AT THE FOREFRONT OF GLOBAL ONLINE GAMING

888 Holdings PLC
Annual Report & Accounts 2018

888 Holdings

POPULAR GAMING

Our B2C offering

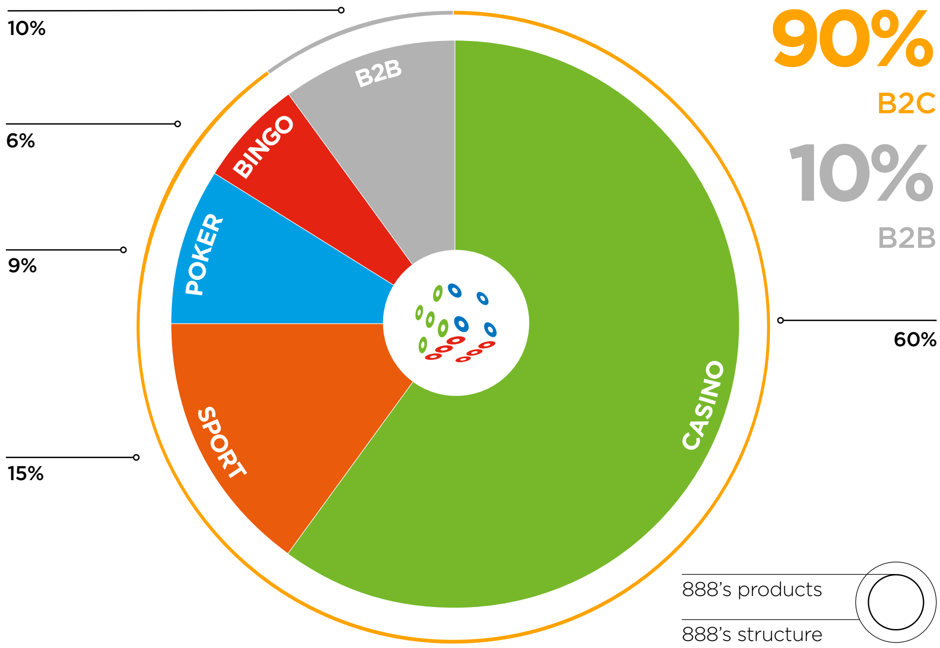
888 operates established B2C brands across four major online gaming verticals:

888 casino · 888 poker · 888 sport · 888 bingo

Our B2B offering

Dragonfish provides flexible, dynamic services including Games & Technology, Marketing, Operations and ePayments.

Dragonfish AN 888 COMPANY



Revenue* US$ million

530

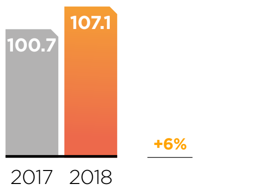
-2%

B2C revenue US$ million

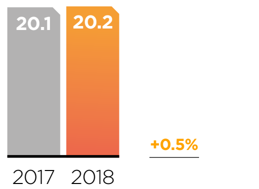
479

-2%

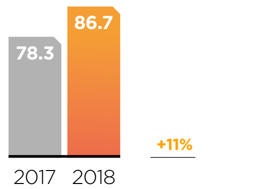
* Before VAT accrual release.



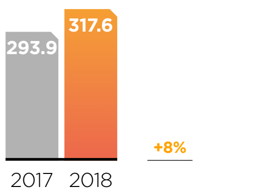
Adjusted EBITDA[1]
US$ million



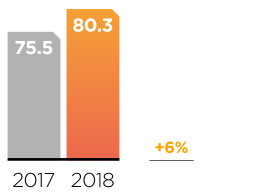
Adjusted basic earnings per share
US¢



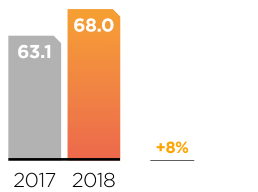
Adjusted profit before tax
US$ million



B2C – Casino
US$ million



B2C – Sport
US$ million



Revenue – Spain
US$ million

1 As defined in table set out on Page 16.

Safe and secure entertainment

888 is one of the world's most popular online gaming entertainment and solutions providers.

888's purpose

888 has been a leading operator in the online gaming industry for more than twenty years. Throughout this time, 888's purpose has remained consistent: to provide a safe, secure and enjoyable experience for its customers. By doing this effectively, 888 is able to succeed in the fast-growing and dynamic online gambling industry and generate value for its shareholders.

888's difference

888 is a truly diversified operator with a portfolio of leading business-to-consumer ("B2C") brands as well as a business-to-business ("B2B") division called Dragonfish.

888 Holdings plc and its subsidiaries (the "Group") has successful operations under 13 geographic licenses and across four major online gaming product verticals. This structure and diversification enable the Group to target and deliver a range of growth opportunities.

The bedrock of 888's operations remain its proprietary online gaming technology that has been developed over more than two decades. This technology platform underpins the Group's competitive advantages and 888's ability to operate efficiently and adapt to new regulations.

888's focus

888's firm strategic focus is on growing its strong brands in sustainable markets where there are regulatory frameworks that protect customers and provide clarity for operators.

* 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.

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Financial Statements

Our Marketplace

A GROWING GLOBAL MARKET

The online gambling industry continues to experience significant growth and be shaped by two key forces: developments in technology and regulatory changes. Many jurisdictions are adopting new regulatory frameworks that are specific to online gaming. This can increase the costs of operation but helps to provide a safer environment for customers and creates an environment in which operators with scale and technological advantages, such as 888, are able to prosper.

$50.8BN

2018 global online gambling market

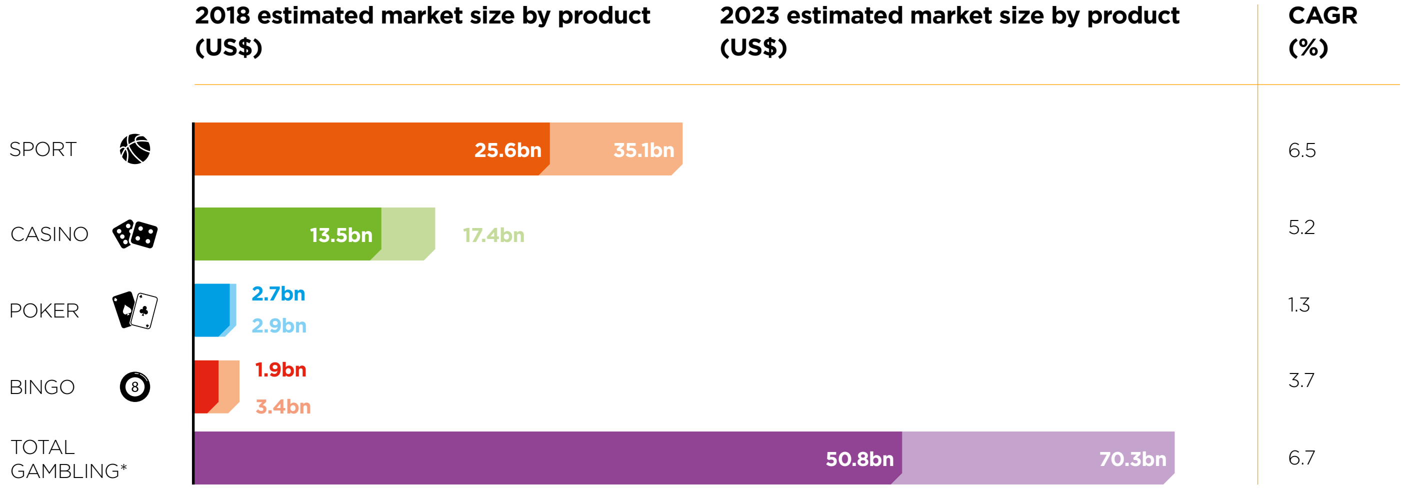
41.3% from mobile*

$70.3BN

2023 estimated global online gambling market

53.0% estimated from mobile*

* Source: (H2 Gambling, February 2019).



