-for-like adjusted EBITDA growth in 2016 was 24%, resulting in bonuses to the Directors of the maximum amount of 150% of salary. For full details of Executive Directors' bonuses and the associated performance delivered see page 61.

In relation to long-term incentives, the awards granted in 2014 under the All Employee Share Plan vested based on a performance measure comprising 50% of an absolute EPS growth target and 50% on relative TSR. EPS growth performance was measured over the three year period to 31 December 2016; EPS growth performance over this period was 89% against a target range of 15.76% (5% p.a. compounded) to 72.80% (20% p.a. compounded).TSR performance was measured over three years to 31 December 2016; TSR performance was 50%, putting it above the stretch target. This will result in 100% of the 2014 award vesting in March 2017.

Overall, in light of the annual and long-term performance delivered, the Committee is satisfied that there has been a robust link between performance and reward.

Remuneration Policy

No changes are proposed to the Remuneration Policy adopted by the Company at its 2016 Annual General Meeting, which is reproduced in the following pages for reference.

The second section of this report is the Annual Report on Remuneration which provides detailed disclosure on how the remuneration policy will be implemented for 2017 and how Directors have been paid in 2016. The disclosures provide shareholders with the information necessary to form a judgment as to the link between Company performance and how the Executive Directors were paid. This Annual Statement together with the Annual Report on Remuneration will be subject to an advisory vote and I hope that you will be able to support the resolution at the forthcoming AGM.

The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters and I welcome any feedback you may have.

AMOS PICKEL
Chairman of the Remuneration Committee
21 March 2017

1 Like-for-like adjusted EBITDA growth was calculated as the increase in adjusted EBITDA (i) excluding certain external charges that were not applicable during 2015, such as gaming duties and VAT, and (ii) on a constant currency basis.

DIRECTORS' REMUNERATION POLICY

No changes are proposed to the Remuneration Policy adopted by the Company at its 2016 Annual General Meeting and detailed in the 2015 Annual Report. However, the Remuneration Policy table is reproduced below for convenience.

Remuneration policy table

Base salary	
Purpose and link to strategy	To recruit, motivate and retain high-calibre Executive Directors by offering salaries at market competitive levels. Reflects individual experience and role.
Operation	Reviewed annually with any changes normally effective from 1 January. Positioning and annual increases are influenced by: ♦ our sector, where the market for executive talent is intense ♦ the experience and performance of the individual; ♦ changes in responsibility or position; ♦ changes in broader workforce salary; and ♦ the performance of 888 as a whole. Benchmarking is carried out on a total remuneration basis and takes into account pay levels for comparable roles at a range of organisations of similar size and sector – including pay practices in other UK listed companies and in the international gaming industry.
Opportunity	Any increase to directors' salaries will generally be no higher than the average increase for other employees. However, a higher increase may be proposed in the event of a role change or promotion, or in other exceptional circumstances.

Benefits	
Purpose and link to strategy	Market competitive structure to support recruitment and retention. Medical cover aims to ensure minimal business interruption as a result of illness.
Operation	Executive Directors may receive various benefits in kind as part of their employment terms. These may include an accommodation allowance (where 888 has required the executive to relocate), use of a company car (or car allowance), health insurance (or a contribution towards a health insurance scheme), "study fund" (a common savings benefit in Israel), disability and life assurance, relocation expenses, directors' indemnities and directors' and officers' insurances to the extent permitted by law and other ad hoc benefits at the discretion of the Committee.
Opportunity	The value of benefits is based on the cost to 888 and there is no pre-determined maximum limit. The range and value of the benefits offered is reviewed periodically.

Pension	
Purpose and link to strategy	Contribution towards the funding of post-retirement life.
Operation	888 offers a defined contribution pension scheme (via outsourced pension providers) or cash in lieu of pension.
Opportunity	Up to 15% of base salary.

DIRECTORS' REMUNERATION REPORT
continued

Remuneration policy table continued

Annual bonus	
Purpose and link to strategy	Rewards the achievement of annual financial and, if appropriate, non-financial strategic targets.
Operation	Bonus targets (percentage of salary) are based on objective and disclosable calculations for financial and non-financial performance where possible. The precise weightings between metrics may differ each year, although there will be always be a greater focus on financial as opposed to non-financial performance. Any bonus payment in excess of 100% of salary is deferred into shares which vest in equal tranches after one, two and three years. A dividend equivalent provision operates enabling dividends to be accrued (in cash or shares) on unvested deferred bonus shares (or up to the point of exercise in the case of nil cost options). The bonus is subject to a recovery and withholding provision if the financial statements of 888 were materially misstated or an error occurred in assessing the performance conditions on bonus and/or if the Executive ceased to be a Director or employee due to gross misconduct.
Opportunity	The maximum opportunity is 150% of base salary. The level of pay-out for the achievement of target performance, as set by the Committee is 50% of the maximum amount. Presently the target is based on like-for-like Adjusted EBITDA growth in addition to exceeding budgeted Adjusted EBITDA for the year as approved by the Board. The threshold level of payment may be up to 25% of the maximum.
Performance metrics	Financial Performance The financial component is based on 888's key financial measures of performance. This will normally be based on like-for-like Adjusted EBITDA growth but may include other financial KPIs. A sliding scale of targets applies for financial performance targets which are measured annually. The degree of stretch in targets may vary each year depending on the business aims and the broader economic or industry environment at the start of the relevant year. Non-financial Performance There is no intention initially to use non-financial performance conditions, but the Committee wishes to retain flexibility to do so, for a minority of the bonus opportunity.

Remuneration policy table continued

Long-Term Incentives (LTIP)	
Purpose and link to strategy	Rewards Executive Directors for achieving superior returns for shareholders over a longer-term timeframe. Enables Executive Directors to build a meaningful shareholding over time and align goals with shareholders.
Operation	888 sought shareholder approval for the 2015 LTIP at the EGM held on 30 September 2015. This replaced the previous share plans which expired in August 2015. LTIP awards are made annually in the form of nil cost options or conditional awards with vesting dependent on the achievement of performance conditions over at least three financial years, commencing with the year of grant. Awards are subject to a recovery and withholding provision if there is a material misstatement in 888's financial statements, an error in the calculation of any performance conditions or if the Executive Director ceases to be a Director or employee due to gross misconduct. A dividend equivalent provision operates enabling dividends to be accrued (in cash or shares) on LTIP awards to the extent they vest.
Opportunity	Award levels are determined primarily by seniority. A maximum individual grant limit of 200% of salary applies, based on the face value of shares at the date of grant. The current award level is 200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer.
Performance metrics	Awards vest at the end of a three year performance period based on performance measures reflecting the outputs of the long-term strategy of the business at the time of grant. Awards are currently based 50% on adjusted EPS and 50% on relative total shareholder return (TSR), but the choice and weightings of metrics may differ for future award cycles. Where possible TSR will be compared to a basket of 888's peers, but recognising the level of consolidation in the sector the selection criteria may be broadened to the Leisure Sector or listed companies more generally. The Committee will review the weightings between measures and the target ranges prior to each LTIP grant to ensure that the overall balance and level of stretch remains appropriate. A sliding scale of targets applies for financial metrics with no more than 25% of the award vesting at threshold performance. For TSR, none of this part of the award will vest below median ranking and awards will vest on a sliding scale for performance between the threshold and stretch targets.

Share ownership guidelines
Under the guidelines, Executive Directors are expected to build and maintain an interest equivalent in value to no less than two times salary. Beneficially owned shares and fully vested unexercised nil-cost options (valued on a net of tax basis) will be included when determining the extent to which the guideline holding is achieved. Until such time as the guideline threshold is achieved. Executive Directors are required to retain 50% of the net of tax value of awards that vest under the LTIP or deferred annual bonus.

DIRECTORS' REMUNERATION REPORT
continued

Remuneration policy table continued

Chairman and Non-Executive Directors' (NEDs) fees	
Purpose and link to strategy	To recruit, motivate and retain a Chairman and Non-executive Directors of a high calibre by offering a market competitive fee level and which takes account of the specific circumstances of 888.
Operation	The Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. The Chairman's fees are determined by the Remuneration Committee with reference to prevailing fee rates amongst other gaming companies. Fees paid to the Non-executive Directors are set by reference to an assessment of the time commitment and responsibility associated with each role, and the Chairman and Executive Directors have reference in this respect to prevailing fee rates amongst other gaming companies. Levels take account of additional demands placed upon individual Non-executive Directors by virtue of their holding particular offices, such as Committee Chairman and/or Senior Independent Director, and travel time to Board meetings (which are held outside the UK). Additional fees may be paid as appropriate to reflect increased time commitments of the role. The Chairman and the Non-executive Directors are not eligible to participate in any bonus plan, pension plan, share plan, or long-term incentive plan of 888. The Chairman and Non-executive Directors are entitled to be reimbursed for any reasonable travel and accommodation expenses incurred in the performance of their duties (including any tax incurred thereon).
Opportunity	No maximum.

Annual report on remuneration
This Annual Report on Remuneration together with the Chairman's Annual Statement, as detailed on page 54 will be subject to an advisory vote at the 2017 AGM. The information on page 60 with respect to Directors' emoluments and onwards through page 66 has been audited.

Implementation of Remuneration Policy for 2017
In relation to the Remuneration Policy described in the previous section, the expected application of the Remuneration Policy for 2017 is set out below.

Base salary and fees
Executive Directors
Salaries for 2017 are set out below:

- CEO – Itai Frieberger: ILS 3,180,000 (2016: ILS 3,024,495).
- CFO – Aviad Kobrine: £437,000 (2016: £416,000).

A 5% increase has been awarded, in line with the average increase for 888's wider workforce.

Chairman and Non-Executive Director fees
The fees remain unchanged at:

- Chairman's fee: £290,000;
- Non-executive Director fee: £85,000; and
- Senior Independent Director fee: £105,000.

DIRECTORS' SERVICE CONTRACTS

The unexpired term of the directors' service contracts or appointment letters are as follows:

Name	Position	Unexpired Term of Service Contract
Brian Mattingley	Chairman	Terminable at six months' prior written notice, subject to annual re-election at the Annual General Meeting.
Itai Frieberger	Chief Executive Officer	Indefinite subject to termination provisions set out in his Agreement.
Aviad Kobrine	Chief Financial Officer	Indefinite subject to termination provisions set out in his Agreement.
Ron McMillan	Senior Independent Director	Until 15 May 2017, subject to re-election at each Annual General Meeting. Subject to re-election at the 2017 Annual General Meeting, it is intended that Ron McMillan's appointment will be extended for a further three year term.
Amos Pickel	Non-executive Director	Until 9 May 2017.

Annual bonus

For 2017, the CEO and CFO will have a bonus opportunity of 150% of salary.

Bonus will be based on a sliding scale range of like-for-like EBITDA targets for 25% to 100% vesting, which will be disclosed retrospectively in next year's annual report on remuneration.

Any bonus above 100% of salary will be paid in deferred shares.

Long-Term Incentive Plan

Award levels

The CEO and CFO will be granted awards worth 200% of base salary and 150% of salary respectively.

Performance conditions

2017 LTIP awards will be subject to EPS and relative TSR performance conditions, each with a 50% weighting. These metrics were chosen as EPS provides a focus on 888's underlying financial performance, and relative TSR provides an objective reward for delivering value to shareholders compared to 888's peers.

Detail and target ranges

EPS target range for 2017 awards:

- Threshold – 3 year CAGR of 5%;
- Maximum – 3 year CAGR of 20%

None of the award will vest if EPS is below threshold, 25% will vest at threshold, and 100% will vest at maximum. Performance between threshold and maximum is determined on a straight-line basis.

TSR target for 2017 awards:
888's TSR will be compared against a comparator group comprising five peer companies as follows: GVC Holdings plc, Ladbrokes Coral Group plc, Playtech plc, Paddy Power Betfair plc, William Hill plc.

- 0% will vest if 888's TSR is below the TSR of the median company in the comparator group;
- 25% will vest if 888's TSR is equal to the TSR of the median company in the comparator group ("Threshold"); and
- 100% will vest if 888's TSR is 33% (i.e. 10% per annum) or more above the TSR of the median company in the comparator group ("Maximum").
- Vesting will be on a proportionate basis for performance between Threshold and Maximum.

DIRECTORS' REMUNERATION REPORT
continued

Remuneration paid to Executive Directors for service in 2016

The following table presents the Executive Directors' emoluments in respect of the year ended 31 December 2016.

Executive Directors[1]		Salary[3] US$ 000	Taxable benefits[4] US$ 000	Annual bonus[5] US$ 000	Long-Term Incentives[6] US$ 000	Pension[7] US$ 000	Other Items in the nature of remuneration[8] US$ 000	Total US$ 000
Itai Frieberger, CEO[2]	**2016**	769	169	1,153	899	110	–	3,100
	2015	401	129	597	–	56	–	1,183
Aviad Kobrine, CFO	**2016**	564	49	769	686	85	–	2,153
	2015	605	56	876	1,521	91	347	3,496
Brian Mattingley, former CEO[9]	**2016**	–	–	–	–	–	–	–
	2015	230	12	336	4,837	–	–	5,415

1 Directors' remuneration is converted into US Dollar from Sterling and New Israeli Shekels at the average rate of exchange for the relevant month it was paid save for the annual cash bonus which is converted into US Dollar at the year-end exchange rate. The recorded decrease in Aviad Kobrine's salary, pension and annual bonus amounts reflect fluctuations in the USD:GBP exchange rate, and not a decrease in the GBP amounts.

2 Remuneration of Itai Frieberger is shown with respect to the period following his appointment to the Board on 13 May 2015. Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016.

3 Salaries for 2016 were ILS 2,948,982 for Itai Frieberger and GBP 416,000 for Aviad Kobrine. The 2016 salary anticipated in Remuneration Scenarios set out in the 2015 Annual Report for Itai Frieberger was ILS 3,024,495, which was an annualised figure based on his updated salary as of 2 March 2016.

4 Benefits for Aviad Kobrine include car allowance and health, disability and life insurance; and for Itai Frieberger include convalescence and health insurance for Itai Frieberger and his family, contribution to "study fund" up to the Israeli tax-free ceiling with the excess up to 7.5% of Itai Frieberger's salary paid in cash, as well as gross-up of car allowance, meals allowance and transport allowance.

5 A breakdown of the 2016 annual bonus targets and the extent of their achievement is set out overleaf. Out of the total bonus payment made to Itai Frieberger of ILS 4,423,473 (total of 150% of salary), an amount of ILS 2,948,982 (100% of salary) was granted in cash, and an amount of ILS 1,474,491 (50% of salary) will be deferred into shares of the Company under the Company's Deferred Share Bonus Plan once approved by the Board. Out of the total bonus payment made to Aviad Kobrine of GBP 624,000 (total of 150% of salary), an amount of GBP 416,000 (100% of salary) was granted in cash, and an amount of GBP 208,000 (50% of salary) will be deferred into shares of the Company under the Company's Deferred Share Bonus Plan once approved by the Board.

6 Performance-based long-term incentives are disclosed in the year in which they vest. A breakdown of the performance conditions applying to the payments under long-term incentives is set out on page 62. Brian Mattingley's long-term incentive relates to the phantom award granted in 2012 which vested on 27 March 2016. Aviad Kobrine's long-term incentive in 2015 was governed by the 888 All-Employee Share Plan; Aviad Kobrine and Itai Frieberger's long-term incentives in 2016 were governed by the 888 Long-term Incentive Plan 2015. In 2016, 213,000 nil-cost options granted to Aviad Kobrine, and 279,407 Ordinary Shares granted to Itai Frieberger on 7 April 2013 and due to vest on 7 April 2016 subject to fulfilment of the performance conditions set out in the Directors' Remuneration Report in 2015, vested in full.

7 In accordance with standard practice in Israel, Itai Frieberger was granted personal pension scheme contributions in an amount of 13.33% of base salary until July 2016, and 14.03% of base salary from such date, in addition to 0.6% of base salary contribution for loss of working capacity. Aviad Kobrine receives a cash payment in lieu of pension in the amount of 15% of base salary.