* Source: (H2 Gambling, February 2019).

Protecting the vulnerable

888's primary goal is to ensure that all those who visit our sites can do so with confidence and that those for whom our games are not intended, notably underage individuals and those vulnerable to addiction, will not be drawn into the gaming environment. In addition, we aim to quickly identify those few customers who might develop a gambling problem and ensure that they helped by our trained teams. We are constantly developing new and innovative ways to deliver a safe gaming environment.

Fair play

888 is committed to providing its players with a fair and enjoyable gaming experience. Our brands are well established and trusted by customers we strongly oppose foul play in any form. We leverage our technology and analytics capabilities to ensure that our customers enjoy the fairest and most enjoyable experience possible.

Anti-crime

888 takes comprehensive steps to minimise fraud, including customer checks, and implement effective anti-money laundering policies. The Group has developed leading fraud detection mechanisms which allow the business to react in real time to any potential or evolving fraud patterns. We regularly request supporting documentation from customers to verify their source of funds to ensure that the deposits our customers make are legitimate.

Safe and secure entertainment

Conducting business responsibly, and putting our customers first, is fundamental to the future success of 888. We understand that a responsible approach is both the correct way to do business and one that enhances credibility with all stakeholders, thereby supporting 888's development.

888's Business Model

MAXIMISING VALUE

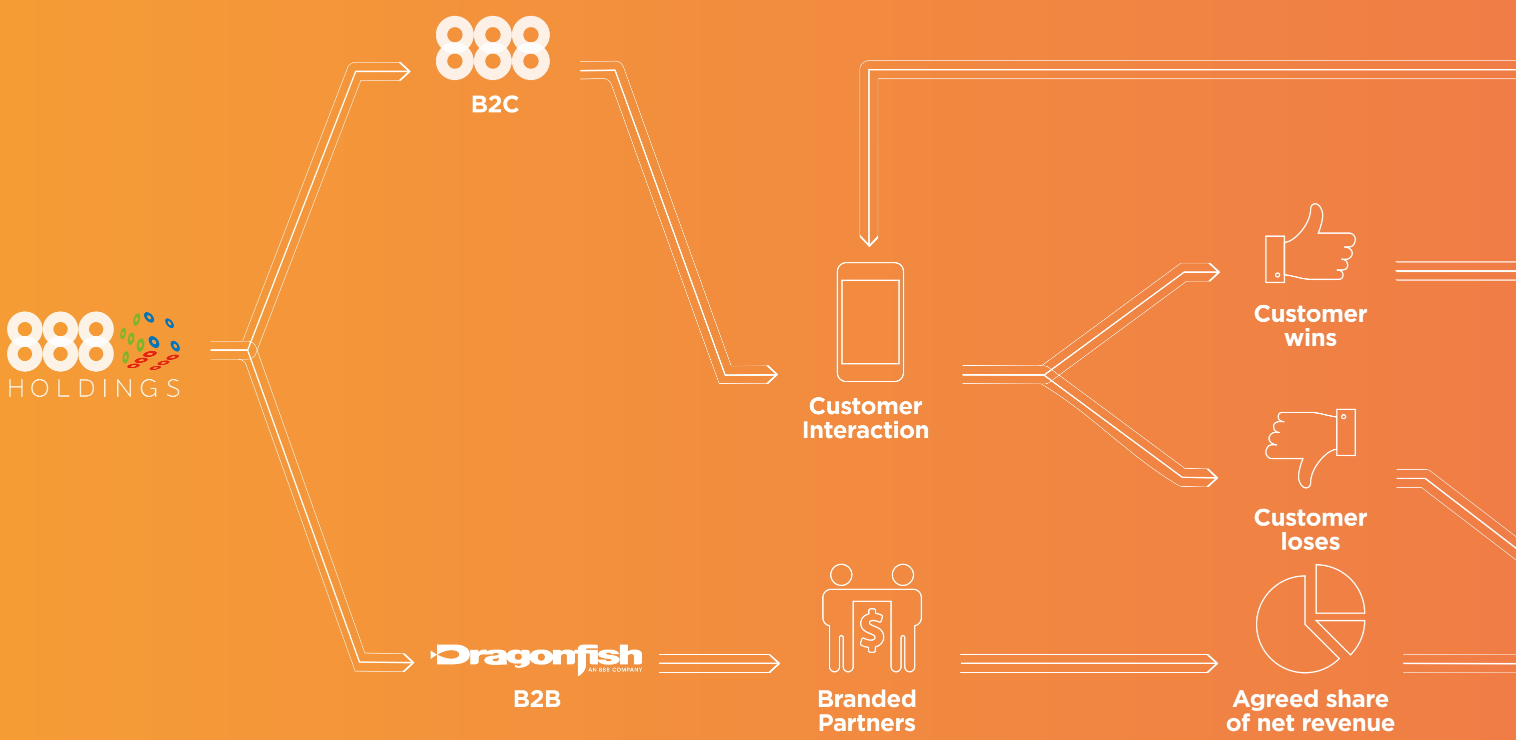
Our growth strategy

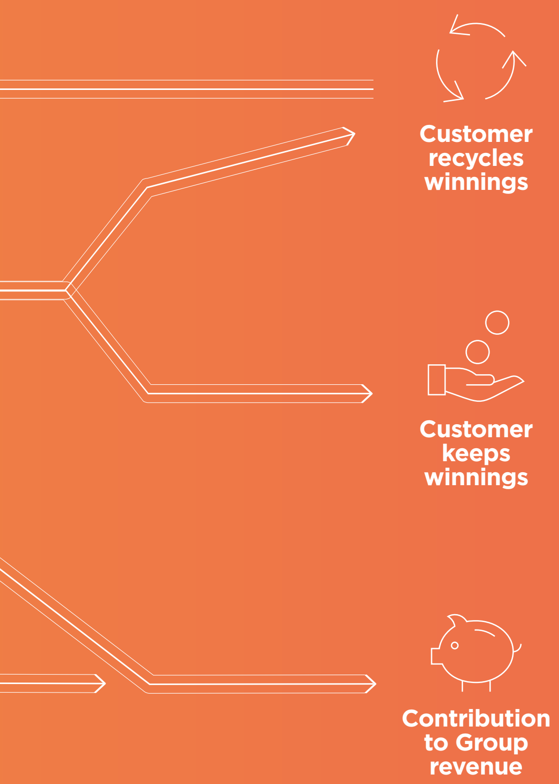
888's growth strategy is based on five key pillars:

- Development of core B2C brands
- Driving margin growth through operational efficiencies
- Enhancing efficiencies
- B2B partner of choice through Dragonfish
- Continue to protect our customers and act responsibly

Business activities

How we create value





Influencing factors

1. Continuously developing our proprietary technology-edge

888's online gaming platforms underpin the Group's ability to entertain and protect customers, operate efficiently and adapt to new regulations. The Group is constantly evolving and developing its proprietary platforms and industry leading back office systems to maintain its competitive advantages.

2. Safe gambling

888's upmost priority is the safety of its customers. The Group's in-house monitoring tool, Observer, was developed by 888's responsible gaming and research department. It was first launched in 2008 and since then has been continuously fine-tuned and developed to become the sophisticated and effective tool it is today. Observer employs information from our customer database and measures changes in gaming behaviour, such as unexpected increases in time or money spent on the site. Over the last 10 years, we have more than tripled the number of factors used to detect potentially problematic behaviour.

3. 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.

4. Product development and a seamless customer experience

Product innovation is central to 888's progress with the Group continually investing in developing its products across verticals and both mobile and desktop platforms. This includes adding new games, increased personalisation and new features that continue to support in differentiating the 888 experience in our customers' eyes.

5. Business analytics

888's teams – from product development to marketing to customer support – draw on 888's extensive and constantly evolving data set and analysis capabilities to drive 888's continued success.

6. Marketing and CRM

Marketing plays a critical role to 888's business. Drawing on the Group's analytics-driven insights and expertise, 888 is relentlessly focused on developing its marketing techniques and channels, both online and offline, that adhere to strict return-on-investment criteria and are always directed within the Group's responsible gambling policies. In addition, once a customer joins 888, underpinned by sophisticated data insights, statistical models and customer understanding, 888 interacts with its customers on a more personalised basis.

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. Payment processing

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

9. B2B partnerships

Through its Dragonfish B2B division, the Group offers gaming partners a comprehensive end-to-end solution, encompassing technology, operations and advanced marketing tools, as well as online best practice. The Dragonfish team is uniquely placed to support its partners and deliver a cutting-edge online proposition.

Chairman's Statement

PEOPLE AT OUR CORE

Introduction

I am pleased to report on another year of progress for 888. During 2018, the Group continued to deliver against its strategic objectives with a firm focus on strengthening its position in regulated markets; developing new products and technologies; and continuous improvements in the areas of compliance and safe gambling. As a result of the Group's continued progress, and despite regulatory headwinds in certain markets during 2018, I am delighted to report that 888 achieved record EBITDA in the year.

During 2018, the Group continued to deliver against its strategic objectives with a firm focus on strengthening its position in regulated markets; developing new products and technologies; and continuous improvements in the areas of compliance and safe gambling.

Brian Mattingley
Chairman

Market overview

The global online gambling market remains dynamic and fast-growing. H2 Gambling Capital, a leading industry data source, predicts that the global online gambling industry will continue to grow significantly over the coming years, from a value of $50.8 billion in 2018 to be worth approximately $70.3 billion in 2023 (Source: H2 Gambling Capital data, February 2019). The key drivers behind this anticipated growth will continue to be the increasing penetration and use of mobile devices, improved internet connectivity for consumers, and positive regulatory changes that open new markets for online gambling.

Regulation continues to be a key force in shaping the future direction of our industry and the Group continues to welcome and support the development of regulatory frameworks globally that provide better protection for customers and greater clarity for online gambling operators. In some cases, such as in the UK, Italy, Denmark and Romania, recent and forthcoming changes to regulation and taxation could present potential headwinds for profitability and growth. On the other hand, new regulated markets also provide significant potential growth opportunities for 888 by providing environments where the Group can access new customers and leverage its extensive marketing capabilities. The Group has a proven and successful track record of launching in new regulated markets and growing market share and there is perhaps no better example of this than in Spain. Having launched in Spain in 2012, revenue from the market has grown significantly over recent years to account for 13% of the Group's revenue in 2018 and now represents the Group's second largest individual market. We continue to seek opportunities to replicate this success in other markets as they regulate online gambling and, at the very end of the year, we were delighted to receive a licence from the Gambling Authority in Sweden to provide online Casino, Sport and Poker services under the new regulated Swedish regime, which came into effect on 1 January 2019.

Post the period end, the Group received a licence to launch Casino and Poker in the regulated Portuguese market from January 2019. These marked the 12th and 13th jurisdictions where 888 holds a licence, thereby demonstrating further progress against the Group's strategy to diversify and expand across regulated markets.

Over recent years the regulator in the UK, the United Kingdom Gambling Commission ("UKGC"), has become more active in promoting the improvement of standards of operation across the industry, thereby enhancing the protection of potentially vulnerable customers. The Group has been proactive in implementing changes to its operations to support the long-term sustainability of our UK business. These include enhancing customer checks and verifications and strengthening its customer protection protocols and procedures. Whilst this has impacted 888's revenue from the UK market over the last 18 months, we are pleased by the recent encouraging trends witnessed in our UK business.

The regulatory environment in the US has continued to evolve and, in May 2018, the US Supreme Court overturned the Professional and Amateur Sports Protection Act of 1992 ("PASPA") thereby enabling individual states in the US to regulate online sports betting. In September, we were delighted to launch 888sport in New Jersey, marking the first time 888 has offered sports betting in the US and paving the way for the Group to expand its sports offer on a state-by-state basis as future regulation allows. Whilst the repeal of PASPA represents a positive and fundamental shift in the long-term outlook for the US market, in January 2019, post the period end, the US Department of Justice released an updated opinion regarding the interpretation of the Wire Act of 1961. This has created some uncertainty across the US market which may continue through a legal challenge to the new opinion. Despite this, the Board believes that the Group remains well-positioned for future growth in the developing US market.

Strategic progress

888's strategy is to drive growth across diversified geographies, product verticals and revenue streams (both B2C and B2B). To achieve this, the Group continues to balance investment across areas of the business that will generate long-term value for the Group's stakeholders.

Underpinning the Group's growth strategy are 888's core strengths: outstanding proprietary technology; an experienced and dedicated management team; business analytics expertise; customer relationship management ("CRM") capabilities; and efficient marketing. The Board believes that, through continuous investment and innovation, 888 has developed – and continues to enhance – truly market-leading proprietary online gaming technology. In an industry as dynamic and fast-moving as 888's, the Group's ability to develop its own products and solutions remains critical to 888's ability to both adapt to regulatory changes and achieve sustainable growth.