8 Other items in the nature of remuneration includes share awards and nil-cost options (including dividends accrued thereupon) that are not subject to performance conditions, and which were granted in the reporting year, regardless of vesting date. These are valued by reference to the market price of the shares upon grant. In 2015, this includes 136,524 nil-cost options granted to Aviad Kobrine as a like-for-like replacement for options previously granted under the 888 All-Employee Share Plan which expired on 4 October 2015, of which 136,000 were vested immediately and 524 will vest on 28 August 2018 in accordance with their terms.

9 Brian Mattingley stepped down as CEO on 13 May 2015 and was appointed Chairman on the same date. Brian Mattingley's remuneration as Chairman is excluded from the table above and included in the table on the next page.

Non-executive Directors' and Chairman's fees

Current Non-executive Directors and Chairman		Fee US$ 000	Other[1] US$ 000	Total US$ 000
Ron McMillan[2]	**2016**	132	–	132
	2015	130	–	130
Amos Pickel	**2016**	115	–	115
	2015	130	–	130
Brian Mattingley[3]	**2016**	393	24	417
	2015	283	18	301

Former Non-executive Directors		Fee US$ 000	Other US$ 000	Total US$ 000
Richard Kilsby[4]	**2016**	–	–	–
	2015	128	–	128
John Anderson[5]	**2016**	–	–	–
	2015	47	–	47

1 "Other" for Brian Mattingley reflects reimbursement of expenses connected with his role.
2 Ron McMillan was appointed as Senior Independent Director on 9 May 2016, and in that capacity his director fee was increased from GBP 85,000 to GBP 105,000.
3 Brian Mattingley stepped down as CEO on 13 May 2015 and was appointed Chairman on the same date. Only Brian Mattingley's remuneration as Chairman is included in the table above.
4 Richard Kilsby stepped down as Chairman on 13 May 2015.
5 John Anderson stepped down as a Non-executive Director on 13 May 2015.

Annual bonus payments in respect of 2016 performance

As detailed in the Remuneration Policy, each Executive Director participates in the annual bonus plan, under which performance is measured over a single financial year.

The annual bonus opportunity was 150% of base salary and the bonus was determined by reference to challenging like-for-like adjusted EBITDA performance conditions.

EBITDA performance

The extent to which the EBITDA performance conditions were achieved is as follows:

Performance Measures	Threshold (25% pay-out)	Target (50% pay-out)	Max (100% pay-out)	Actual performance	Bonus awarded
Like-for-like adjusted EBITDA growth per annum	5%	12.5%	20%	24%	150% of salary
					Itai Frieberger – ILS 4,423,473 Aviad Kobrine – GBP 624,000

The Committee determined that like-for-like adjusted EBITDA growth, for the 2016 bonus onwards, would be measured on a constant currency basis.

The Committee considered that the overall bonus out-turn was reflective of the exceptional performance of the Company and the management team over the year and that the pay-out levels were appropriate.

As noted on page 59, the proportion of bonus awarded in excess of 100% of salary, will be deferred in shares under the Deferred Share Bonus plan once approved by the Board.

DIRECTORS' REMUNERATION REPORT
continued

Long-term incentive awards with performance periods ending in the year ended 31 December 2016

888 All Employee Share Plan

The 2014 All Employee Share Plan awards are due to vest in March 2017. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number of awards vesting (with their estimated value).

	TSR[1]		Like-for-like EPS growth	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%[2]	0%
Threshold	Median = 33%	25%	15.76%[2]	25%
Stretch or above	33% (i.e. 10% p.a.) above median = 43.9%	100%	72.8% or above[2]	100%
Actual achieved	50%	100%	89%	100%

1 Relative to a comparator group of 5 gaming companies – bwin.party digital entertainment plc (now GVC Holdings plc – see below), Sportech plc, Ladbrokes plc (now Ladbrokes Coral Group plc – see below), Playtech plc, and Paddy Power plc (now Paddy Power Betfair plc). On 1 February 2016, the acquisition of bwin.party by GVC Holdings plc was completed. As of such date, bwin.party was delisted and therefore peer group data reflects the share price of GVC Holdings plc from 2 February 2016. In addition, during 2016, Ladbrokes plc acquired Gala Coral and changed its listing to Ladbrokes Coral Group plc; and Paddy Power plc acquired Betfair plc and changed its listing to Paddy Power Betfair plc. Playtech Ltd listed on 2 July 2012 and is referred to as Playtech plc.

2 15.76% aggregate EPS growth is the equivalent of 5% EPS growth compounded annually. 72.8% aggregate EPS growth is the equivalent of 20% EPS growth compounded annually.

Details of the expected level of vesting for each Director, based on the above, are shown in the table below:

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[2] US$	Value of awards including Dividend accrual[1] US$
Itai Frieberger	310,697	0	310,697	0	830,899
Aviad Kobrine	248,845	0	248,845	0	665,488

1 The value of the vested shares is based on the share price on the date of vesting, currently estimated at US$2.67 (based on the exchange rate of 1.232) on 31 December 2016.

2 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards, the value of such dividends cannot presently be reliably estimated.

Long-term incentive awards with performance periods ending in the year ended 31 December 2015

888 All Employee Share Plan

The 2013 All Employee Share Plan awards vested in full in April 2016. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number and value of awards vested.

	TSR		Like-for-like EPS growth	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%	0%
Threshold	Median = 30%	25%	15.76%	25%
Stretch or above	33% (i.e. 10% p.a.) above median = 39.9%	100%	72.8% or above	100%
Actual achieved	79%	100%	96%	100%

Details of the level of vesting for each Director, based on the above, are shown in the table below:

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[1] US$	Value of awards including dividend accrual[2] US$
Itai Frieberger	279,407	—	279,407	44,146	899,132
Aviad Kobrine	213,100	—	213,100	33,670	685,756

1 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards.
2 The value of the vested shares is based on the share price on the date of vesting (7 April 2016), being US$3.06 (based on the exchange rate of 1.405).

Scheme interests awarded during the year

The table below sets out the grants under the 888 Holdings plc Long-Term Incentive Plan 2015 in 2016.

Executive	Grant date	Number of awards granted	Face value of awards granted[1]	Face value of awards as % salary	% vesting at threshold performance
Itai Frieberger	23 March 2016	289,799[2]	US$822,153	100%	25%
Itai Frieberger	9 May 2016	252,927[2]	US$800,063	100%	25%
Aviad Kobrine	23 March 2016	221,277[2]	US$627,757	100%	25%
Aviad Kobrine	9 May 2016	94,761[2]	US$299,750	50%	25%

1 Face value was calculated using share price on the date of grant, which was £2.01 (23 March 2016) and £2.195 (9 May 2016). The awards to Itai Frieberger were awards of Ordinary Shares, whilst the awards to Aviad Kobrine were nil-cost options.
2 These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2018. 50% of an award is subject to an EPS performance condition requiring annual EPS growth of between 5% and 20% p.a., and 50% is subject to a TSR performance condition versus a peer group comprised of GVC Holdings, Ladbrokes Coral Group plc, Playtech plc, Paddy Power Betfair plc and William Hill plc (25% of the TSR awards vest for median performance with full vesting achieved for out-performance the median by 10% p.a.). Separate awards were made on 23 March 2016 and 9 May 2016 due to approval at the Annual General Meeting on 9 May 2016 of the revised Remuneration Policy which increased the maximum individual grant limit to the Executive Directors to 200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer (100% of salary under the prior Remuneration Policy).

Loss of office payments

In 2016, no loss of office payments were made to Executive Directors, and no payments were made to past Executive Directors.

Details of all outstanding share awards

In addition to awards made during the 2016 financial year, the table overleaf sets out details of all outstanding share based awards held by Directors.

Directors' shareholdings and share interests

A policy for formal shareholding guidelines has been introduced, requiring the Executive Directors to build and maintain a shareholding in 888 worth two times annual salary as set out in the Remuneration Policy.

Details of the Directors' interests in shares as at 31 December 2016 (or in the case of former Directors, the date on which they retired from the Board) are shown in the table below. There were no changes in the Directors' interests in shares between 31 December 2016 and the date of this Report.

	Number of Ordinary Shares							
	At 31 December 2016							
Director	Legally owned	Unvested shares with performance conditions	Unvested shares without performance conditions	Unvested options with performance conditions[1]	Unvested options without performance conditions[1]	Vested unexercised options[1,2]	Total	% achievement against shareholding guideline[3]
Itai Frieberger	1,349,371	3,602,847	1,250,000	—	—	50,657	6,252,875	472%
Aviad Kobrine	—	—	—	810,084	524	3,262,883	4,073,491	944%
Brian Mattingley	142,857	—	—	—	—	—	142,857	N/A
Amos Pickel	100,000	—	—	—	—	—	100,000	N/A
Ron McMillan	—	—	—	—	—	—	—	N/A

1 Nil Cost Options.
2 Itai Frieberger has 15,965 options with exercise price of £1.22 and 34,692 options with exercise price of £1.49.
3 The Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Shares counting towards this guideline include legally owned shares and fully vested but unexercised nil-cost options (valued on a net of tax basis). Achievement against the guideline holding is calculated using the share price at 31 December 2016.

No Director was materially interested during the year in any contract which was significant in relation to the business of 888.

DIRECTORS' REMUNERATION REPORT
continued

Performance graph
The following graph shows 888's performance, measured by TSR, compared with the performance of the FTSE 250 Index. The Directors consider that the FTSE 250 Index is the most appropriate comparator benchmark as it has been a member of this index for a significant period of the time covered by the chart.

Total remuneration history for CEO
The table below sets out the total single figure remuneration for the CEOs over the last eight years with the annual bonus paid as a percentage of the maximum and the percentage of long-term share awards vesting in the year.

	2009	2010	2011[1]	2012[2]	2013	2014	2015[3,4]	2016[5]
Total remuneration (US$ 000)	1,168	958	3,783	1,060	1,275	1,640	5,415	1,855
Annual bonus (%)	100%	100%	100%	100%	100%	100%	100%	100%
LTI vesting (%)	68%	0%	100%	N/A	N/A	N/A	59%	N/A

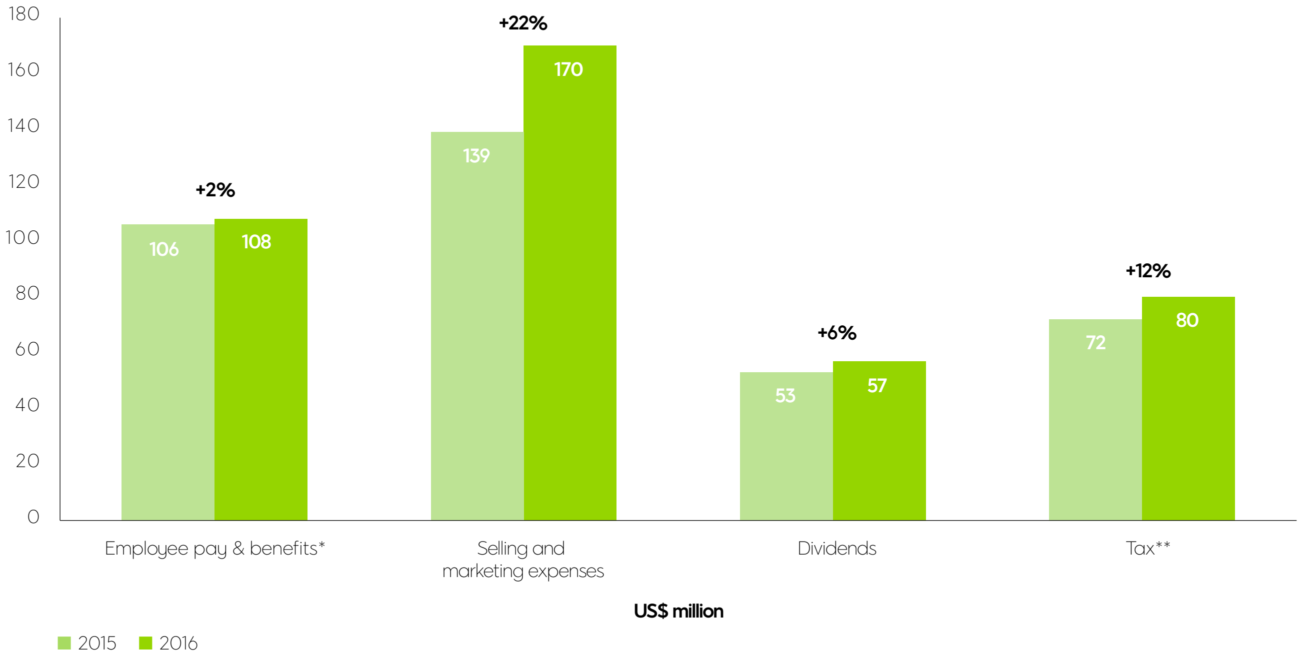
1 Gigi Levy was the CEO of 888 from 2009 to 30 April 2011. There was no CEO from 1 May 2011 to 26 March 2012.
2 Brian Mattingley was CEO from 27 March 2012 to 13 May 2015. Brian Mattingley's total remuneration in 2015 included a phantom award granted to him on 27 March 2012 which vested on 27 March 2015. There was no CEO from 14 May 2015 to 1 March 2016.
3 Brian Mattingley's total remuneration in 2015 included a phantom award granted to him on 27 March 2012 and which vested on 27 March 2015.
4 Figures in 2015 reflect Brian Mattingley's tenure as CEO until 13 May 2015.
5 Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016. Figures reflect the period during which Itai Frieberger served as Chief Executive Officer and do not include LTIP awards granted during the period prior to his appointment as Chief Executive Officer.

Percentage change in CEO remuneration compared to the average for other employees

As the Chief Executive position remained vacant for a significant portion of 2016, as well as for most of 2015, it is not possible to provide meaningful year-on-year analysis for this disclosure requirement.

Relative importance of spend on pay

The following graph sets out the actual expenditure by 888 in financial years 2015 and 2016 on various items, including on remuneration to Group employees.



* Employee pay & benefits is calculated in accordance with note 6 of the financial statements, and include share benefit charges of US$6.7 million (2015: US$4.1 million).
** Includes corporation tax of US$7.7 million (2015: US$3.0 million), VAT of US$8.3 million (2015: US$10.2 million) and gaming duties of US$63.5 million (2015: US$58.4 million).

The comparables chosen were the following:

- The employee pay figure includes employee benefits in accordance with the financial statements (including both staff costs and share benefit charges).
- Sales and marketing expenses – This reflects the amount invested in development of the future revenue stream of 888 driven by customer acquisition.
- Dividends – This reflects amounts distributed to shareholders.
- Taxes and duties – This is a necessary cost of doing business in a regulated business environment.

DIRECTORS' REMUNERATION REPORT
continued

Committee members, attendees and advice

The Remuneration Committee consists solely of Non-executive Directors, currently Amos Pickel (Chair) and Ron McMillan. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on page 50. The Chairman and Company Secretary attend meetings by invitation.

The Remuneration Committee's remit includes such matters as:

- Determining and agreeing with the Board the remuneration policy with regard to 888's Chairman, Chief Executive Officer, Chief Financial Officer and other members of the executive management;
- Regularly reviewing the ongoing appropriateness and relevance of 888's remuneration policy;
- Setting and monitoring performance criteria for bonus arrangements operated by 888 ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account 888's and Group's overall performance and the corresponding return on shareholders' investment in the same period;
- Recommending to the Board the policy for and scope of pension arrangements for the Executive Directors; and
- In relation to 888's share option and share award schemes, setting or recommending vesting criteria which are appropriate in terms of 888's performance and return on shareholders' investment over the same period.

The formal terms of reference of the Remuneration Committee are available on 888's corporate website, corporate.888.com.

Remuneration Committee adviser

The Remuneration Committee is advised by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc. New Bridge Street was appointed by the Remuneration Committee in 2007. New Bridge Street has discussions with the Remuneration Committee Chairman regularly on Committee process and topics which are of particular relevance to 888.