New product development remains a key driver of the Group's organic growth and, as discussed in more detail in the Business & Financial Review on page 16, was an area of significant focus during the year. Towards the end of May, the Group successfully launched Orbit, a new cutting edge web-based Casino platform, which has recorded very encouraging results and contributed to the 8% increase in Casino revenue in 2018. We have also continued to invest in our growing Sport proposition, which recorded a revenue increase of 6% in 2018, with an enhanced and more personalised "front-end" to 888sport in the pipeline. In early 2019, we commenced the phased roll out of Poker 8, a new and improved cross-territory Poker platform, which we are confident will provide new momentum to 888poker following a challenging year where revenue decreased by 37%. In addition, we are also excited about the forthcoming launch of 888's shared poker player liquidity network across selected European markets. In Bingo, where revenue decreased by 17%, we are continuing to develop our product by introducing new games and enhancing customer personalisation which we believe will support 888's future success in what remains a competitive bingo market.

The Group continues to explore M&A opportunities and partnerships that will create value for its stakeholders. In December 2018, we were pleased to announce the acquisition of the remaining 53% interest in the All American Poker Network ("AAPN"), a joint venture established in 2013. The acquisition represented an important strategic step towards 888 achieving its exciting long-term potential in the US market and we are confident that it will create additional value for our shareholders.

Following the year-end, in February 2019, the Group announced the acquisition of a portfolio of bingo brands – including the well-established Costa Bingo brand – which previously operated as B2B brands on the Group's Dragonfish Platform. With the acquired brands having been developed on Dragonfish, the Board is confident their consolidation into 888's established B2C brand portfolio will deliver synergies and growth opportunities through the application of the full extent of the Group's capabilities in product development, marketing, and customer relationship management to their operations.

In March 2019, the Group was delighted to announce the exciting and strategically important acquisition of sportsbook technology alongside associated risk management, product and trading capabilities from Dedsert Limited and Dedsert (Ireland) Limited and its affiliates (together "BetBright") for £15 million. This acquisition gives 888 complete ownership over technology and product development across four key online betting verticals for the first time and will support the long-term development of the successful and increasingly established 888sport brand. We are confident that this acquisition will increase the Group's exciting long-term prospects and differentiation in the growing global sports betting market.

Safer gambling

888's values place the safety of our customers at the centre of all endeavours. The Group's primary objective is to ensure that all those who visit our websites can do so with confidence and security.

Many millions of adult customers around the world choose to participate in online gambling activities and the clear majority of those who play our games enjoy a safe and positive experience. However, as a responsible operator, we constantly strive to ensure that those for whom our games are not intended, notably the underage and the vulnerable, will not be drawn into the gaming environment and that those customers who develop a gambling problem are quickly identified and helped. We maintain a close dialogue with relevant stakeholders which include regulators, industry bodies and charities, and we are committed to contributing to the continuous improvement of standards across the industry. As well as being the right thing to do, by continuing to conduct business responsibly we are in a stronger position to generate value for all stakeholders.

Board and people

On behalf of the Board, I would like to take this opportunity to thank each of my colleagues at 888 for their commitment during the year. We continue to place an emphasis on nurturing our creative and responsible culture and ensuring that this is understood and shared by all colleagues. This has been another dynamic year for the industry and the progress made by 888 during 2018 is, above all else, testament to the skill and dedication of our outstanding team.

Following the year-end, the Group announced that Itai Pazner, previously Chief Operating Officer ("COO"), had been appointed as 888's new Chief Executive Officer ("CEO"). He replaced Itai Frieberger who, after more than 14 years with the business, in January stood down from his role as the Group's CEO in January 2019. I am pleased to report that, in order to ensure the smoothest possible transition, Itai Frieberger will be remaining with 888 as a Director of the Group for a period of up to 12 months.

Itai Frieberger has made a truly outstanding contribution to 888 over many years and, on behalf of everyone at the Company, I would like to thank Itai for his exceptional achievements and dedication. In Itai Pazner we have the ideal successor as CEO. He is a highly experienced operator with a great track record of success within 888. He has developed a unique understanding of the Group over the past 17 years with the business and has worked closely with Itai Frieberger for a number of years, especially throughout the past year in his role as COO, which has supported an effective and seamless transition.

Also following the year-end, we were delighted to welcome new colleagues that are joining us from BetBright. The BetBright sportsbook that we have acquired has been developed by a fantastic team and our new colleagues will significantly strengthen 888's sports betting expertise and industry know-how.

Outlook

The Board continues to believe that, underpinned by the Group's diversification across products and markets as well as its technology leadership and first-class team, 888 is very well positioned to continue to generate value for its stakeholders.

Changes and developments to regulation will continue to play a major role in dictating the future dynamics and size of the global online gambling industry. Despite recent uncertainty arising from the US Department of Justice's recently revised opinion to the Wire Act of 1961, the Board believes that 888 remains well positioned and we will continue to invest to develop 888's presence in the evolving US market. Whilst these investments will have an impact on Group profitability in the coming year, the longer term growth potential for 888 in the US market, which retains the potential to become the largest in the world, remains significant.

The positive momentum at the end of 2018 continued into the first quarter of 2019 with average daily revenue up 10% compared to Q4 2018 reflecting improvements across all major KPIs. In the UK, we are encouraged by the improving trends we began to witness in the latter stages of 2018 and the Board is pleased to report that these have continued during the first quarter of the current financial year with average daily revenue at constant currency in our UK B2C business in Q1 so far up by more than 10% compared to prior year. Overall Group trading during the financial year to date is 5%* higher at constant currency year-on-year.

888's focus in 2019 and beyond will, as ever, remain on delivering a truly satisfying and safe experience for customers, expanding the business in regulated markets and investing in our technology, people and platform, thereby supporting sustainable growth for our shareholders.

Brian Mattingley
Non-Executive Chairman
12 March 2019

* Adjusted for the migration of Cashcade Bingo.

Chief Executive Officer's Strategic Report

GLOBAL LEADER

70%

Revenue from regulated and taxed markets

+26%

Revenue growth in regulated markets excluding the UK

In my first report as CEO I am delighted to update 888's stakeholders on the significant strategic progress made by the Group during 2018 and since the start of 2019.

Itai Pazner
Chief Executive Officer

I am delighted to present my first Strategic Report to 888's stakeholders since taking over as Chief Executive Officer in January 2019. I am honoured to be the new CEO of 888, which is a business with an outstanding team and culture. I am hugely excited at the prospect of building on the Group's position of strength as a diversified operator with outstanding proprietary technology and a number of significant potential future growth opportunities.

The Board believes that 888 is one of the most diversified operators across product verticals and regulated markets in the global online gaming industry. I am pleased to report that, in 2018, 888 delivered further strategic progress and maintained its focus on compliance and customer safety, technology and product innovation, and achieved growth in various regulated markets.