The primary role of New Bridge Street is to provide independent and objective advice and support to the Committee's Chair and members. In order to manage any possible conflict of interest, New Bridge Street operates as a distinct business within the Aon Group and there is a robust separation between the business activities and management of New Bridge Street and all other parts of Aon Hewitt and the wider Aon Group. The Committee is satisfied that the advice that it receives is objective and independent. New Bridge Street is also a signatory to the Remuneration Consultants Group Code of Conduct which sets out guidelines for managing conflicts of interest, and has confirmed to the Committee its compliance with the Remuneration Consultants Group Code.

The total fees paid to New Bridge Street in respect of its services to the Committee for the year ending 31 December 2016 were £11,730 (2015: £57,721). Fees are charged on a "time spent" basis.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report and the Remuneration Policy, are shown below.

	Advisory Vote to approve Directors' Remuneration Policy		Advisory Vote to approve Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	278,617,899	94.60%	291,087,062	99.28%
Against	15,900,728	5.40%	2,115,145	0.72%
Vote withheld	37,443	—	1,353,863	—

Approved by the Board of Directors and signed on behalf of the Board:

AMOS PICKEL
Chairman of the Remuneration Committee
21 March 2017

AUDIT COMMITTEE REPORT

LETTER TO SHAREHOLDERS

Dear shareholders,

The Audit Committee exercises oversight of 888's financial reporting policies, monitors the integrity of the financial statements and considers the significant financial and accounting estimates and judgments applied in preparing the financial statements. It also ensures that disclosures in the financial statements are appropriate and obtains from the external auditors an independent view of the key disclosure issues and risks. The Committee has reviewed the narrative at the front end of this Annual Report and considers that sufficient information has been provided to give shareholders a fair, balanced and understandable account of the Company's business.

To achieve its objectives, the Committee works closely with the Board to ensure that all significant risks are considered on an ongoing basis, and that all communications with shareholders are properly considered.

A key responsibility of the Committee is to review the scope, nature and effectiveness of internal and external audits.

Internal audit work is conducted by Deloitte and the scope of their work is agreed with both management and the Audit Committee. The Committee also monitors and reviews the key aspects of 888's external audit, which is conducted by EY.

In relation to risks and controls, the Committee ensures that these have been identified and that appropriate responsibilities and accountabilities have been set.

Amongst other things, during the year the Committee considered:

- The complex legal and regulatory environment in which 888 operates, together with changes in laws and regulations which may impact 888's business, sector and market.
- 888's exposure to corporation tax, VAT and gaming duties in various jurisdictions.
- The carrying value of goodwill and other intangible assets and related disclosures in the financial statements.
- The adequacy of 888's IT systems and controls.
- The adequacy of the systems and controls on which management relies.
- The Board's assessment of risk and the risk register prepared by management.
- The viability statement and going concern statement prepared by management.
- 888's anti-slavery and human trafficking obligations.
- 888's anti-bribery obligations.
- 888's anti-money laundering obligations.

Further information on the Committee's responsibilities and the manner in which they are discharged are set out below and are available on 888's corporate website corporate.888.com.

I will be available at the Annual General meeting in May 2017 to answer any questions and would like to thank my colleague on the Committee for his help and support.

Sincerely,

RON MCMILLAN
Chairman of the Audit Committee

AUDIT COMMITTEE REPORT
continued

Committee composition
The Committee comprises two members, Senior Independent Director Ron McMillan and Independent Non-executive Director Amos Pickel.

Two members constitute a quorum. The Committee requires the inclusion of at least one financially qualified member with recent and relevant financial experience. The Committee's Chairman fulfils that requirement. Both members of the Committee are expected to have an understanding of financial reporting, 888's internal control environment, relevant corporate legislation, the functions of internal and external audit and the regulatory framework of the business, in addition to competence relevant to the online gaming sector. Amos Pickel has extensive industry experience through his various roles in the leisure and gaming industry, and Ron McMillan has served in the past as the auditor of betting and gaming companies. Details of meetings of the Audit Committee are set out in the Corporate Governance Report on page 52.

The timing of Audit Committee meetings is set to accommodate the dates of release of financial information at the half year and full year ends and the approval of scope and outputs from work programmes executed by the internal and external auditors.

In addition to scheduled meetings, the Chairman of the Committee met with the Chief Financial Officer and the internal and external auditors on a number of occasions. Although not members of the Committee, the Chairman, Chief Executive Officer and Chief Financial Officer normally attend meetings together with representatives from the internal and external auditors.

Responsibilities
The committee is responsible for:

- Monitoring the integrity of 888's financial statements and reviewing significant financial judgments and estimates in advance of these being considered by the Board;

- Reviewing internal financial controls and management's response to required corrective actions identified in both internal and external audit reports;

- Monitoring and reviewing the role and effectiveness of the internal audit function, including activities and resources;

- Overseeing the role and effectiveness of the external auditors, reviewing and monitoring their objectivity and independence and agreeing the scope of work and fees for audit and non-audit services; and

- Assisting the Board in its consideration of relevant risk factors and determining appropriate mitigation actions.

Activities
The key matters discussed by the Committee during the year included the following:

Legal and regulatory environment
888 operates within an increasingly regulated marketplace and is challenged by regulatory requirements across the Board. This creates risk for the business as non-compliance can lead to financial penalties, reputational damage and the loss of licences to operate.

The Company manages its regulatory risk with input from its legal advisors and seeks to balance regulatory requirements with those of the business. The Company works with its lawyers to produce regular updates so that the Board and Audit Committee understand what is happening in the regulatory landscape.

During 2016, the Audit Committee received a detailed regulatory briefing from the Company's lawyers and reviewed updates on the management of regulatory risk from management, as well as reviewing the status of litigation involving 888 and the accounting for 888's obligations in the financial statements.

Taxation
The Board oversees and sets the Company's tax strategy and evaluates tax risk. In undertaking this task the Company uses its legal advisors and receives reports from its external auditors on its audit work. During the year, the Company's legal advisors have kept the Audit Committee apprised of both existing and emerging tax risks and, where appropriate, these have been elevated to the Board for consideration in conjunction with 888's commercial strategy.

In 2016, the Board and Audit Committee again received a detailed tax briefing from the Company's lawyers regarding tax, VAT and gaming duty obligations to which the Group may be exposed. The Committee noted that the Group registered for taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis in the appropriate jurisdictions, whilst reserving its position concerning contesting its liability in appropriate cases. Uncertainty remains as to whether VAT is due in respect of certain services provided by 888 to customers in some EU Member States prior to 2015. However, based on a legal assessment, the Board and the Committee again concluded that it is unlikely that any liability will arise and again decided not to record any liability in the financial statements.

For further information, see notes 8 and 26 to the financial statements.

Goodwill and intangible assets

As set out in note 11 to the consolidated financial statements, 888 has significant goodwill and other intangible assets relating to the acquisitions of businesses and the development of gaming platforms and software.

The Audit Committee reviewed the cash flow forecasts supporting the carrying value of goodwill and other intangible assets including the key assumptions and estimates, and satisfied itself that no impairments were required in relation to carrying values. In addition, the appropriateness of the capitalisation of costs relating to the development of gaming platforms and software was reviewed in light of reports received from management and the external auditor.

IT systems

888's IT systems are complex and in the main are developed in house. The success of the business relies on the development of IT platforms which are innovative and appealing to customers. In addition, the integrity and security of the IT systems are vital from a commercial standpoint.

During the year, the Audit Committee has reviewed reports from management on data security and disaster recovery planning. In addition, the Committee reviewed a report of the Company's external auditor regarding the IT control environment.

Internal controls and risk management

The Board has overall responsibility for ensuring that the Company maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Committee has continued to help the Board develop and maintain an approach to risk management which incorporates risk appetite and tolerance, the framework within which risk is managed and the responsibility and procedures pertaining to application of the policy.

The Company is proactive in ensuring that corporate and operational risks are identified, assessed and managed by identifying suitable controls. A corporate risk register is maintained which details:

1. The risks and impact they may have
2. Actions to mitigate risks
3. Risk scores to highlight the likelihood and implications of occurrence
4. The owners of risks
5. Target dates for actions to mitigate.

A description of the principal risks is set out on pages 27 to 30.

The Board has confirmed that it has carried out a robust assessment of the principal risks facing 888, including those which threaten its business model, future performance, solvency or liquidity.

In addition to the matters described above, the work of the Committee during the year included:

- Reviewing the draft interim and annual reports and considering:
  1. The accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;
  2. The significant accounting issues, estimates and judgments of management in relation to financial reporting;
  3. Whether any significant adjustments were required arising from the audit;
  4. Compliance with statutory tax obligations and the Company's tax policy;
  5. Whether the information set out in the Strategic Report was balanced, comprehensive, clear and concise and covered both positive and negative aspects of performance; and
  6. Whether the use of "alternative performance measures" obscured IFRS measures.

- Meeting with internal and external auditors, both with and in the absence of the Executive Directors.

- Overseeing the management of the Company's whistleblowing procedures which contain procedures for the Committee to receive, in confidence, complaints and notifications on all operational matters.

- Reporting to the Board on how it has discharged its responsibilities.

- Making recommendations to the Board in respect of its findings in respect of all of the above matters.

- Reviewing the going concern position of 888 and the Viability Statement set out on page 35.

The Board considers that the processes undertaken by the Audit Committee continue to be appropriately robust and effective and in compliance with the guidance issued by the Financial Reporting Council. During the year, the Board has not been advised by the Audit Committee of, nor identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee believes that appropriate internal controls are in place through the Group, that 888 has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Performance of Audit Committee

The Audit Committee's performance was evaluated as part of the Board evaluation carried out during 2016, as detailed on page 51.

Internal auditors

The Company's internal audit function is outsourced to Deloitte. The Audit Committee reviewed and modified the internal audit plan in accordance with the principal risks to 888's business as set out in the Risk Register. It has also reviewed reports from Deloitte in relation to all internal audit work carried out during the year and monitored response and follow up by management to internal audit findings. In the past three years, the internal auditors have reviewed various aspects of 888's customer services and business operations, finance, B2B and B2C activities, product technologies, human resources, global operations and regulation. In 2016, Deloitte issued reports on payroll audits (various locations), customer credits, software licences management, treasury and PSPs, change management, insurance, and procurement. Whilst no critical issues were identified by Deloitte, a number of matters were identified which required modifications to procedures and improved controls which either have been or are being implemented by management. The Committee has evaluated the performance of Deloitte and has concluded that they provide constructive challenge and consistently demonstrate a realistic and commercial view of the business.

External auditors

EY has been the Company's external auditor since their appointment in 2014. The partners responsible for the external audit are Jose Julio Pisharello, a partner in EY's Gibraltar office, and Cameron Cartmell, a partner in EY's London office. Jose Julio and Cameron have been responsible for the audit since EY was appointed. The Committee has reviewed the performance of EY, a process which involved all Board members and senior members of 888's finance function. The conclusions reached were that EY continued to perform the external audit in a very professional and efficient manner, and it was therefore the Committee's recommendation that the reappointment of EY be put to shareholders at the Annual General Meeting in May 2017. If reappointed, EY will hold office until the conclusion of the next Annual General Meeting at which accounts are laid. Given EY's short tenure to date, the Board has no present plans to consider an audit tender process.

The Committee reviewed the reports prepared by the external auditors (EY) on key audit findings and any significant deficiencies in the financial control environment, as well as the recommendations made by EY to improve processes and controls together with management's responses to those recommendations. EY did not highlight any significant internal control weaknesses and management has committed to making appropriate changes to controls in areas highlighted by EY.

Non-audit work

The Audit Committee remains mindful of the attitude investors have to the auditors performing non-audit services, and has updated its approach in light of the UK auditor independence rules which are now operative. The Committee monitors the appointment of the auditors for any non-audit work involving fees above US$0.1 million, with a view to ensuring that non-audit work does not compromise the Company's auditors objectiveness and independence. From 2016, the Committee has committed to ensure that fees for non-audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period, and the US$0.1 million threshold will no longer apply.

In 2016, the external auditors carried out non-audit work for 888 involving fees in the aggregate amount of US$0.3 million (2015: US$3.4 million, out of which US$3.3 million was associated with the proposed acquisition of bwin.party digital entertainment plc). The non-audit work carried out in 2016 included audit-related and IT assurance work and corporate finance services relating to the proposed transaction between the Company, William Hill plc and Rank Group plc which eventually did not proceed. With regard to the latter services, information barriers were implemented between the EY team involved in audit of the Company's financial statements and the independent team which were separately engaged to carry out the review of the proposed transaction. The Board took the decision to engage EY for the corporate finance work in light of the cost effectiveness and timing benefits to the Company given EY's familiarity with the online gaming industry. Going forward and in line with the Board's policy the Committee will ensure that fees for non-audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

INDEPENDENT AUDITORS' REPORT

to the members of 888 Holdings plc

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- 888 Holdings plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Gibraltar Companies Act 2014; and
- the financial statements have been prepared in accordance with the requirements of the Gibraltar Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

888 Holdings plc's financial statements comprise:

Group	**Company**
Consolidated income statement for the year ended 31 December 2016	Company balance sheet as at 31 December 2016
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Consolidated balance sheet as at 31 December 2016	Company statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 10 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 26 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Gibraltar Companies Act 2014.

OVERVIEW OF OUR AUDIT APPROACH

Risks of material misstatement	♦ Regulatory and legal risks ♦ Taxation ♦ Revenue recognition ♦ Capitalisation of development costs
Audit scope	♦ We performed an audit of the complete financial information of two components, one being a subsidiary in Israel and the other being the remainder of the Group. ♦ The components where we performed full audit procedures accounted for the entirety of the Group's revenue, profit before tax and total assets.
Materiality	♦ Overall Group materiality of US$3.2 million, which represents 5% of profit before tax and exceptional items.

INDEPENDENT AUDITORS' REPORT

continued

OUR ASSESSMENT OF RISK OF MATERIAL MISSTATEMENT AND RESPONSE TO THAT RISK

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Regulatory and legal risks		
♦ Given the industry and jurisdictions in which the Group operates, as described in the Principal Risks and Uncertainties on page 27, there is a risk that the Group will operate without an appropriate licence, have an existing licence adversely affected or be subject to other regulatory sanctions. ♦ Judgement is also applied in estimating amounts payable to regulatory authorities in certain jurisdictions. This gives rise to a risk over the accuracy of accruals and disclosure of contingent liabilities. There is also a risk that management may influence these significant estimates and judgements in order to meet market expectations or bonus targets. ♦ Refer to the Audit Committee Report (page 67; significant accounting policies (Note 2 on page 82); and Note 26 to the Consolidated Financial Statements (page 111).	♦ We understood the Group's process and related controls over the identification and mitigation of regulatory and legal risks and the related accounting, and assessed whether the controls are designed effectively to achieve this. ♦ We inquired of management and the Group's legal advisers about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals to be recorded. ♦ Based on the Group's correspondence with regulators and any legal advice the Group has received, we understood management's interpretation and application of relevant laws and regulations. With support from our own indirect tax experts, we challenged the appropriateness of its assumptions and estimates in relation to accruals and contingent liabilities with reference to historical payments made by the Group and the period to which any accrued liabilities relate.	Based on our audit procedures on the Group's accounting conclusions in each of its major jurisdictions, we concluded that the accruals for amounts payable to regulatory authorities are conservative, within an acceptable range and that the disclosures in the financial statements were appropriate.
Taxation		
♦ The Group recognised a taxation charge of US$7.7 million in 2016 (2015: US$3.0 million) and had income tax receivables of US$1.1 million (2015: US$2.7 million) and payables of US$0.1 million at 31 December 2016 (2015: US$2.8 million). ♦ The Group operates in a number of countries, resulting in complexities in the payment of and accounting for tax. The Group faces a risk that given the international nature of its operations, material tax exposures may not be appropriately provided or disclosed in the financial statements. ♦ Refer to the Audit Committee Report (page 67); significant accounting policies (Note 2 on page 82); and Notes 8 and 14 to the Consolidated Financial Statements (pages 94 and 101).	♦ We discussed with management and its legal advisers, with support from our tax experts, how the Group manages and controls the companies in countries in which it operates. ♦ We obtained and read the results of the third party tax studies obtained by the Group and read its correspondence with the relevant tax authorities, in order to support the tax position of the Group. ♦ With support from our international tax experts we understood management's interpretation and application of relevant tax law and, based on our experience challenged the appropriateness of its assumptions and estimates in relation to provisions and contingent liabilities. We also compared the prior year estimate to amounts actually paid. ♦ We considered whether the Group's disclosure of its tax estimates were in accordance with IFRS requirements.	We concluded that management's judgements in relation to the taxation charge, provisions for taxation and the related disclosures were appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Revenue recognition		
♦ The Group recognised revenue of US$520.8 million in 2016 (2015: US$462.1 million). ♦ The Group makes a number of judgements in recognising revenue, principally in respect of whether the Group is acting as a principal or an agent with its B2B customers and whether certain customer bonuses are treated as a deduction from revenue or as a cost. Any inappropriate judgements could result in a material misstatement of revenue and operating expenses. There is also a risk that management may override controls to influence the significant judgements in respect of revenue recognition in order to meet market expectations. ♦ Refer to the significant accounting policies (Note 2 on page 82); and Note 3 to the Consolidated Financial Statements (page 89).	♦ We understood and tested the key application and manual controls over the Group's principal gaming systems. We then applied IT-based auditing techniques to re-perform the reconciliation between the Group's gaming revenue, cash and customer accounts. We also agreed a sample of revenue transactions to customers' cash deposits. ♦ We read the Group's contractual arrangements and observed how they operate in practice to check management's judgement as to whether the Group was operating as a principal or an agent in its B2B contracts with customers, in the context of the guidance in IAS 18. We also challenged the treatment of certain customer bonuses by considering the customer's contractual obligations in respect of these bonuses to provide marketing services.	We concluded that the revenue recognised in the year, including in respect of its B2B contracts and the treatment of certain customer bonuses, is materially correct.
Capitalisation of development costs		
♦ The Group capitalised development costs of US$10.6 million in 2016 (2015: US$6.8 million) and had net capitalised development costs of US$28.8 million at 31 December 2016 (2015: US$26.5 million). ♦ The capitalisation of costs associated with the development of the Group's systems, in accordance with the criteria set out in IFRS, involves significant management judgement and is therefore an area of focus for our audit. There is a risk that costs are capitalised inappropriately, affecting the Group's profitability. There is also a risk that management may override controls to influence the significant judgements in respect of the capitalisation of development costs in order to meet market expectations or bonus targets. ♦ Refer to the significant accounting policies (Note 2 on page 82); and Note 11 to the Consolidated Financial Statements (pages 96 and 97).	♦ We understood and tested the process and key controls over the Group's capitalisation of internal development costs, including its payroll and purchasing systems. ♦ For development projects capitalised in the year, we made enquiries of management with respect to technical feasibility of a sample of projects to challenge whether the Group met the conditions set out in IAS 38 for capitalisation. We also tested on a sample basis external supplier and internal payroll costs capitalised. ♦ We considered the impact of the capitalisation of development costs on the Group's achievement of bonus targets and analysts' expectations. ♦ We compared the useful lives of capitalised development costs to the Group's business plans for each development project and to historical experience of project lives in the online gaming industry. ♦ We checked that where projects are not yet in use and no amortisation has been charged, they are still expected to be implemented and meet the conditions set out in IAS 38.	We concluded that the Group's capitalisation of development costs during 2016 was appropriate and in accordance with IAS 38.

The above risk areas are consistent with those in the prior year other than that the classification and presentation of exceptional items was an area of focus for our 2015 audit given their quantum. However, following a significant reduction in exceptional items to US$3.9 million in 2016 (2015: US$23.0 million), auditing this area no longer constitutes a significant proportion of audit effort or audit strategy. The Group's exceptional items are described in note 5 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

The Group operates from a small number of locations and as an online gaming operator the Group's accounting is centrally managed. In assessing the risk of material misstatement to the Group financial statements, we determined that there were two components, one being a subsidiary in Israel and the other being the remainder of the Group.

We performed an audit of the complete financial information of both of these components ("full scope"). The components we audited therefore account for the entirety of the Group's revenue, profit before tax and total assets. This is consistent with our approach in the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit team, or by component auditors from other EY global network firms operating under our instruction. The Israeli subsidiary was subject to a full scope audit by a component team in Israel and the remainder of the Group was audited directly, as a full scope audit, by the Group audit team.

The Group audit team performed the majority of its audit fieldwork in Israel and Gibraltar, with visits to both locations at the planning, interim and year end phases of the audit.

During these visits the Group audit team attended audit planning and closing meetings, the Group's Audit Committee meetings and conducted and reviewed audit work. For the Israeli subsidiary, in addition to the location visits the Group audit team interacted regularly during the various stages of the audit, reviewed key working papers, participated in the component team's planning, including its discussion of fraud and error and were responsible for the scope and direction of the audit process. The allocation of responsibilities between the Group audit team and the Israeli component team was such that the audit work on each of the areas of risk described above was led by the Group audit team. This, together with the procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures."

We determined materiality for the Group to be US$3.2 million (2015: US$2.7 million), which is approximately 5% (2015: 5%) of profit before tax and exceptional items.

We believe that profit before tax, adjusted for the exceptional items described below, provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the Group. The increase from the prior year predominately reflects continued growth achieved by the Group.

In calculating materiality, we excluded the effects of certain non-recurring exceptional items from profit before tax. For 2016, these related to the exceptional acquisition costs of US$0.9 million and exceptional retroactive duties and associated charges of US$3.0 million, as highlighted in Note 5 to the consolidated financial statements.

During the course of our audit, we reassessed initial materiality and adjusted our materiality to reflect the reported profit before tax and exceptional items.

Performance materiality

"The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality."

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 50%) of our planning materiality, namely US$2.4 million (2015: US$1.35 million). We increased our performance materiality from 50% to 75% due to our past experience of the audit that indicates a reduction in the risk of misstatements, both corrected and uncorrected.

Audit work at the Israeli subsidiary for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for that component is based on its relative scale and risk to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to the Israeli subsidiary was US$1.3 million (2015: US$0.6 million). The audit work on the remainder of the Group was undertaken using Group materiality.

Reporting threshold

"An amount below which identified misstatements are considered as being clearly trivial."

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$160,000 (2015: US$135,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Statement of Responsibilities set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The directors are also responsible for the preparation of the Directors' Remuneration Report, which they have chosen to prepare, being under no obligation to do so under Gibraltar law, and the preparation of the Corporate Governance Statement and statement on going concern under the Listing Rules. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with the Gibraltar Companies Act 2014 and our engagement letter dated 30 November 2015.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

OPINION ON OTHER MATTER PRESCRIBED BY THE GIBRALTAR COMPANIES ACT 2014

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been properly prepared in accordance with the Act.

INDEPENDENT AUDITORS' REPORT

continued

OPINION ON OTHER MATTERS AS PER THE TERMS OF OUR ENGAGEMENT WITH THE COMPANY

In our opinion:

- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and share capital structures is consistent with the financial statements; and
- the section of the Directors' Remuneration Report that is described as audited has been properly prepared in accordance with the basis of preparation described therein.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report and Accounts is: ♦ materially inconsistent with the information in the audited financial statements; or ♦ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ♦ otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Gibraltar Companies Act 2014 reporting	We are required to report to you if, in our opinion: ♦ we have not received all the information and explanations we require for our audit; or ♦ there are material misstatements in the Directors' Report based on our knowledge and understanding of the Company and its environment obtained in the course of the audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: ♦ the Directors' statement in relation to going concern, set out on page 45, and longer-term viability, set out on page 35; and ♦ the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

STATEMENT ON THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE ENTITY

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ♦ the Directors' confirmation in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; ♦ the disclosures in the Annual Report and Accounts that describe those risks and explain how they are being managed or mitigated; ♦ the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ♦ the Directors' explanation in the Annual Report and Accounts as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Cameron Cartmell (Non-Statutory Auditor)
Ernst & Young LLP
London
21 March 2017

Jose Julio Pisharello (Statutory Auditor)
For and on behalf of EY Limited, Registered Auditors
Gibraltar
21 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 US$ million	2015 US$ million
Revenue	3	520.8	462.1
Operating expenses		(155.1)	(146.0)
Gaming duties	4	(63.5)	(58.4)
Research and development expenses		(34.3)	(36.8)
Selling and marketing expenses		(170.2)	(138.9)
Administrative expenses		(36.2)	(32.5)
Exceptional acquisition costs	5	(0.9)	(17.5)
Exceptional acquisition income	5	—	8.8
Operating profit before exceptional costs and share benefit charge		71.2	62.0
Exceptional items	5	(3.9)	(17.1)
Share benefit charge	21	(6.7)	(4.1)
Operating profit	4	60.6	40.8
Finance income	7	0.4	0.3
Finance expenses	7	(1.7)	(2.6)
Exceptional finance expenses	5	—	(5.9)
Share of post-tax loss of equity accounted joint ventures and associates	13	(0.1)	(0.1)
Profit before tax		59.2	32.5
Taxation	8	(7.7)	(3.0)
Profit after tax for the year attributable to equity holders of the parent		51.5	29.5
Earnings per share	9		
Basic		14.4¢	8.3¢
Diluted		14.1¢	8.2¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US$ million	2015 US$ million
Profit for the year		51.5	29.5
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(0.8)	(1.1)
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability	6	(0.5)	(1.1)
Total other comprehensive expense for the year		(1.3)	(2.2)
Total comprehensive income for the year attributable to equity holders of the parent		50.2	27.3

The notes on pages 82 to 111 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2016

	Note	2016 US$ million	2015 US$ million
Assets			
Non-current assets			
Goodwill and other intangible assets	11	158.6	157.3
Property, plant and equipment	12	9.1	11.2
Investments	13	1.5	1.6
Non-current receivables	16	0.7	0.8
Deferred tax assets	14	1.1	1.2
		171.0	172.1
Current assets			
Cash and cash equivalents	15	172.6	178.6
Trade and other receivables	16	35.9	32.9
Income tax receivable		1.1	2.7
		209.6	214.2
Total assets		380.6	386.3
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	3.2	3.2
Share premium	17	3.3	2.2
Retained earnings		157.1	156.8
Total equity attributable to equity holders of the parent		163.6	162.2
Liabilities			
Current liabilities			
Trade and other payables	18	139.3	137.2
Income tax payable		0.1	2.8
Customer deposits	19	75.7	82.4
		215.1	222.4
Non-current liabilities			
Deferred tax liabilities	14	1.9	1.7
Total liabilities		217.0	224.1
Total equity and liabilities		380.6	386.3

The consolidated financial statements on pages 78 to 111 were approved and authorised for issue by the Board of Directors on 21 March 2017 and were signed on its behalf by:

Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 82 to 111 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital US$ million	Share premium US$ million	Retained earnings US$ million	Foreign currency translation reserve US$ million	Total US$ million
Balance at 1 January 2015	3.2	1.3	181.1	(0.5)	185.1
Profit after tax for the year attributable to equity holders of the parent	—	—	29.5	—	29.5
Other comprehensive expense for the year	—	—	(1.1)	(1.1)	(2.2)
Total comprehensive income	—	—	28.4	(1.1)	27.3
Dividend paid (note 10)	—	—	(53.5)	—	(53.5)
Equity settled share benefit charges (note 21)	—	—	2.4	—	2.4
Issue of shares to cover employee share schemes (note 17)	—	0.9	—	—	0.9
Balance at 31 December 2015	3.2	2.2	158.4	(1.6)	162.2
Profit after tax for the year attributable to equity holders of the parent	—	—	51.5	—	51.5
Other comprehensive expense for the year	—	—	(0.5)	(0.8)	(1.3)
Total comprehensive income	—	—	51.0	(0.8)	50.2
Dividend paid (note 10)	—	—	(56.6)	—	(56.6)
Equity settled share benefit charges (note 21)	—	—	6.7	—	6.7
Issue of shares to cover employee share schemes (note 17)	—	1.1	—	—	1.1
Balance at 31 December 2016	**3.2**	**3.3**	**159.5**	**(2.4)**	**163.6**

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

Share capital – represents the nominal value of shares allotted, called-up and fully paid.
Share premium – represents the amount subscribed for share capital in excess of nominal value.
Retained earnings – represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income and other transactions with equity holders.
Foreign currency translation reserve – represents exchange differences arising from the translation of all Group entities that have functional currency different from US$.

The notes on pages 82 to 111 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US$ million	2015 US$ million
Cash flows from operating activities			
Profit before tax		59.2	32.5
Adjustments for:			
Depreciation	12	8.4	8.9
Amortisation	11	10.6	9.7
Interest income	7	(0.4)	(0.3)
Interest expense	7	—	0.2
Share of post-tax loss of equity accounted joint ventures and associates	13	0.1	0.1
Share benefit charges	21	6.7	4.1
		84.6	55.2
Increase in trade receivables	16	(1.8)	(0.1)
Increase in other accounts receivables	16	(2.5)	(1.6)
(Decrease) increase in customer deposits	19	(5.7)	12.9
Decrease in foreign exchange derivatives	7	—	(2.5)
Increase in trade and other payables	18	2.7	27.1
Cash generated from operations		77.3	91.0
Income tax paid		(9.2)	(6.0)
Net cash generated from operating activities		68.1	85.0
Cash flows from investing activities			
Acquisition of investment in equity accounted associates	13	—	(1.5)
Acquisition of property, plant and equipment	12	(6.3)	(4.6)
Interest received	7	0.4	0.3
Acquisition of intangible assets	11	(1.3)	(3.0)
Internally generated intangible assets	11	(10.6)	(6.8)
Net cash used in investing activities		(17.8)	(15.6)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	17	1.1	0.9
Dividends paid	10	(56.6)	(53.5)
Net cash used in financing activities		(55.5)	(52.6)
Net (decrease) increase in cash and cash equivalents		(5.2)	16.8
Net foreign exchange difference		(0.8)	(1.3)
Cash and cash equivalents at the beginning of the year	15	178.6	163.1
Cash and cash equivalents at the end of the year[1]	15	172.6	178.6

1 Cash and cash equivalents includes restricted short-term deposits of US$1.1 million (2015: US$3.3 million) (see note 15).

Included in net cash generated from operating activities are amounts paid during 2016 in respect of exceptional items of US$9.1 million (2015: net payment of US$17.8 million).

The notes on pages 82 to 111 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Company description and activities

888 Holdings Public Limited Company (the “Company”) and its subsidiaries (together the “Group”) was founded in 1997 in the British Virgin Islands and since 17 December 2003 has been domiciled in Gibraltar (Company number 90099). On 4 October 2005, the Company listed on the London Stock Exchange.

The Group is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet, including Casino and games, Poker, Bingo, Sport, Emerging Offerings (comprising Mytopia social games), and brand licensing revenue on third party platforms. These services are provided to end users (“B2C”) and to business partners through its business to business unit, Dragonfish (“B2B”). In addition, the Group provides payment services, customer support and online advertising.

Definitions

In these financial statements:

The Company	888 Holdings Public Limited Company.
The Group	888 Holdings Public Limited Company and its subsidiaries.
Subsidiaries	Companies over which the Company has control (as defined in IFRS 10 – Consolidated Financial Statements) and whose accounts are consolidated with those of the Company.
Related parties	As defined in IAS 24 – Related Party Disclosures.
Joint ventures and associates	As defined in IFRS 11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are as follows:

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), including International Accounting Standards (“IAS”) and Interpretations adopted by the International Accounting Standards Board (“IASB”), endorsed for use by companies listed on an EU regulated market. The consolidated financial statements have been prepared on a historical cost basis, except for available for sale investments and derivative financial instruments, which have been measured at fair value.

The Group has changed its operating segments in the year to reflect a change in the way that the business is managed and reported internally. Sport is now presented separately, having previously been reported in Emerging Offerings. Brand licensing on third party platforms, which was previously included in Emerging Offerings, is now included in the B2B segment. The comparative segment results for the year ended 31 December 2015 have been restated to reflect this change, as described in note 3.

The consolidated financial statements are presented in US Dollars (US$ million) because that is the currency the Group primarily operates in.

The consolidated financial statements comply with the Gibraltar Companies Act 2014.