Maintaining a safe and enjoyable online environment

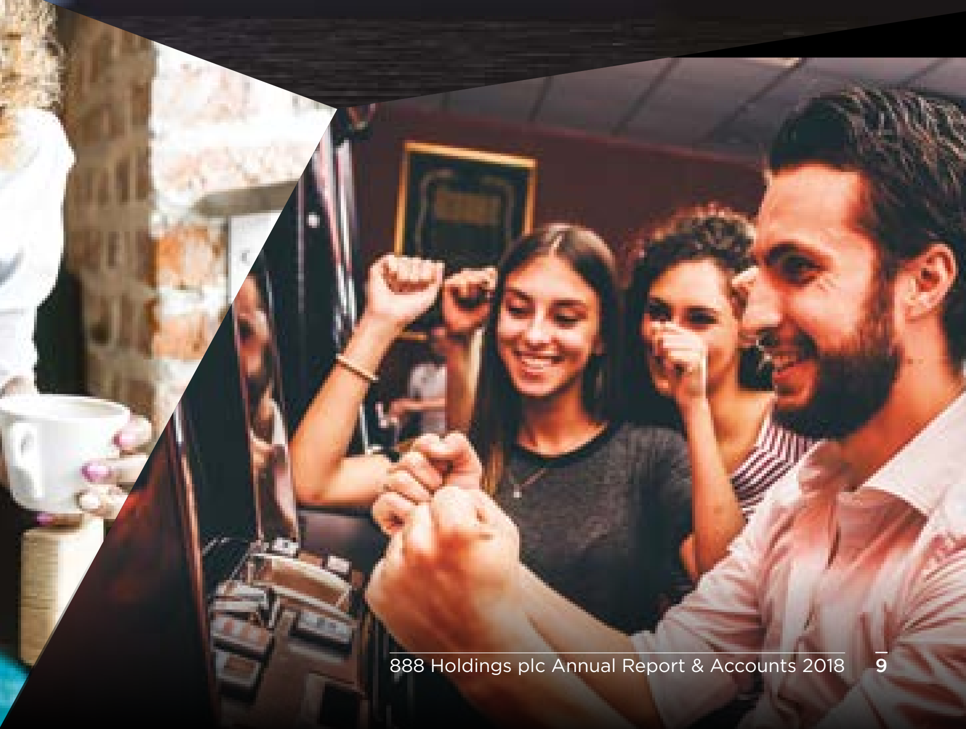
888's mission remains, above all else, to provide its customers with a safe, secure and entertaining environment to enjoy online gaming and betting. Our primary goal remains consistent: to ensure that all those who visit our sites can do so with confidence and that those for whom our games are not intended, notably underage and vulnerable individuals, will not be drawn into the gaming environment. Critically, protecting our customers is not only the right way to do business, but it is the only way in which 888 will continue to succeed and create value for all its stakeholders.

888's established business model

The operations of 888 Holdings plc are structured into two lines of business: the core B2C business, where the Group operates the 888 brands, and a leading B2B offering, conducted through Dragonfish.

Through its B2C business, which accounted for 90% of the Group's revenue in 2018 (2017: 90%), 888 operates popular online gaming brands across four product verticals; Casino, Sport, Poker and Bingo. Through Dragonfish, the Group offers gaming partners a comprehensive end-to-end solution encompassing technology, compliance, operations and advanced marketing tools.

888's core B2C business is based upon attracting customers to its brands in a cost-effective manner and then retaining those customers by offering a variety of games and markets across different product verticals in an enjoyable and safe environment. To achieve this, 888 continually invests in technology and product development, marketing and its people. Sophisticated data analytics underpin and guide the Group's approach to all key areas of business development.



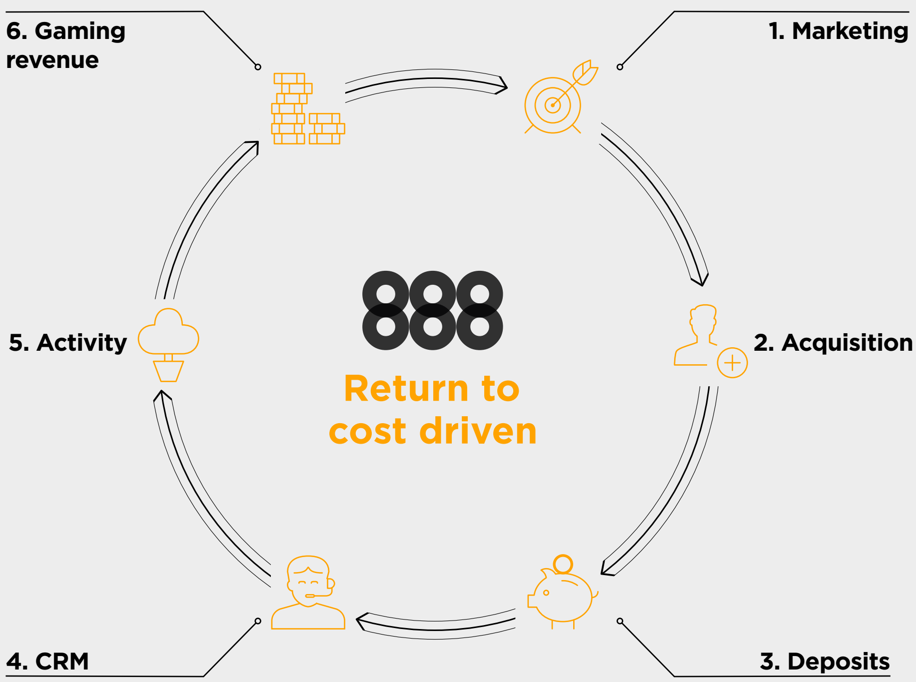
The Online Gaming Cycle

ANALYTICS DRIVEN APPROACH

888's highly-skilled team and its internally generated know-how remain major drivers of the Company's value. 888 carefully manages and sustains these resources and details of key actions taken in 2018 are set out in the Corporate Responsibility Report on page 38 to 41.

888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals. Teams across 888 including product development, marketing and customer support leverage this extensive and constantly evolving data and, by applying robust statistical models and subject always to our safe and responsible gaming policies, influence the following factors in the online gaming cycle:

Gaming cycle



1. Marketing

Central to the Group's approach to growth is an unwavering focus on return-to-cost driven marketing. The Group continually evolves and develops new marketing techniques and campaigns, both online and offline, to increase awareness of its brands and create customer loyalty. The returns to cost ratios of all marketing campaigns are rigorously tested against strict criteria before being extended to their target markets. This helps to ensure that 888's marketing spend remains cost-efficient.

2. Acquisition

Effective marketing helps to attract customers to 888's brands. Strong levels of customer acquisition, measured by increases in first time depositors, is the fuel for 888's future growth.

3. Deposits

Customers need to be able to enjoy a seamless journey from the moment they visit the Group's websites through to making deposits and then enjoying 888's games. 888's proprietary payment processing capabilities support a wide variety of languages, methods and currencies and it is vital that the Group is able to offer efficient and easy to use payment processing.

4. Customer relationship management ("CRM")

Once 888 has acquired a customer, our goal is to make sure that they have a great, safe experience with 888. Subject always to our safe and responsible gaming policies, tools used to achieve this include personalised communications and the promotion of relevant offers and bonuses.

5. Activity

Whilst subject always to our safe and responsible gaming policies, offering a high-quality product helps to increase customer activity and, consequently, life-time value with 888. 888's ability to successfully create proprietary games, enhance personalisation, offer great odds, and develop new functionality on mobile and desktop platforms helps to differentiate 888 from its competitors.

6. Gaming revenue

Player activity leads to revenue for the Group. This then enables our marketing teams to invest in campaigns to acquire more new customers.