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, with the exception of the amendments to accounting standards adopted during 2016. These are described in more detail below.

The following amendments to IAS, issued by the IASB and adopted by the EU, were effective from 1 January 2016 and have been adopted by the Group during the year with no significant impact on its consolidated results or financial position:

- Amendments to IAS 1 – Disclosure Initiative.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception.
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations.
- Annual Improvements 2012-2014 Cycle, including minor amendments to IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosures, IAS 19 – Employee Benefits and IAS 34 – Interim Financial Reporting.

2 SIGNIFICANT ACCOUNTING POLICIES continued

The following standards, interpretations and amendments issued by the IASB have not been adopted by the Group as they were not effective for the year. The Group is currently assessing the impact these standards and amendments will have on the presentation of, and recognition in, its consolidated results in future periods:

- Amendments to IAS 7 – Disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective for accounting periods beginning on or after 1 January 2017).
- Annual Improvements Process IFRS 12 – Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2017).
- IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 15 – Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – Transfer of Investment Property (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- Annual Improvements Process IFRS 1 – First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2018).
- Annual Improvements Process IAS 28 – Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 16 – Leases (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (in December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting).

Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS as adopted by the EU requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Included in this note are accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the future. These policies together with references to the related notes to the financial statements, which include further commentary on the nature of the estimates and judgements made, can be found below:

Revenue

The Group applies judgement in determining whether it is acting as a principal or an agent where it provides services to business partners through its business to business unit. In making these judgements the Group considers, by examining each contract with its business partners, which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly. This is described in further detail in the revenue accounting policy set out below.

Taxation

Due to the international nature of the Group and the complexity of tax legislation in the jurisdictions in which it operates, the Group applies judgement in estimating the likely outcome of tax matters and the resultant provision for income taxes. However, in 2015 and early 2016 the Group reached agreement on a number of tax matters with tax authorities in the key jurisdictions from which it operates. These agreements materially reduce the level of judgement to be made in preparing the financial statements. The Group believes that its accruals for tax liabilities are appropriate. For further information see note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of goodwill and other intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. For further information see note 11.

Internally generated intangible assets

Costs relating to internally generated intangible assets, are capitalised if the criteria for recognition as assets are met. The initial capitalisation of costs is based on management's judgment that technological and economic feasibility criteria are met. In making this judgement, management considers the progress made in each development project and its latest forecasts for each project. Other expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For further information see note 11.

Contingent liabilities and regulatory matters

The Group makes a number of judgements in respect of the accounting for and disclosure of expenses and contingent liabilities for regulatory matters, including gaming duties. These are described in further detail in note 26.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by 888 Holdings Public Limited Company. Control exists where the Company has power over an entity; exposure, or rights, to variable returns from its involvement with an entity; and the ability to use its power over an entity to affect the amount of its returns. Subsidiaries are consolidated from the date the Parent gained control until such time as control ceases.

The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of accounting. On the date of the acquisition, the assets and liabilities of a subsidiary are measured at their fair values and any excess of the fair value of the consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions and balances are eliminated on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company and using consistent accounting policies.

Revenue

Revenue is recognised provided that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occurred after deduction of certain promotional bonuses granted to customers and VAT, and after adding the fees and charges applied to customer accounts, and is measured at the fair value of the consideration received or receivable.

Revenue consists of income from online activities and income generated from foreign exchange commissions on customer deposit and withdrawals and account fees, which is allocated to each reporting segment.

Revenue from online activities comprises:

Casino and Bingo

Casino and Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won, adjusted for the fair value of certain promotional bonuses granted to customers and the value of loyalty points accrued.

Poker

Poker online gaming revenue represents the commission charged from each poker hand in ring games and entry fees for participation in Poker tournaments less the fair value of certain promotional bonuses and the value of loyalty points accrued. In Poker tournaments entry fee revenue is recognised when the tournament has concluded.

Sport

Sport online gaming revenue comprises bets placed less payouts to customers, adjusted for the fair value of open betting positions.

Emerging Offerings

Revenue from Emerging Offerings is mainly comprised of Social games. Revenue represents the Group's share from the sale of virtual goods to customers playing the Group's games.

2 SIGNIFICANT ACCOUNTING POLICIES continued

B2B

Revenue from B2B is mainly comprised of services provided to business partners and brand licensing on third party platforms.

- For services provided to business partners through its B2B unit, the Group considers whether for each customer it is acting as a principal or as an agent by considering which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly:
  - Where the Group is considered to be the principal, income is recognised as the gross revenue generated from use of the Group's platform in online gaming activities with the partners' share of the revenue charged to marketing expenses.
  - In other cases income is recognised as the Group share of the net revenue generated from use of the Group's platform.
  - B2B also includes fees from the provision of certain gaming related services to partners.
  - Customer advances received are treated as deferred income within current liabilities and released as they are earned.
- Revenue derived from brand licensing on third party platforms represents the Group's net revenue share from that activity.

Operating expenses

Operating expenses consists primarily of staff costs, payment service providers' commissions, chargebacks, commission and royalties payable to third parties, all of which are recognised on an accruals basis, and depreciation and amortisation.

Administrative expenses

Administrative expenses consist primarily of staff costs and corporate professional expenses, both of which are recognised on an accruals basis.

Exceptional items

The Group classifies and presents certain items of income and expense as exceptional, as the Group considers that it allows for a better reflection of the underlying performance of the Group. The Group also seeks to present a measure of underlying performance which is not impacted by exceptional items. These measures are described as "adjusted" and are used by the management to measure and monitor the Group's underlying performance. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size. The items classified as exceptional (and are excluded from the adjusted measures) are described in further detail in note 5.

Foreign currency

Monetary assets and liabilities denominated in currencies other than the functional currency of the relevant company are translated into that functional currency using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates prevailing at the dates of the transactions. Exchange rate differences on foreign currency transactions are included in financial income or financial expenses in the consolidated income statement, as appropriate.

The results and financial position of all Group entities that have a functional currency different from US$ are translated into the presentation currency at foreign exchange rates as set out below. Exchange differences arising, if any, are recorded in the consolidated statement of comprehensive income as a component of other comprehensive income.

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Taxation

The tax expense represents tax payable for the year based on currently applicable tax rates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. They are accounted for using the balance sheet liability method. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets

Acquired intangible assets

Intangible assets acquired separately consist mainly of software licences and domain names and are capitalised at cost. Those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably. These intangible assets are amortised over the useful life of the assets, which for software licences is between one and five years and for domain names is five years.

Internally generated intangible assets

Expenditure incurred on development activities of gaming platform is capitalised only when the expenditure will lead to new or substantially improved products or processes, the products or processes are technically and commercially feasible and the Group has sufficient resources to complete development. All other development expenditure is expensed. Subsequent expenditure on intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. The Group estimates the useful life of these assets as between three and five years, except for certain licence costs which are amortised over either the life of the licence, or up to 20 years, whichever is the shorter period.

Goodwill and business combinations

Goodwill represents the excess of the fair value of the consideration in a business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Consideration comprises the fair value of any assets transferred, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement and not subsequently reversed. Where the fair values of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition. Changes in the fair value of the contingent consideration are charged or credited to the consolidated income statement. In addition, the direct costs of acquisition are charged immediately to the consolidated income statement.

Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation. Assets are assessed at each balance sheet date for indicators of impairment.

Depreciation is calculated using the straight-line method, at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual depreciation rates are as follows:

IT equipment	33%
Office furniture and equipment	7-15%
Motor vehicles	15%
Leasehold improvements	Over the shorter of the term of the lease or useful lives

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually and where applicable an impairment loss is recognised immediately in the consolidated income statement. Other non-financial assets are subject to 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 (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly through the consolidated income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets to which the asset belongs for which there are separately identifiable and largely independent cash inflows).

2 SIGNIFICANT ACCOUNTING POLICIES continued

Investment in equity accounted joint ventures and associates

Joint ventures are those entities over relevant activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates are those businesses in which the Group has a long-term interest and is able to exercise significant influence over the financial and operational policies but does not have control or joint control over those policies.

Joint ventures and associates are accounted for using the equity method and are recognised initially at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the joint ventures and associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its joint ventures or associates are recognised only to the extent of unrelated investors' interests in the joint ventures and associates. The investor's share in the profits and losses of the investment resulting from these transactions is eliminated against the carrying value of the investment.

Any premium paid 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. Where there is objective evidence that the investment has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets, and any charge or reversal of previous impairments is taken to the consolidated income statement.

Where amounts paid for an investment in joint venture and associates are in excess of the Group's share of the fair value of net assets acquired, the excess is recognised as negative goodwill and released to the consolidated income statement immediately.

The Group's share of additional equity contributions from other joint venture partners is taken to the consolidated statement of comprehensive income.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost and principally comprise amounts due from credit card companies and from e-payment companies. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is objective evidence that the full amount may not be collected.

Fair value measurement

The Group measures certain financial instruments, including derivatives and available for sale investments, at fair value at each balance sheet date. The fair value related disclosures are included in notes 24 and 25. Fair value is the price that would be received or paid in an orderly transaction between market participants at a particular date, either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for that asset or liability accessible to the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value measurement hierarchy is based on the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels, with the highest level (level 1) given to inputs for which there are unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level (level 3) given to unobservable inputs. Level 2 inputs are directly or indirectly observable inputs other than quoted prices.

Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge operational risks associated with foreign exchange rates. Such derivative financial instruments are measured at fair value and are carried in the consolidated balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair values of derivatives are recorded immediately in the consolidated income statement.

Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. They include short-term deposits originally purchased with maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

Equity

Equity issued by the Company is recorded as the proceeds received from the issue of shares, net of direct issue costs.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

Liabilities to customers

Liabilities to customers comprise the amounts that are credited to customers' bankroll (the Group's electronic "wallet"), including provision for bonuses granted by the Group, less fees and charges applied to customer accounts, along with full progressive provision for jackpots. These amounts are repayable in accordance with the applicable terms and conditions.

Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases and rentals payable are charged to the consolidated income statement on a straight-line basis over the term of the lease.

Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Board of Directors and paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Share benefit charges

Equity-settled

Where the Company grants its employees or contractors shares or options, the cost of those awards, recognised in the consolidated income statement over the vesting period with a corresponding increase in equity, is measured with reference to the fair value at the date of grant. Market performance conditions are taken into account in determining the fair value at the date of grant. Non-market performance conditions, including service conditions, are taken into account by adjusting the number of instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest.

Cash-settled

For transactions treated as cash-settled share benefit charges, the Company recognises an expense in the consolidated income statement and a corresponding liability as the employees render services.

Until the liability is settled, the Company measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value charged or credited to the consolidated income statement.

Severance pay schemes

Severance pay scheme surpluses and deficits are measured as:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method, discounted to its present value using yields available for the appropriate government bonds that have maturity dates appropriate to the terms of the liabilities; plus
- unrecognised past service costs.

Remeasurements of the net severance pay scheme assets and liabilities, including actuarial gains and losses on the scheme liabilities due to changes in assumptions or experience within the scheme and any differences between the interest income and the actual return on assets, are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Financial guarantee contracts

Where the Group or Company enters into financial guarantee contracts these are classified as financial liabilities and measured at fair value, by estimating the probability of the guarantees being called upon and the related cash outflows from the Group or Company.

3 SEGMENT INFORMATION

The Group has changed its operating segments in the year to reflect a change in the way that the business is managed and reported internally. Sport is now presented separately, having previously been reported in Emerging Offerings. Brand licensing on third party platforms, which was previously included in Emerging Offerings, is now included in the B2B segment.

Segmental results 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 comprising mainly the Chief Executive Officer and the Chief Financial Officer. The operating segments identified are:

- B2C (Business to Customer): including Casino and games, Poker, Bingo, Sport and Emerging Offering; and
- B2B (Business to Business): offering Total Gaming Services under the Dragonfish trading brand. Dragonfish offers to its business partners use of technology, software, operations, E-payments and advanced marketing services, through the provision of offline/online marketing, management of affiliates, search engine optimisation (SEO), customer relationship management (CRM) and business analytics.

There has been no aggregation of these two operating segments for reporting purposes. The management team continues to assess the performance of operating segments based on revenue and segment profit, being revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties, selling and marketing expenses.

	B2C						B2B[1]	Consolidated
2016	**Casino US$ million**	**Poker US$ million**	**Bingo US$ million**	**Sport[1] US$ million**	**Emerging Offerings[1] US$ million**	**Total B2C US$ million**	**US$ million**	**US$ million**
Segment revenue	279.3	84.4	41.8	51.9	2.8	460.2	60.6	520.8
Segment result[2]						194.4	30.9	225.3
Unallocated corporate expenses[3]								(164.7)
Operating profit								60.6
Finance income								0.4
Finance expenses								(1.7)
Share of post-tax loss of equity accounted joint ventures and associates								(0.1)
Taxation								(7.7)
Profit after tax for the year								51.5
Assets								
Unallocated corporate assets								380.6
Total assets								380.6
Liabilities								
Segment liabilities						69.4	6.3	75.7
Unallocated corporate liabilities								141.3
Total liabilities								217.0

1 The comparative segment results for the year ended 31 December 2015 have been restated to reflect this change, as described on the following page.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, VAT, royalties payable to third parties, selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, exceptional acquisition costs, depreciation, amortisation, share benefit charges and exceptional retroactive duties and associated charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

3 SEGMENT INFORMATION continued

2015 (restated[1])	Casino US$ million	Poker US$ million	Bingo US$ million	Sport[1] US$ million	Emerging Offerings[1] US$ million	Total B2C US$ million	B2B[1] US$ million	Consolidated US$ million
	B2C						B2B[1]	Consolidated
Segment revenue	230.6	86.7	44.0	34.8	3.3	399.4	62.7	462.1
Segment result[2]						181.2	33.4	214.6
Unallocated corporate expenses[3]								(173.8)
Operating profit								40.8
Finance income								0.3
Finance expenses								(2.6)
Exceptional finance expenses								(5.9)
Share of post-tax loss of equity accounted joint ventures and associates								(0.1)
Taxation								(3.0)
Profit after tax for the year								29.5
Assets								
Unallocated corporate assets								386.3
Total assets								386.3
Liabilities								
Segment liabilities						68.6	13.8	82.4
Unallocated corporate liabilities								141.7
Total liabilities								224.1

1 The comparative segment results for the year ended 31 December 2015 have been restated to reflect this change. Of the Emerging Offerings revenue of US$41.3 million, US$34.8 million has been classified in the Sport segment and US$3.2 million in the B2B segment. Of the previously reported B2C segment result of US$182.2 million, US$1.0 million relating to brand licensing on third party platforms has been reclassified in the B2B segment result, reducing the B2C segment result to US$181.2 million and increasing the B2B segment result from US$32.4 million to US$33.4 million.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties, selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.

Other than where amounts are allocated specifically to the B2C and B2B segments above, the expenses, assets and liabilities relate jointly to all segments. These amounts are not discretely analysed between the two operating segments as any allocation would be arbitrary.

Geographical information

The Group's performance can also be reviewed by considering the geographical markets and geographical locations within which the Group operates. This information is outlined below:

Revenue by geographical market (based on location of customer)

	2016 US$ million	2015 US$ million
UK	223.2	212.7
Europe (excluding UK)	231.0	178.4
Americas	44.9	48.5
Rest of world	21.7	22.5
Total revenue	520.8	462.1

3 SEGMENT INFORMATION continued
Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2016 US$ million	2015 US$ million
Gibraltar	**142.3**	144.9
Rest of world	**27.6**	26.0
Total non-current assets by geographical location[1]	**169.9**	170.9

1 Excludes deferred tax assets of US$1.1 million (2015: US$1.2 million).

4 OPERATING PROFIT

	Note	**2016 US$ million**	2015 US$ million
Operating profit is stated after charging:			
Staff costs (including Executive Directors)	6	**101.2**	102.2
Gaming duties		**63.5**	58.4
Selling and marketing expenses[1]		**170.2**	138.9
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:			
Statutory audit of the consolidated financial statements		**0.3**	0.3
Other statutory audits		**—**	0.1
Other assurance services		**0.1**	0.1
Corporate finance services	5	**0.2**	3.3
Depreciation (within operating expenses)	12	**8.4**	8.9
Amortisation (within operating expenses)	11	**10.6**	9.7
Chargebacks		**4.1**	3.2
Payment of service providers' commissions		**21.3**	21.2

1 Selling and marketing expenses reflecting management's strategic decision to accelerate targeted investment in Casino and Sport marketing activities during the year.

5 EXCEPTIONAL ITEMS
The Group classifies certain items of income and expense as exceptional, as the Group considers that it allows for a better reflection of the underlying performance of the Group. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size.

	2016 US$ million	2015 US$ million
Exceptional acquisition costs: Legal and professional costs[1]	**0.9**	17.5
Exceptional acquisition income: Reimbursement of acquisition costs[2]	**—**	(8.8)
Exceptional finance costs[3]	**—**	5.9
Total exceptional acquisition costs	**0.9**	14.6
Exceptional retroactive duties and associated charges (included within gaming duties in the consolidated income statement)[4]	**3.0**	8.4
Total exceptional costs	**3.9**	23.0

1 During the year the Group incurred legal and professional costs of US$0.9 million associated with the subsequently aborted proposal for potential combination between the Group, The Rank Group plc and William Hill plc. During 2015 the Group incurred legal and professional costs of US$17.5 million associated with the subsequently aborted proposed acquisition of bwin.party digital entertainment plc.
2 In 2015, following the termination of the proposed acquisition described above, the Group received reimbursement income of US$8.8 million from bwin.party digital entertainment plc, in line with its contractual agreement.
3 In 2015, the Group incurred finance costs of US$5.9 million in connection with the proposed acquisition of bwin.party digital entertainment plc described above. The costs represent fair value movements on derivatives entered into to hedge the currency exposure associated with the transaction.
4 Exceptional retroactive duties and associated charges of US$3.0 million in respect of gaming taxes relating to activity in prior years (2015: US$8.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

6 EMPLOYEE BENEFITS

Staff costs, including Executive Directors' remuneration, comprises the following elements:

	2016 US$ million	2015 US$ million
Wages and salaries	97.9	96.8
Social security	5.1	4.7
Pension and severance pay scheme costs	7.8	6.6
	110.8	108.1
Staff costs capitalised in respect of internally generated intangible assets	(9.6)	(5.9)
	101.2	102.2

In the consolidated income statement total staff costs, excluding share benefit charges of US$6.7 million (2015: US$4.1 million), are included within the following expenditure categories:

	2016 US$ million	2015 US$ million
Operating expenses	56.0	53.8
Research and development expenses	26.7	28.7
Administrative expenses	18.5	19.7
	101.2	102.2

The average number of employees by category was as follows:

	2016 Number	2015 Number
Operations	832	800
Research and development	394	377
Administration	129	122
	1,355	1,299

At 31 December 2016 the Group employed 1,353 (2015: 1,318) staff.

At 31 December 2016 the Group used the services of 312 chat moderators (2015: 324) and 93 contractors (2015: 97).

Severance pay scheme – Israel

The Group's employees in Israel are eligible to receive certain benefits from the Group in specific circumstances on leaving the Group. As such the Group operates a defined benefit severance pay plan which requires contributions to be made to separately administrated funds.

The current service cost and the present value of the defined benefit obligation are measured using the projected unit credit method.

The following table summarises the employee benefits figures as included in the consolidated financial statements:

	2016 US$ million	2015 US$ million
Included in the balance sheet:		
Severance pay scheme liability (within trade and other payables)	1.6	2.5
Included in the income statement:		
Current service costs (within operating expenses)	1.8	1.7
Current service costs (within research and development)	1.7	1.7
Current service costs (within administrative expenses)	0.7	0.6
Included in the statement of comprehensive income:		
Remeasurement of severance pay scheme liability	0.5	1.1

6 EMPLOYEE BENEFITS continued

Movement in severance pay scheme liability:

Severance pay scheme assets	**2016 US$ million**	2015 US$ million
At beginning of year	**16.0**	14.6
Interest income	**0.8**	0.5
Contributions by the Group	**5.6**	3.8
Benefits paid	**(3.0)**	(2.6)
Return on assets less interest income already recorded	**(0.7)**	(0.3)
Exchange differences	**0.1**	—
At end of year	**18.8**	16.0

Severance pay plan liabilities	**2016 US$ million**	2015 US$ million
At beginning of year	**18.5**	15.8
Interest expense	**0.8**	0.5
Current service costs	**4.3**	4.0
Benefits paid	**(3.2)**	(2.6)
Actuarial gain on past experience	**(0.3)**	—
Actuarial loss on changes in financial assumptions	**0.1**	0.8
Exchange differences	**0.2**	—
At end of year	**20.4**	18.5

Employees can determine individually into which type of investment their share of the plan assets are invested, therefore the Group is unable to accurately disclose the proportions of the plan assets invested in each class of asset.

The expected contribution for 2017 is US$4.3 million.

The main actuarial assumptions used in determining the fair value of the Group's severance pay plan are shown below:

	2016 %	2015 %
Discount rate (nominal)	**4.52**	4.58
Estimated increase in employee benefits costs	**5.12**	5.12
Voluntary termination rate	**75**	75
Inflation rates based on Israeli bonds	**1.71**	1.67

7 FINANCE INCOME AND FINANCE EXPENSES

Finance income:

	2016 US$ million	2015 US$ million
Interest income	**0.4**	0.3
Finance income	**0.4**	0.3

Finance expenses:

	2016 US$ million	2015 US$ million
Interest expense	**—**	0.2
Fair value movements on foreign exchange derivatives	**(0.9)**	0.1
Foreign exchange losses	**2.6**	2.3
Finance expenses	**1.7**	2.6

Details of the exceptional finance expenses are included in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 TAXATION

Corporate taxes

	2016 US$ million	2015 US$ million
Current taxation		
Gibraltar taxation	1.1	1.3
Other jurisdictions taxation	7.4	4.6
Adjustments in respect of prior years	(1.1)	(3.9)
	7.4	2.0
Deferred taxation		
Origination and reversal of temporary differences	0.3	1.0
Taxation expense	7.7	3.0

The taxation expense for the year differs from the standard Gibraltar rate of tax. The differences are explained below:

	2016 US$ million	2015 US$ million
Profit before taxation	59.2	32.5
Standard tax rate in Gibraltar (2016: 10%, 2015: 10%)	5.9	3.3
Higher effective tax rate on other jurisdictions	2.1	3.1
Tax on dividends distributed from other jurisdictions	2.9	—
Utilisation of previously unrecognised tax losses	—	(0.1)
Expenses not allowed for taxation	1.0	2.4
Non-taxable income	(3.4)	(2.9)
Adjustments to prior years' tax charges	(0.8)	(2.8)
Total tax charge for the year	7.7	3.0

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation. Set out below are details in respect of the significant jurisdictions where the Group operates and the factors that influenced the current and deferred taxation in those jurisdictions:

Gibraltar

Gibraltar companies are subject to a corporate tax rate of 10%. During 2015, the Group changed certain elements of its tax calculation in Gibraltar, which have been agreed with the tax authorities. These changes resulted in adjustments in respect of prior years in 2015 and have been applied consistently in 2016.

Israel

The domestic corporate tax rate in Israel in 2016 is 25% (2015: 26.5%). From 1 January 2017 the rate has been reduced to 24%. Prior to reporting its 2015 results, the Company's Israeli subsidiary concluded an assessment agreement with respect to all tax years up to and including 2013 and entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner as regards 2014-2015. This agreement resulted in adjustment in respect of prior years in 2015. The tax charge has increased in the current year as a result of tax payable on dividends distributed to 888 Holdings plc.

UK

The Group's subsidiary in the UK is subject to a corporate tax rate of 20% (2015: 20.25%). During the year, in addition to the previously enacted reduction in the UK corporation tax rate to 19% from April 2017, the UK government announced and substantively enacted a further reduction to 17% from April 2020.

9 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share ("EPS") has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

Diluted earnings per share

Earnings per share, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 7,688,394 Ordinary Shares (2015: 3,423,108) and 101,447 market-value options (2015: 158,484).

The number of equity instruments excluded from the diluted EPS calculation is 1,551,580 (2015: 3,051,243).

	2016	2015
Profit for the period attributable to equity holders of the parent (US$ million)	51.5	29.5
Weighted average number of Ordinary Shares in issue	358,154,255	356,129,113
Effect of dilutive Ordinary Shares and Share options	7,789,841	3,581,592
Weighted average number of dilutive Ordinary Shares	365,944,096	359,710,705
Basic earnings per share	14.4¢	8.3¢
Diluted earnings per share	14.1¢	8.2¢

Adjusted earnings per share

The Directors believe that EPS excluding exceptional items, share benefit charges and share of post-tax loss of equity accounted associates ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit to profit excluding exceptional items, share benefit charges and share of post-tax loss of equity accounted associates ("Adjusted profit"):

	2016 US $ million	2015 US $ million
Profit for the period attributable to equity holders of the parent	51.5	29.5
Exceptional items (see note 5)	3.9	23.0
Share benefit charges (see note 21)	6.7	4.1
Share of post-tax loss of equity accounted associates (see note 13)	0.1	0.1
Adjusted profit	62.2	56.7
Weighted average number of Ordinary Shares in issue	358,154,255	356,129,113
Weighted average number of dilutive Ordinary Shares	365,944,096	359,710,705
Adjusted basic earnings per share	17.4¢	15.9¢
Adjusted diluted earnings per share	17.0¢	15.8¢

10 DIVIDENDS

	2016 US$ million	2015 US$ million
Dividends paid	56.6	53.5

An interim dividend of 3.8¢ per share was paid on 6 October 2016 (US$13.6 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2016 comprising 5.1¢ per share, and an additional one-off dividend of 10.5¢ per share, both of which will be recognised in the 2017 financial statements once approved.

In 2015 an interim dividend of 3.5¢ per share was paid on 30 September 2015 (US$12.5 million) and a final dividend of 4¢ per share plus an additional one-off 8¢ per share were paid on 12 May 2016 (US$43.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill US$ million	Acquired intangible assets US$ million	Internally generated intangible assets US$ million	Total US$ million
Cost or valuation				
At 1 January 2015	146.1	14.5	52.0	212.6
Additions	—	3.0	6.8	9.8
At 31 December 2015	146.1	17.5	58.8	222.4
Additions	—	1.3	10.6	11.9
At 31 December 2016	**146.1**	**18.8**	**69.4**	**234.3**
Amortisation and impairments:				
At 1 January 2015	20.7	10.3	24.4	55.4
Amortisation charge for the year	—	1.8	7.9	9.7
At 31 December 2015	20.7	12.1	32.3	65.1
Amortisation charge for the year	—	2.3	8.3	10.6
At 31 December 2016	**20.7**	**14.4**	**40.6**	**75.7**
Carrying amounts				
At 31 December 2016	**125.4**	**4.4**	**28.8**	**158.6**
At 31 December 2015	125.4	5.4	26.5	157.3
At 1 January 2015	125.4	4.2	27.6	157.2

Internally generated intangible assets

This category of assets includes capitalised development costs in accordance with IAS 38, which in nature includes research and development projects. The material projects as included within the carrying amount above include compliance with local regulatory requirements in certain jurisdictions US$11.1 million (2015: US$14.7 million) and a major upgrade to the gaming systems platform US$17.7 million (2015: US$11.8 million).

Analysis of goodwill by cash generating units

	Bingo online business US$ million	Other US$ million	Total goodwill US$ million
Carrying value at 31 December 2015 and 31 December 2016	**125.1**	**0.3**	**125.4**

Impairment

In accordance with IAS 36 and the Group's stated accounting policy an impairment test is carried out annually on the carrying amounts of goodwill and a review for indicators of impairment is carried out for other non-current assets. Where an impairment test was carried out, the carrying value is compared to the recoverable amount of the asset or the cash generating unit. In each case, the recoverable amount was the value in use of the assets, which was determined by discounting the future cash flows of the relevant asset or cash generating unit to their present value.

Goodwill – Bingo online business

Goodwill and intangible assets associated with the Bingo online business unit arose following the acquisition of the Bingo online business of Globalcom Limited during 2007 and the acquisition of the Wink Bingo business in 2009. The income streams generated from the Bingo online business, comprising the B2C Bingo cash generating unit and the B2B cash generating unit, have been considered together as the risks and rewards associated with those income streams are deemed to be sufficiently similar.

11 GOODWILL AND OTHER INTANGIBLE ASSETS continued

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long term growth rate has been assumed. Underlying growth rates, as shown in the table below, have been applied to revenue and are based on past experience, including the positive results in 2016 and 2015 and projections of future changes in the online gaming market. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to gaming duties (including incremental UK remote gaming duty commencing August 2017 driven by the intention to introduce a tax charge on all freeplays) in its core jurisdictions.

The pre-tax discount rate that is considered by the Directors to be appropriate is the Group's specific Weighted Average Cost of Capital, adjusted for tax, which is considered to be appropriate for the online Bingo cash generating units.

	Pre-tax discount rate applied[1]	Underlying growth rate[2] year 1	Underlying growth rate years 2-5	Long-term growth rate year 6+	Operating expenses[3] increase years 1-5	Operating expenses[2] increase year 6+
At 31 December 2016	**9%**	**(1%)**	**7%**	**2%**	**8%**	**2%**
At 31 December 2015	9%	4%	2%	1%	4%	1%

1 The pre-tax discount rate is recalculated every year by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost of Capital applied to the Group.
2 Bingo revenue is significantly affected by GBP currency changes with the vast majority of Bingo revenue denominated in GBP. The underlying growth rate for 2017 is effected by the expected average GBP exchange rate compared to the average GBP exchange rate in 2016.
3 Operating expenses exclude marketing costs which are included in the projections as a fixed percentage of revenues.

The Directors have concluded that there are no reasonably possible changes to key assumptions that would lead to impairment in the Bingo goodwill and intangible assets.

Licences

No impairment tests were considered to be required at 31 December 2016 and the carrying value of licences is considered to be appropriate.

Other intangible assets

No impairment tests were considered to be required at 31 December 2016 and the carrying value of other intangible assets is considered to be appropriate.

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12 PROPERTY, PLANT AND EQUIPMENT

	IT equipment US$ million	Office furniture, equipment and motor vehicles US$ million	Leasehold improvements US$ million	Total US$ million
Cost				
At 1 January 2015	63.0	3.5	14.6	81.1
Additions	3.8	0.6	0.2	4.6
Disposals	(17.6)	—	—	(17.6)
At 31 December 2015	49.2	4.1	14.8	68.1
Additions	5.6	0.3	0.4	6.3
Disposals	(4.9)	—	(0.1)	(5.0)
At 31 December 2016	**49.9**	**4.4**	**15.1**	**69.4**
Accumulated depreciation				
At 1 January 2015	51.9	2.7	11.0	65.6
Charge for the year	7.4	0.3	1.2	8.9
Disposals	(17.6)	—	—	(17.6)
At 31 December 2015	41.7	3.0	12.2	56.9
Charge for the year	6.8	0.3	1.3	8.4
Disposals	(4.9)	—	(0.1)	(5.0)
At 31 December 2016	**43.6**	**3.3**	**13.4**	**60.3**
Carrying amounts				
At 31 December 2016	**6.3**	**1.1**	**1.7**	**9.1**
At 31 December 2015	7.5	1.1	2.6	11.2
At 1 January 2015	11.1	0.8	3.6	15.5

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US$5.0 million were written off in 2016 (2015: US$17.6 million).