888's B2C Proposition

DIVERSIFIED OFFERING

Product	Our offer	How we generate revenue
Casino	888casino is one of the longest standing online casino brands in the market. Through continuous product development, 888casino aims to provide the most enjoyable online experience available. 888casino combines 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 video slot and video poker 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 adjusted for bonuses granted to customers.
Sport	888sport is a fast-growing sports betting destination. At the heart of the 888sport brand is genuine passion for sport, with thousands of live and pre-event betting markets on offer, from the obvious to the obscure.	Sportsbook online gaming revenue comprises bets placed less amounts won adjusted for the fair value of open betting positions.
Poker	888poker offers a first-class poker environment that enables players of all abilities to enjoy the games of their choice. 888poker offers Texas Hold'em, Omaha Hi'Lo, 7 Card Stud and other poker variations in Pot Limit, Fixed Limit and No Limit and Blast 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 less the fair value of certain promotional bonuses.
Bingo	888's leading bingo brands 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 an extensive range of 888-developed and 3rd parties slot games and scratch cards that are offered alongside traditional bingo formats. 888's portfolio of brands includes 888 Ladies, Wink Bingo and Wink Slots.	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 tickets purchased by customers less amounts won, less the fair value of certain promotional bonuses.

B2B – Dragonfish, the Partner of Choice

Under its Dragonfish arm, the Group offers gaming partners a comprehensive end-to-end solution, encompassing customer support, technology, operations and advanced marketing tools.

Drawing on more than 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 first-class online proposition. Dragonfish is home to one of the world's leading bingo networks, providing software to some of the biggest names in bingo.

We are steadfastly committed to providing a safe, secure and compliant environment for each of our partners' customers and Dragonfish's flexible platform and tools have been developed and certified to meet the rigorous regulatory requirements of the different jurisdictions in which its partners operate.

Dragonfish offers its partners a wide range of more than 570 games, including video slots, progressive jackpots, Live Dealer, video poker, table games and branded titles. Dragonfish powers leading brands such as MoonBingo and World Series Of Poker ("WSOP").

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

888's Strategy and Progress

STRATEGIC PRIORITIES

888 has a consistent strategy for sustainable growth that is built on five key pillars, described below. The delivery of this strategy is based upon harnessing the Group's organic potential as well as evaluating attractive M&A opportunities.

This strategy is underpinned by the strength of the Group's people and technology. 888 owns and develops proprietary online gaming technology and associated platforms and this provides the bedrock of the Group's success. Owning and developing proprietary technology enables 888 to create a differentiated customer proposition, adapt to regulatory changes effectively and respond quickly to new opportunities.

888's operations are directed by highly sophisticated business analytics which are critical to the Group's approach to product development, marketing and customer relationship management. These strengths enable 888 to deliver first-class and innovative online gaming entertainment products and solutions.

During 2018, 888 made further progress against its growth strategy:

Strategic pillars	2018 performance highlights[1]
Development of core B2C brands 888 continue to develop its B2C brands to ensure that it offer customers the most enjoyable online gaming entertainment possible. 888 has a portfolio of established and strong brands in Casino, Sport, Poker and Bingo.	• Casino continued to deliver solid growth with an 8% increase in revenue to US$317.6 million (2017: US$293.9 million) and a 16% increase in active players; excluding the UK, Casino revenue increased 17%. • Successful gradual launch of Orbit from May, 888's most exciting Casino product innovation in recent years, delivering encouraging results. • Sport revenue increased 6% to US$80.3 million (2017: US$75.5 million); excluding the UK, Sport revenues increased 18%. • Sport first time depositors increased by 21% (28% outside of UK) and deposits increased by 10% (18% excluding UK). • In March 2019, post the year-end, the Group was delighted to announce the exciting and strategically important acquisition of the sports betting platform and team behind BetBright, giving 888 complete ownership over technology and product development across four key online betting verticals for the first time. • Continued investment in Poker product with launch of Poker in Italy at the beginning of 2018, launch of Progressive Knock Out ("PKO") format in 2018, and development of the new Poker 8 platform during the year (which began its phased roll out in early 2019). • Post the year-end, in February 2019, the Group announced the acquisition of a portfolio of bingo brands, including the well-established Costa Bingo brand, which previously operated as B2B brands on the Group's Dragonfish Platform.

1 All comparisons are against the same data for 2017.

Strategic pillars	2018 performance highlights
Enhancing efficiencies Management remain steadfastly focused on maximising operational efficiencies, including by constantly developing and refining marketing approaches and driving increased volumes.	• Marketing ratio decreased to 29% of revenue (2017: 30%) but new customer recruitment increased therefore cost per acquisition declined reflecting the optimisation and efficiency of targeted marketing investment. • Overall cost ratio reduced to 80% of revenue (2017: 81%) reflecting operational efficiencies and strict cost control.
Expansion in regulated markets 888's focus is on driving growth in markets where there is a sustainable regulatory framework for online gaming and where we are able to benefit from marketing opportunities for our brands. 888 has a proven track-record in successfully and efficiently launching and growing in attractive regulated markets.	• Revenue from regulated and taxed markets comprised 70% of Group revenue (2017: 70%). Excluding the UK, the proportion of revenue from regulated and taxed markets increased 5.5%. • The Group's diversification strategy continues with the UK now representing 32% of Group revenue, down from 37%. • Spain revenue increased by 8% with lower Poker revenue partially offsetting strong double-digit growth in both Casino and Sport. • Italy revenue increased by 29% driven by enhanced Casino content including the launch of 'Orbit' during the second half of the year; the launch of Poker at the beginning of the year and a robust Sport performance. • New licences obtained in Sweden and Malta at the end of the year, and a Portuguese license was applied for during 2018 and obtained in early 2019. • Continued development in the US with the launch of 888sport in New Jersey in September, marking the first time 888 has offered sports betting in the US market, and 149 new Casino games added to the Group's offering in New Jersey during 2018. • Acquisition of the remaining 53% interest in AAPN to support future expansion in the US market.
B2B 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.	• B2B Revenue declined 8% reflecting the challenges of the UK bingo market as well as the termination of an agreement with Cashcade, a former B2B partner. • 21 new skins added to the Dragonfish Bingo network, including eight added to CasinoFlex.

Continue to protect our customers, employees, community and act responsibly
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 those who choose to play with 888.
888 has policies in place to prevent bribery and corruption, promote the well-being and diversity of its employees and prevent violations of human rights in its supply chain. 888 periodically reviews the Group's environmental impact, however notes that as an online business this is limited, and therefore has not adopted a formal policy at this stage.
	• Sustained focus on and investment in enhancing 888's responsibility tools and processes during the year to:
	  • better identify vulnerable or potentially vulnerable players;
	  • better identify customers with multiple accounts; and
	  • check customer source of funds.
	• Further investment in training our team to help them identify and interact better with vulnerable or potentially vulnerable customers.
	• Due diligence processes are in place with regard to the Company's anti-bribery policy and anti-modern slavery policy. Particular focus is given to bribery risks involved in dealings with foreign government officials and brokers, and to human slavery risks in respect of service providers to the Group's offices in less developed countries.