13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES AND ASSOCIATES

The following entities meet the definition of joint ventures and associates and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	Effective interest 31 December 2016	Effective interest 31 December 2015
AAPN Holdings LLC	Joint venture	USA	47%	47%
AGN LLC	Joint venture	USA	47%	47%
Come2Play Limited	Associate	Israel	20%	20%

A reconciliation of the movements in the Group's interest in equity accounted joint ventures and associates is shown below:

	Joint ventures US$ million	Associates US$ million
At 1 January 2015	—	—
Acquisitions	—	1.5
Share of post-tax loss of equity accounted joint ventures and associates	—	(0.1)
At 31 December 2015	—	1.4
Share of post-tax loss of equity accounted joint ventures and associates	—	(0.1)
At 31 December 2016	**—**	**1.3**

US joint ventures

In 2013 the Group entered into a joint venture agreement ("JVA") with Avenue OLG Entertainment LLC ("Avenue") and other minority shareholders to form AAPN Holdings LLC ("AAPN"), under which the Group has a 47% interest in AAPN. AAPN has a 100% owned subsidiary, AAPN New Jersey LLC ("AAPN NJ"), which has a B2C gaming offering in New Jersey.

As at 31 December 2016, AGN LLC ("AGN"), the entity which contracted with a Las Vegas casino licensee in connection with the operation of a B2C gaming offering in Nevada, remained 100% owned by the Group. However, the Group considers that due to the manner in which AGN is operated under the contractual arrangements in the JVA, it is regarded as a joint venture. The Group also has an irrevocable commitment to contribute its ownership of AGN to AAPN for no consideration upon fulfilment of certain conditions.

On this basis AAPN and AGN have been equity accounted for, reflecting the Group's effective 47% interest in their aggregated results and assets.

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13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES AND ASSOCIATES continued

Amounts relating to the joint ventures and the Group's share of net assets and post-tax losses of the joint ventures are as follows:

Net assets of US joint ventures

	2016 US$ million	2015 US$ million
Non-current assets	4.1	4.7
Current assets	9.6	12.9
Current liabilities	(1.4)	(1.9)
Net assets of joint ventures	12.3	15.7
Assets attributed to class B holders	(12.3)	(15.7)
Net assets of joint ventures attributed to the Group	–	–
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	–	–
Income statement of US joint ventures		
Revenue	2.7	3.8
Expenses	(6.1)	(8.7)
Post tax loss of joint ventures	(3.4)	(4.9)
Expenses attributed to class B holders	(2.0)	(2.0)
Total post tax loss of joint ventures attributed to the Group	(5.4)	(6.9)
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures[1]	(2.5)	(3.2)

1 As at 31 December 2016 the Group's investment in the US joint ventures had reduced to nil due to the US joint ventures' cumulative losses exceeding the Group's investment. In 2016 the US joint ventures incurred further losses and, as a result, the Group's investment remained at nil. As the Group's investment remained at nil, the Group did not recognise the losses of US$2.5 million in its consolidated income statement in 2016 (2015: US$3.2 million).

Associates

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US$1.5 million. Further disclosures have not been provided as the investment is not material to the Group.

Other investments

The Group holds available for sale investments of US$0.2 million at 31 December 2016 (31 December 2015: US$0.2 million).

14 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2016 US$ million	2015 US$ million
Deferred tax assets		
Accrued severance pay	0.2	0.5
Share benefit charges	—	0.1
Vacation pay accrual	0.6	0.6
Property, plant and equipment	0.3	—
	1.1	1.2
Deferred tax liabilities		
Property, plant and equipment	1.0	1.0
Intangible assets	(2.9)	(2.7)
	(1.9)	(1.7)
	(0.8)	(0.5)

The Group has no tax losses at 31 December 2016 (2015: US$1.8 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

15 CASH AND CASH EQUIVALENTS

	2016 US$ million	2015 US$ million
Cash and short-term deposits	95.8	92.9
Customer funds	75.7	82.4
Restricted short-term deposits	1.1	3.3
	172.6	178.6

Customer funds represent bank deposits matched by liabilities to customers and progressive prize pools of an equal value (see note 19). Restricted short-term deposits represent amounts held by banks primarily to support guarantees in respect of regulated markets licence requirements.

16 TRADE AND OTHER RECEIVABLES

	2016 US$ million	2015 US$ million
Trade receivables	20.2	18.6
Other receivables	11.2	11.2
Prepayments	4.5	3.1
Current trade and other receivables	35.9	32.9
Non-current other receivables and prepayments	0.7	0.8
	36.6	33.7

The carrying value of trade receivables and other receivables approximates to their fair value as the credit risk has been addressed as part of impairment provisioning and, due to the short-term nature of the receivables they are not subject to ongoing fluctuations in market rates. note 24 provides credit risk disclosures on trade and other receivables.

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17 SHARE CAPITAL
Share capital comprises the following:

	Authorised			
	31 December 2016 Number	31 December 2015 Number	31 December 2016 US$ million	31 December 2015 US$ million
Ordinary Shares of £0.005 each	1,026,387,500	1,026,387,500	8.1	8.1

	Allotted, called up and fully paid			
	31 December 2016 Number	31 December 2015 Number	31 December 2016 US$ million	31 December 2015 US$ million
Ordinary Shares of £0.005 each at beginning of year	357,081,283	354,436,608	3.2	3.2
Issue of Ordinary Shares of £0.005 each	1,504,675	2,644,675	—	—
Ordinary Shares of £0.005 each at end of year	358,585,958	357,081,283	3.2	3.2

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan (see note 21) during 2016 and 2015:

During 2016, the Company issued 1,504,675 shares (2015: 2,644,675) out of which 535,958 shares (2015: 458,256) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$1.1 million (2015: US$0.9 million).

Shares issued are converted into US$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US$3.2 million (2015: US$3.2 million) and is split into 358,585,958 (2015: 357,081,283) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2015: £1.8 million).

18 TRADE AND OTHER PAYABLES

	2016 US$ million	2015 US$ million
Trade payables	38.0	29.7
Accrued expenses	69.4	72.2
Other payables	31.9	35.3
	139.3	137.2

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances.

19 LIABILITIES TO CUSTOMERS AND PROGRESSIVE PRIZE POOLS

	2016 US$ million	2015 US$ million
Liabilities to customers	70.7	76.1
Progressive prize pools	5.0	6.3
	75.7	82.4

20 INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

The consolidated financial statements include the following principal subsidiaries of 888 Holdings plc:

Name	Country of incorporation	Percentage of equity interest 2016 %	Percentage of equity interest 2015 %	Nature of business
VHL Financing Limited	Gibraltar	100	100	Holding company
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar
Virtual Digital Services Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar for European markets which are not locally regulated
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
888 UK Limited	Gibraltar	100	100	Holder of UK remote gaming licence
Virtual Marketing Services Italia Limited	Gibraltar	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
888 US Limited	Gibraltar	100	100	Holder of Interactive Gaming Service Provider and Manufacturer licence in the state of Nevada
888 Atlantic Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 Liberty Limited	Gibraltar	100	100	Holder of Gaming Vendor License in the state of Delaware
888 Romania Limited	Gibraltar	100	100	Holder of Romanian online gaming licence
888 (Ireland) Limited	Gibraltar	100	100	Holder of Irish online betting licence
888 Denmark Limited	Gibraltar	100	100	Holder of Danish online gaming licence
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia
Gisland Limited	Gibraltar	100	100	Payment transmission
Virtual IP Assets Limited	BVI	100	100	Holder of group IP assets
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
888 US Services Inc.	New Jersey, USA	100	100	Provider of US-based services for US operations
Dixie Operations Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Sparkware Technologies SRL	Romania	100	100	Software development
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
888 US Inc.	Delaware, USA	100	100	Holder of US Joint Venture
Virtual Marketing Services (Ireland) Limited	Ireland	100	100	Payment transmission and social gaming

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21 SHARE BENEFIT CHARGES

Equity-settled share benefit charges

As at 31 December 2016 the Group has equity-settled employee shares and share options granted under two equity-settled employee share incentive plans – the 888 All-Employee Share Plan, which expired according to its terms in August 2015, and the 888 Long-Term Incentive Plan 2015 which was adopted at the Extraordinary General Meeting on 29 September 2015. The 888 Long-Term Incentive Plan 2015 is open to employees (including Executive Directors) and full-time consultants of the Group, at the discretion of the Remuneration Committee. Awards under this scheme will vest in instalments over a fixed period of at least three years subject to the relevant individuals remaining in service. Certain of these awards are subject to additional performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors' Remuneration Report on page 54.

Details of equity settled shares and share options granted as part of the 888 All-Employee Share Plan and the 888 Long-Term Incentive Plan 2015 are set out below:

Share options granted

	2016		2015	
	Weighted average exercise price	**Number**	Weighted average exercise price	Number
Outstanding at the beginning of the year	**£1.35**	**908,224**	£1.48	2,136,633
Market value options lapsed during the year	**£1.70**	**(112,285)**	£1.75	(770,153)
Market value options exercised during the year	**£1.31**	**(535,958)**	£1.28	(458,256)
Outstanding at the end of the year[1,2,3]	**£1.27**	**259,981**	£1.35	908,224

1 Of the total number of options outstanding at 31 December 2016 259,981 had vested and were exercisable (2015: 908,224).
2 The range of exercise prices for options outstanding at 31 December 2016 is £1.02-£1.50 (2015: £1.02-£1.80).
3 The weighted average remaining contractual life at the year-end was 1.62 years (2015: 2.26 years).

Ordinary Shares granted (without performance conditions)

	2016 Number	2015 Number
Outstanding at the beginning of the year	**1,327,483**	738,746
Shares granted during the year	**3,041,045**	1,320,000
Lapsed future vesting shares	**(92,754)**	—
Shares issued during the year	**(35,508)**	(731,263)
Outstanding at the end of the year	**4,240,266**	1,327,483
Averaged remaining life until vesting	**2.09 years**	2.63 years

Shares are granted at a nominal exercise price.

Ordinary Shares granted (subject to performance conditions)

	2016 Number	2015 Number
Outstanding at the beginning of the year	**5,273,963**	3,496,205
Shares granted during the year	**1,621,450**	3,367,724
Lapsed future vesting shares	**(388,592)**	(134,810)
Shares issued during the year	**(933,209)**	(1,455,156)
Outstanding at the end of the year	**5,573,612**	5,273,963
Averaged remaining life until vesting	**1.61 years**	2.00 years

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return ("TSR") compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the Directors' Remuneration Report on page 57. The EPS growth target is taken into account when determining the number of shares expected to vest at each reporting date, and the TSR target is taken into account when calculating the fair value of the share grant.

21 SHARE BENEFIT CHARGES continued

Valuation information – shares granted under TSR condition

Shares granted during the year:	2016	2015
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.31	£1.06
Number of shares granted	810,725	1,683,862
Average risk-free interest rate	0.50%	1.18%
Average standard deviation	33%	45%
Average standard deviation of peer group	31%	32%

TSR measure is described in further detail in the Directors' Remuneration Report.

Valuation information – shares granted

	2016		2015	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Weighted average share price at grant date	£2.02	£2.05	£1.63	£1.63
Weighted average share price at issue of shares	£2.15	£2.28	£1.64	£1.56

Ordinary Shares granted for future vesting with EPS growth performance conditions are valued at the share price at grant date, which the Group considers approximates to the fair value. The restrictions on the shares during the vesting period, primarily relating to non-receipt of dividends, are considered to have an immaterial effect on the share option charge.

In accordance with IFRS 2 – Share-based Payment, a charge to the consolidated income statement in respect of any shares or options granted under the above schemes is recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the grant date, adjusted for changes in vesting conditions at each balance sheet date. These charges have no cash impact.

Cash-settled share-based payment

On 27 March 2012, the Company awarded its Chief Executive Officer (now the Chairman) a cash-settled share-based award ("Phantom Award"). The Phantom Award vested on 27 March 2015 as all vesting requirements were fulfilled.

Under the terms of the Phantom Award, the amount payable was calculated on an incremental basis, based on the average share price over a period of 20 dealing days prior to the vesting date (£1.56), resulting in an entitlement of £3.3 million (US$4.8 million).

Valuation information

As there were no outstanding cash-settled share-based payment awards at either 31 December 2016 or 31 December 2015, no amounts have been recorded in the consolidated balance sheet at either date.

Share benefit charges

	2016 US$ million	2015 US$ million
Equity-settled		
Equity-settled charge for the year	6.7	2.4
Cash-settled		
Charges in respect of the Phantom Award	–	1.7
Total share benefit charges	6.7	4.1

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22 RELATED PARTY TRANSACTIONS
The aggregate amounts payable to key management personnel, considered to be the Directors of the Company, as well as their share benefit charges, are set out below:

	2016 US$ million	2015 US$ million
Short-term benefits	4.1	4.3
Post-employment benefits	0.2	0.1
Share benefit charges – equity-settled	4.2	1.8
Share benefit charges – cash-settled	—	1.7
	8.5	7.9

Further details on Directors' remuneration are given in the Directors' Remuneration Report on pages 54 to 66.

US joint ventures
During 2016 the Group charged the US joint ventures for reimbursement of costs of US$1.7 million (2015: US$1.8 million), of which the outstanding balance at 31 December 2016 is US$0.3 million (2015: US$0.2 million).

Investment in associates
During 2016 the Group charged its associate for the Group share of the net revenue of US$1.6 million (2015: US$1.5 million), of which the outstanding balance at 31 December 2016 is US$0.1 million (2015: US$1.0 million).

23 COMMITMENTS
Lease commitments
Future minimum lease commitments under operating leases on properties occupied by the Group at the year-end are as follows:

	2016 US$ million	2015[1] US$ million
Within one year	4.1	4.4
Between two and five years	13.1	1.3
More than five years	14.4	—
	31.6	5.7

1 The 2015 financial statements disclosed lease commitments due within one year as US$3.7 million. This amount now includes lease commitments in respect of car parking (US$0.7 million).

The increase in lease commitments during the year mainly relates to the renewal of the lease agreement in Israel, for ten years (until January 2027) and in the UK until June 2020.

The expense relating to operating leases recorded in the consolidated income statement in the year was US$4.6 million (2015: US$4.5 million).

24 FINANCIAL RISK MANAGEMENT

The Group is exposed through its operations to risks that arise from use of its financial instruments. Policies and procedures for managing these risks are set by the Board following recommendations from the Chief Financial Officer. The Board reviews the effectiveness of these procedures and, if required, approves specific policies and procedures in order to mitigate these risks.

The main financial instruments used by the Group, on which financial risk arises, are as follows:

- Cash and cash equivalents;
- Restricted cash;
- Trade and other receivables;
- Trade and other payables;
- Liabilities to customers;
- Available for sale financial investments.

Detailed analysis of these financial instruments is as follows:

Financial assets	2016 US$ million	2015 US$ million
Trade and other receivables[1] (note 16)	31.4	29.8
Cash and cash equivalents (note 15)	172.6	178.6
Available for sale investment (note 13)	0.2	0.2
	204.2	208.6

1 Excludes prepayments.

In accordance with IAS 39, all financial assets are classified as loans and receivables except for available-for-sale investments, which are classified as available for sale assets.

Financial liabilities	31 December 2016 US$ million	31 December 2015 US$ million
Trade and other payables[1] (note 18)	92.5	90.0
Customer deposits (note 19)	75.7	82.4
	168.2	172.4

1 Excludes taxes payable and deferred income.

In accordance with IAS 39, all financial liabilities are held at amortised cost except for the derivative financial instruments, which are recognised at fair value through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 FINANCIAL RISK MANAGEMENT continued

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 25, there are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

The Group's credit risk is primarily attributable to trade receivables, most of which are due from the Group's payment service providers (PSP). These are third party companies that facilitate deposits and withdrawals of funds to and from customers' virtual wallets with the Group. These are mainly intermediaries that transact on behalf of credit card companies.

The risk is that a PSP would fail to discharge its obligation with regard to the balance owed to the Group. The Group reduces this credit risk by:

- Monitoring balances with PSPs on a regular basis.
- Arranging for the shortest possible cash settlement intervals.
- Replacing rolling reserve requirements, where they exist, with a Letter of Credit by a reputable financial institution.
- Ensuring a new PSP is only contracted following various due diligence and "Know Your Customer" procedures.
- Ensuring policies are in place to reduce dependency on any specific PSP and as a limit any concentration of risk.

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt amounting to US$0.5 million arising from a PSP failing to discharge its obligation (2015: US$0.5 million). This has been charged to the consolidated income statement.