The strategic report, from pages 08 to 15, was reviewed, approved by the Board and signed on its behalf on 12 March 2019.

Itai Pazner
Chief Executive Officer

Business & Financial Review

STRATEGIC PROGRESS

$530m
888 revenue*

$479.3m
B2C revenue

$50.6m
B2B revenue

* Before VAT accrual release.

Alternative Performance Measures ("APMs") used in this Business & Financial Review do not have standardised meanings and therefore may not be comparable to similar measures presented by other companies.

During 2018, 888 delivered continued progress against its stated strategy. The Group has continued to focus on driving growth in regulated markets, enhancing compliance, and developing exciting product innovations.

Financial summary

	2018[1] US$ million	2017[1] US$ million	Change
Revenue – B2C			
• Casino	317.6	293.9	
• Poker	49.0	77.9	
• Sport	80.3	75.5	
• Bingo	32.4	39.3	
Total B2C	479.3	486.6	(2%)
B2B	50.6	55.2	(8%)
Revenue before VAT accrual release	529.9	541.8	(2%)
VAT accrual release[2]	10.7	—	
Revenue	540.6	541.8	
Adjustment of VAT accrual release	(10.7)	—	
Operating expenses[3]	(137.8)	(138.8)	
Gaming duties	(69.9)	(75.2)	
Research and development expenses	(32.8)	(35.4)	
Selling and marketing expenses	(155.0)	(162.5)	
Administrative expenses[4]	(27.3)	(29.2)	
Adjusted EBITDA[5]	107.1	100.7	6%
Depreciation and amortisation	(20.3)	(19.3)	
Finance	(0.1)	(3.1)	
Adjusted profit before tax[5]	86.7	78.3	11%
Share benefit charges	(8.9)	(8.5)	
VAT accrual release	10.7	—	
Exceptional items[6]	11.1	(50.8)	
Gain from re-measurement of previously held equity interest in joint ventures	9.3	—	
Share of equity accounted associates' loss	(0.2)	(0.2)	
Profit before tax	108.7	18.8	
Adjusted basic earnings per share	20.2¢	20.1¢	
Basic earnings per share	26.3¢	3.5¢	

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	2018[1] US$ million	2017[1] US$ million
Profit before tax	**108.7**	18.8
Finance	**0.1**	3.1
Depreciation	**5.3**	5.7
Amortisation	**15.0**	13.6
EBITDA	**129.1**	41.2
Exceptional items[6]	**(11.1)**	50.8
VAT accrual release[2]	**(10.7)**	–
Share benefit charges	**8.9**	8.5
Gain from re-measurement of previously held equity interest in joint ventures	**(9.3)**	–
Share of equity accounted associates loss	**0.2**	0.2
Adjusted EBITDA[5]	**107.1**	100.7

1 Totals may not sum due to rounding.

2 Revenue includes US$10.7 million (2017: nil) in respect of accrual release which relates to receipt of tax assessments in respect of legacy value-added tax in Germany, as detailed in note 19 to the financial statements.

3 Excluding depreciation of US$5.3 million (2017: US$5.7 million) and amortisation of US$15.0 million (2017: US$13.6 million).

4 Excluding share benefit charges of US$8.9 million (2017: US$8.5 million).

5 Adjusted EBITDA is the main measure the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional items and adjustments. It does so because the Group considers that it allows for a further of the underlying financial performance of the Group.

6 Exceptional income of US$11.1 million related to US$22.4 million release of provision following receipt of tax assessments in respect of legacy VAT relating to the provision of gaming services in Germany prior to 2015 (2017: exceptional charges of US$45.3 million) offset by an accrual of US$10.4 million in respect of regulatory matters related to customers' activity in prior periods and US$0.9 million legal and professional costs associated with aborted M&A efforts, as set out in note 5 to the financial statements.

B2C revenue during the year was US$479.3 million (2017: US$486.6 million), representing 90% of total Group revenue[1] (2017: 90%). The Group delivered continued growth across several regulated markets, primarily in Continental Europe, underpinned by good momentum in Casino and Sport.

However, this growth was offset by the closure of several markets (primarily Australia and the Czech Republic) during the course of 2017 (and which therefore did not contribute at all to the Group's performance during 2018), and a 16% decrease in revenue from the UK, despite more encouraging trends in the second half of the year (discussed below). This outcome from the UK business is primarily driven by the proactive and prudent customer protection measures 888 has taken amidst the market's heightened regulatory scrutiny.

1 Revenue in this document is before VAT accrual release.

B2C – Product segmentation

888 continues to focus on growing its B2C brands across Casino, Sport, Poker and Bingo across global markets that have regulated frameworks for online gambling. The Group does this by investing in analytics driven marketing and product innovation as well as by applying data-driven CRM that supports player retention and customer "cross-sell" between 888's products and brands.

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

	2018 US$ million	2017 US$ million	Change
Revenue – B2C			
• Casino	**317.6**	293.9	8%
• Poker	**49.0**	77.9	(37%)
• Sport	**80.3**	75.5	6%
• Bingo	**32.4**	39.3	(17%)
Total B2C	**479.3**	486.6	(2%)
B2B	**50.6**	55.2	(8%)
Revenue before VAT accrual release	**529.9**	541.8	(2%)
VAT accrual release[2]	**10.7**	–	
Revenue	**540.6**	541.8	(0%)

Business & Financial Review Continued

Casino

Results overview

Casino continued to deliver solid growth with an 8% increase in revenue to US$317.6 million (2017: US$293.9 million) and a 16% increase in active players against the prior year. Excluding the UK, Casino revenue increased by 17%, demonstrating the strengths of 888 innovative marketing, effective CRM and overall customer proposition, particularly on mobile devices.

Casino was boosted by the launch of Orbit, a new cutting-edge web-based Casino platform, at the end of May 2018. The new platform, which represents 888's most exciting Casino product innovation of recent years, was initially launched across the Group's .com markets with a roll-out into a number of regulated markets as the year progressed. The Group has seen positive and encouraging trends in first time deposits as well as activity and retention metrics across all markets where the new platform has been launched.

In the UK, the new tools introduced with the Orbit platform align with the Group's strategy of appealing to and attracting an increasingly recreational "mass audience" customer base. The Group saw particularly positive results in the second half of the year – having introduced the platform in the UK in May 2018 – with higher conversion rates, increases in the number of games played by customers and uplifts in new customers acquired.

Product overview and developments

888casino offers classic table games, such as blackjack and roulette, as well as exclusive in-house developed proprietary games and appealing third-party content. The Group's success in Casino remains underpinned by 888's strong brand and focus on customer experience.

Orbit is a new web-based Casino platform that uses artificial intelligence ("AI") and machine learning driven recommendations to provide a more personalised display and seamless experience for customers. The result is reduced login times and a smoother transition between games for players. The new platform also enables 888 to host more games and better utilise its ever-increasing content suite. 888 added 127 new games (both in-house developed and third-party content) across mobile and desktop platforms during the year.