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ("chargebacks") or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2016 was US$1.4 million (2015: US$1.3 million).

The Group's in-house Fraud and Risk Management department carefully monitors deposits and withdrawals by following prevention and verification procedures using internally-developed bespoke systems integrated with commercially-available third party measures.

Cash and cash equivalents

The Group controls its cash position from its Gibraltar headquarters. Subsidiaries in its other main locations maintain minimal cash balances as required for their operations. Cash settlement proceeds from PSPs, as described above, are paid into bank accounts controlled by the Treasury function in Gibraltar.

The Group holds its funds with highly reputable financial institutions and will not hold funds with financial institutions with a low credit rating. The Group maintains its cash reserves in highly liquid deposits and regularly monitors interest rates in order to maximise yield.

Customer funds

Customer funds are matched by customer liabilities and progressive prize pools of an equal value.

Restricted short-term deposits

Restricted short-term deposits are short-term deposits held by banks primarily to support guarantees in respect of regulated markets licence requirements.

The Group's maximum exposure to credit risk is the amount of financial assets presented above, totalling US$204.2 million (2015: US$208.5 million).

24 FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Group's financial liabilities:

	2016				
	On demand US$ million	In 3 months US$ million	Between 3 months and 1 year US$ million	More than 1 year US$ million	Total US$ million
Trade and other payables[1]	10.0	72.8	9.7	—	92.5
Customer deposits	75.7	—	—	—	75.7
	85.7	72.8	9.7	—	168.2

1 Excludes taxes payable and deferred income.

	2015				
	On demand US$ million	In 3 months US$ million	Between 3 months and 1 year US$ million	More than 1 year US$ million	Total US$ million
Trade and other payables[1]	6.6	72.7	10.7	—	90.0
Customer deposits	82.4	—	—	—	82.4
	89.0	72.7	10.7	—	172.4

1 Excludes taxes payable and deferred income.

Market risk

Currency risk

The Group's financial risk arising from exchange rate fluctuations is mainly attributed to:

- Mismatches between customer deposits, which are predominantly denominated in US$, and the net receipts from customers, which are settled in the currency of the customer's choice and of which Pounds Sterling (GBP) and Euros (EUR) are the most significant.
- Mismatches between reported revenue, which is mainly generated in US$ (the Group's reporting currency and the functional currency of the majority of its subsidiaries), and a significant portion of deposits settled in local currencies.
- Expenses, the majority of which are denominated in foreign currencies including Pounds Sterling (GBP), Euros (EUR) and New Israeli Shekels (ILS).

The Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This includes the use of foreign exchange forward contracts designed to fix the economic impact of known liabilities when considered appropriate.

At 31 December 2016 the Group does not have any open foreign exchange forward contracts.

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24 FINANCIAL RISK MANAGEMENT continued

The tables below detail the monetary assets and liabilities by currency:

	2016					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	39.0	26.1	18.4	81.1	8.0	172.6
Trade and other receivables	13.0	9.5	0.5	3.3	5.1	31.4
Available for sale investments	—	—	—	0.2	—	0.2
Monetary assets	52.0	35.6	18.9	84.6	13.1	204.2
Trade and other payables	(26.4)	(11.7)	(27.9)	(24.3)	(2.2)	(92.5)
Customer deposits	(18.2)	(11.7)	—	(43.8)	(2.0)	(75.7)
Monetary liabilities	(44.6)	(23.4)	(27.9)	(68.1)	(4.2)	(168.2)
Net financial position	7.4	12.2	(9.0)	16.5	8.9	36.0

	2015					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	56.1	33.8	20.6	61.5	6.6	178.6
Trade and other receivables	13.6	8.4	0.3	4.2	3.3	29.8
Available for sale investments	—	—	—	0.2	—	0.2
Monetary assets	69.7	42.2	20.9	65.9	9.9	208.6
Trade and other payables	(25.6)	(18.7)	(23.2)	(21.1)	(1.4)	(90.0)
Customer deposits	(23.0)	(9.5)	—	(49.1)	(0.8)	(82.4)
Monetary liabilities	(48.6)	(28.2)	(23.2)	(70.2)	(2.2)	(172.4)
Net financial position	21.1	14.0	(2.3)	(4.3)	7.7	36.2

Sensitivity analysis

The table below details the effect on profit before tax of a 10% strengthening (and weakening) in the US$ exchange rate at the balance sheet date for balance sheet items denominated in Pounds Sterling, Euros and New Israeli Shekels:

	Year ended 31 December 2016		
	GBP US$ million	EUR US$ million	ILS US$ million
10% strengthening	(0.7)	(1.2)	0.9
10% weakening	0.7	1.2	(0.9)

	Year ended 31 December 2015		
	GBP US$ million	EUR US$ million	ILS US$ million
10% strengthening	(2.1)	(1.4)	0.2
10% weakening	2.1	1.4	(0.2)

Interest rate risk

The Group's exposure to interest rate risk is limited to the interest bearing deposits in which the Group invests surplus funds.

The Group's policy is to invest surplus funds in low risk money market funds and in interest bearing bank accounts. The Group arranges for excess funds to be placed in these interest bearing accounts with its principal bankers in order to maximise availability of funds for investments.

Downside interest rate risk is minimal as the Group has no floating rates borrowings. Given current low interest rates a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US$0.8 million.

25 FAIR VALUE MEASUREMENTS

At 31 December 2016 and 2015, the Group's available for sale investment is measured at fair value. For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

Other financial instruments carried at fair value are not considered material. There were no changes in valuation techniques or transfers between categories in the period.

26 CONTINGENT LIABILITIES AND REGULATORY MATTERS

(a) As part of the Board's ongoing regulatory compliance and operational risk assessment process, it continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

(b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, for the majority of these matters the Board is unable to quantify reliably any material outflow of funds that may result, if any, and has not made any provisions. For matters where an outflow of resources is probable and can be measured reliably, amounts have been accrued in the financial statements. These amounts are not material at 31 December 2016.

(c) The Group operates in numerous jurisdictions. Accordingly, and on the basis of tax advice obtained, the Group is filing tax returns, providing for and paying all taxes and duties it believes are due based on local tax laws and transfer pricing agreements. The Group is also periodically subject to audits and assessments by local taxing authorities.

There is significant uncertainty as to whether VAT is due in respect of certain services provided by the Group to customers in certain European Union Member States prior to 2015. These uncertainties are in respect of the determination of the place of supply of some or all of the services provided by the Group prior to 2015 and, insofar as the place of supply is determined to be the Member State in which the customer is located, whether a possible imposition of VAT on relevant services by certain Member States would be lawful. There is also uncertainty in certain Member States surrounding the tax base to be applied in the event that it is ultimately determined that VAT is due on any relevant services. Based on a thorough legal assessment, the Group considers that it is unlikely that any liability will arise and has, therefore, not recorded any liability in the Group financial statements. Furthermore, given the uncertainties surrounding the quantification of any VAT which may be payable, the Board believes that any attempt to either estimate or quantify the range of the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to the Group's position in defending any claims for past VAT.

In respect of other taxes and duties, other than as provided in the Group financial statements, the Board considers it unlikely that any further liability will arise from the final settlement of such assessments.

COMPANY BALANCE SHEET

At 31 December 2016

	Note	2016 US$ million	2015 US$ million
Assets			
Non-current assets			
Investments in subsidiaries	2	**37.9**	29.6
		37.9	29.6
Current assets			
Trade and other receivables	3	**86.0**	91.6
Income tax receivable		**1.1**	2.7
		87.1	94.3
Total assets		**125.0**	123.9
Equity and liabilities			
Equity			
Share capital	4	**3.2**	3.2
Share premium	4	**3.3**	2.2
Retained earnings		**85.4**	69.6
Total equity		**91.9**	75.0
Liabilities			
Current liabilities			
Trade and other payables	5	**31.2**	47.2
		31.2	47.2
Non-current liabilities			
Deferred tax liabilities	10	**1.9**	1.7
Total liabilities		**33.1**	48.9
Total equity and liabilities		**125.0**	123.9

The financial statements on pages 112 to 116 were approved and authorised for issue by the Board of Directors on 21 March 2017 and were signed on its behalf by:

Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 115 and 116 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital US$ million	Share premium US$ million	Retained earnings US$ million	Total US$ million
Balance at 1 January 2015	3.2	1.3	65.4	69.9
Profit and total comprehensive income for the year	—	—	55.3	55.3
Dividend paid (note 9)	—	—	(53.5)	(53.5)
Issue of shares (note 4)	—	0.9	—	0.9
Equity settled share benefit charges (note 8)	—	—	2.4	2.4
Balance at 31 December 2015	3.2	2.2	69.6	75.0
Profit and total comprehensive income for the year	—	—	65.7	65.7
Dividend paid (note 9)	—	—	(56.6)	(56.6)
Issue of shares (note 4)	—	1.1	—	1.1
Equity settled share benefit charges (note 8)	—	—	6.7	6.7
Balance at 31 December 2016	**3.2**	**3.3**	**85.4**	**91.9**

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

Share capital – represents the nominal value of shares allotted, called-up and fully paid for.
Share premium – represents the amount subscribed for share capital in excess of nominal value.
Retained earnings – represents the cumulative net gains and losses recognised in the parent company statement of comprehensive income and other transactions with equity holders.

The notes on pages 115 and 116 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US$ million	2015 US$ million
Cash flows from operating activities:			
Profit before tax		67.1	52.0
Adjustments for:			
Share benefit charges	8	0.5	2.0
Decrease (increase) in net amounts owed by subsidiaries	3, 5	(9.6)	5.1
Decrease (increase) in other receivables	3	(0.1)	0.1
Decrease in trade and other payables	5	(2.4)	(5.4)
Cash generated from operations		55.5	53.8
Income tax paid		—	(1.2)
Net cash generated from operating activities		55.5	52.6
Cash flows from financing activities:			
Issue of shares	4	1.1	0.9
Dividends paid	9	(56.6)	(53.5)
Net cash used in financing activities		(55.5)	(52.6)
Net decrease in cash and cash equivalents		—	—
Cash and cash equivalents at the beginning of the year		—	—
Cash and cash equivalents at the end of the year		—	—

The notes on pages 115 and 116 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

A description of the Company, its activities and definitions are included in note 1 to the consolidated financial statements.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on an historical basis.

The Company applies consistent accounting policies, as applied by the Group. To the extent that an accounting policy is relevant to both Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy (see note 2 to the consolidated financial statements). Material policies that apply to the Company only are included as appropriate.

Investment in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment.

Share-based payments

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an adjustment to its investment in subsidiaries with an opposite adjustment to equity. The subsidiary, in turn, will recognise the IFRS 2 adjustment in its income statement with a credit (debit) to equity to reflect the deemed capital contribution from (dividend to) the Company.

Critical accounting estimates and judgements – impairment testing of investments in and amounts due from subsidiaries

The Company's investments in and amounts due from subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets.

Under Section 288 of the Gibraltar Companies Act 2014, the Company is exempt from the requirement to present its own income statement.

2 INVESTMENTS IN SUBSIDIARIES

The Company's principal subsidiaries are listed in note 20 to the consolidated financial statements. In the Company's financial statements, investments in subsidiaries are held at cost less provision for any impairment. The Group applies IFRS 2 – Share-based Payment. Consequently, the Company recognises as a cost of investment the value of its own shares that it makes available for the purpose of granting share options to employees or contractors of its subsidiaries. The movement in investment in subsidiaries during the year was US$8.3 million (2015: US$2.2 million) included within this were share-based payment charges of US$6.2 million in 2016 (2015: US$2.1 million) and a capital contribution of US$2.1 million in respect of incorporation of a new subsidiary.

3 TRADE AND OTHER RECEIVABLES

	31 December 2016 US$ million	31 December 2015 US$ million
Amounts due from subsidiaries	85.7	91.4
Other receivables and prepayments	0.3	0.2
	86.0	91.6

The carrying value of trade and other receivables approximates to their fair value. None of the balances included within trade and other receivables are past due or impaired. Amounts due from subsidiaries are payable on demand.

4 SHARE CAPITAL

The disclosures in note 17 to the consolidated financial statements are consistent with those for the Company, including capital management in note 21 to the consolidated financial statements.

5 TRADE AND OTHER PAYABLES

	31 December 2016 US$ million	31 December 2015 US$ million
Trade payables	0.2	0.3
Amounts due to subsidiaries	25.2	38.4
Other payables and accrued expenses	5.8	8.5
	31.2	47.2

The carrying value of trade and other payables approximates to their fair value. All balances included within trade and other payables are repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

6 FINANCIAL RISK MANAGEMENT

To the extent relevant to Company's financial assets and liabilities (see notes 2 and 3), the Company's financial risk management objectives and policies are consistent with those of the Group as disclosed in note 24 to the consolidated financial statements.

7 CONTINGENT LIABILITIES

The disclosures in note 26 to the consolidated financial statements are consistent with those for the Company.

8 SHARE BENEFIT CHARGES

The disclosures in note 21 to the consolidated financial statements are consistent with those for the Company except that the charge for the year is partly taken to investment in subsidiaries, as set out in note 2.

9 RELATED PARTY TRANSACTIONS

The aggregate amounts payable to key management personnel, considered to be the Directors of the Company, as well as their share benefit charges is detailed in note 22 to the consolidated financial statements.

During the year the Company received dividends from its subsidiaries through intercompany accounts (to be paid subsequently in cash), totalling US$70.1 million (2015: US$60.5 million) and paid to its shareholders dividends totalling US$56.6 million (2015: US$53.5 million).

Share benefit charges in respect of options and shares of the Company awarded to employees of subsidiaries totalled US$6.2 million (2015: US$2.1 million).

During the year subsidiaries of the Company supported it in funding US$9.9 million of the Company's costs (2015: US$7.5 million). At 31 December 2016, the net amounts owed by subsidiaries to the Company were US$60.6 million (2015: US$53.0 million).

10 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2016 US$ million	2015 US$ million
Deferred tax liabilities		
Property, plant and equipment	1.0	1.0
Intangible assets	(2.9)	(2.7)
	(1.9)	(1.7)

SHAREHOLDER INFORMATION

Group websites
A range of shareholder information is available in the Investor Relations area of the Group's website, corporate.888.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can also be accessed through the Group's main website www.888.com or are available directly.

Casino
888's Casino games are offered through its 888casino and live casino

- www.888casino.com
- www.777.com
- www.888games.com
- live-casino.888casino.com
- www.Casino-on-Net.com
- www.ReefClubCasino.com
- www.eucitycasino.com
- www.888vipcasinoclub.com

Poker
888's Poker offering is through 888poker

- www.888poker.com
- www.PacificPoker.com

Bingo
888's Bingo offering is through 888ladies and Wink

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.winkslots.com
- www.bingoloft.com
- www.daisybingo.com
- www.888bingo.com
- www.bingofabulous.com

Sportsbook
888's Sportsbook offering is through 888sport

- www.888sport.com

USA
888's New Jersey Poker and Casino games are offered through its US regulated website

- US.888poker.com
- US.888casino.com
- US.888.com

Spain
888's Spain Poker, Casino games and Sport are offered through its Spanish regulated website

- www.888.es
- www.888poker.es
- www.888casino.es
- www.888sport.es

Italy
888's Italy Casino games and Sport are offered through its Italian regulated website

- www.888.it
- www.888casino.it
- www.888sport.it

Denmark
888's Denmark Poker, Casino games and Sport are offered through its Denmark regulated website

- www.888.dk
- www.888poker.dk
- www.888casino.dk
- www.888sport.dk

Romania
888's Romania Poker, Casino games and Sport are offered through its Romania regulated website

- www.888.ro
- www.888poker.ro
- www.888casino.ro
- www.888sport.ro

Games
888's Games offering is through 888games

- www.888games.com

Mytopia Social Games
888's social games are offered through Mytopia social games websites:

- www.mytopia.com
- www.bingoisland.com

Responsible gaming:
The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

NOTES

COMPANY INFORMATION

Shareholder services

All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

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The Registry
34 Beckenham Road Beckenham
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BR3 4TU
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Tel: 0871 664 0300
www.capitashareportal.com

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