Sport

Results overview

Sport revenue increased 6% to US$80.3 million (2017: US$75.5 million). This outcome reflected the strong growth across regulated markets excluding the UK, partially offset by the negative impacts of several big customer wins as well as the proactive customer protections measures taken by the Group in the UK. Excluding the UK, Sport revenues increased 18% supported by strong performance during the FIFA World Cup over the summer, effective marketing investment, a greater number of events for customers to bet on, and increased customer personalisation. First time depositors increased by 21% (28% excluding the UK) and deposits increased by 10% (18% excluding the UK) reflecting the effectiveness of the Group's marketing and CRM. Mobile and, in particular, in-play betting remain a key driver for 888sport with approximately 70% of bet volumes now being placed during events.

In the UK, the Group is encouraged by positive trends witnessed during the second half of the year. In the second half, the Group's refocused UK strategy saw new Sport customers acquired increase by 15%, building a healthier customer base as the Group moved into 2019.

In September, the Group was pleased to launch 888sport in New Jersey, marking the first time the Group had offered sports betting in the regulated US market. This marked a major milestone for the Group and paves the way for the Group to launch in additional US states as future regulation allows.

In March 2019, post the year-end, the Group was delighted to announce the acquisition of BetBright's sports betting platform for £15 million. The acquisition represented a major milestone for the Group, strengthening 888's product and technology capabilities to support the long-term development strategy for 888sport.

Product overview and developments

In addition to being a meaningful revenue generating product for 888, Sport remains a highly important customer acquisition channel for the Group and provides additional value by cross-selling customers into Casino and Poker. 888 continues to invest in its Sport proposition across product and marketing. During 2018, 888 invested in developing a new 888sport "front-end" to improve functionality and the customer experience, integrate artificial intelligence tools and increase customer personalisation. This is being rolled out across the Group's markets during 2019 and the Group is confident that this will further differentiate 888's Sport product from its competitors'.

Following the completion of the acquisition of BetBright's platform in March 2019, the Group will begin the integration process of BetBright's technology into 888 as a soon as practically feasible. The Group aims to begin a phased and market-by-market roll out of its proprietary sports book solution once integration is completed. The integration of BetBright's sportsbook into the Group will give 888 complete ownership over its technology and product development across all four of its key online betting verticals for the very first time and the Board believes that this acquisition will enhance the Group's long-term prospects in the global Sports betting market by enabling 888 to fully leverage its marketing and analytics capabilities, scale and unique expertise.

Poker

8

The Poker market remained highly challenging during 2018. This resulted in a revenue decrease of 37% to US$49.0 million (2017: $77.9 million). The Group's Poker results reflect a number of factors including: the Group's decision to exit several markets (primarily Poland and Australia) during the first half of 2017 (and which therefore did not contribute at all to the Group's performance during 2018); the continued challenges of the overall Poker market; the launch of the European interstate network creating a new poker environment for players in several European markets (that the Group is yet to participate in); increased competitor marketing activity in some of our markets and the unilateral withdrawal of certain payment providers and ISP blocking in several unregulated markets.

Active poker players decreased by 8%, however there is an encouraging trend for players to be retained for longer on the platform and active days per player increased over the previous year.

Despite the revenue decline, Poker remains a highly important customer acquisition tool for the Group. The flow of Poker players also playing Casino and Sport with 888's brands continued to be an important element of the Group's overall B2C business.

The Group remains committed to the Poker market and confident of its long-term opportunities for 888. During January 2018, the Group launched Poker in Italy, bringing all three of 888's core gaming verticals to the Italian market. In addition, a significant investment was made during the year into developing the Group's latest poker platform, Poker 8, which began its phased roll out in early 2019.

Following the award of the Group's latest licence in Portugal, the Group intends to launch its European interstate poker network during 2019. This will initially pool Poker players across the Portuguese and Spanish markets, increasing player "shared liquidity" and therefore offering greater availability of the games and formats that our customers want to play. The Group is confident that 888's European interstate network will provide increased competitiveness and new growth opportunities for the Group's Poker product in regulated European markets over the coming years.

Product overview and developments

888poker focuses on recreational Poker players and providing a range of games and format to suit its target customers' needs and preferences. Over recent years, this has included an ever greater focus on mobile devices.

During the second half of the year, 888 launched another exciting recreational Poker feature called PKO (Progressive Knock Out) that quickly became an integral and leading feature of 888poker. Since launch, PKO has been instrumental in building higher prize-pools and engaging more players. PKO was introduced to 888's poker networks in Spain and Italy and we are confident of seeing further progress during 2019. By the end of 2018, more than third of 888poker's players had played PKO.

Poker 8, which was developed during the year and which began its phased roll out in early 2019 post the period end, is a new and improved cross-territory Poker platform that offers an even more engaging, contemporary and enjoyable experience for 888poker players. The development of Poker 8 follows extensive ongoing research and feedback from customers. The initial phase of the roll-out involved upgrades to the 888poker tables for desktop players, with enhanced graphics, a cleaner design and improved functionality. Further upgrades to the new Poker platform are planned, including improved graphics and enhancements to the lobby and on mobile devices.

Bingo

Results overview

Bingo, which is predominantly focused on the UK market, remained challenging during 2018. The Group recorded Bingo revenue of US$32.4 million (2017: US$39.3 million) representing a 17% decrease year on year. This performance reflects a continued highly competitive UK Bingo market as well as the proactive steps 888 has taken to address the tighter regulatory environment in the UK. This decrease was offset by an increase in active players of 14% during the year. Average active days per funded player also increased, reflecting the Group's effective CRM.

In February 2019, the Group announced the acquisition of a portfolio of bingo brands – including the well-established Costa Bingo brand – which previously operated as B2B brands on the Group's Dragonfish Platform. Management believes that consolidating these brands into 888's established B2C brand portfolio will deliver synergies and growth opportunities through the application of the full extent of the Group's capabilities in product development, marketing, and customer relationship management to their operations.

Product overview and developments

888 offers online bingo entertainment across a wide array of branded Bingo sites, each with its own unique themes. The Group's Bingo brands benefit from 888's continuous development with regular new content and in-house developed games that help to differentiate 888's brands in the competitive and highly fragmented UK market.

The Group remains committed to the Bingo vertical and introduced a number of new features such as user-friendly mobile verification upon registration during this year. New game variants were also introduced during the year to support the Bingo performance including a new, unique "mystery" jackpot feature launched during the second half of the year that increased bet volumes per player by 20%. New customer personalisation layers, that will leverage smart analytics and machine learning models, are planned to further enhance the customer experience at 888's bingo brands during 2019.

Business & Financial Review Continued

B2B review

Results overview

Revenue from Dragonfish, 888's B2B division, decreased by 8% to US$50.6 million (2017: US$55.2 million). This reflects a number of factors including: the overall fiscal and regulatory challenges facing the UK bingo market; the reduced marketing spend by some of our partners; and the termination of the Group's agreement with Cashcade, a former B2B partner, following Cashcade's decision to migrate its brands to its own proprietary platform.

Revenue from our B2B business in the US market remained in line with the Board's expectations. The Group continues to explore further partnerships and new growth opportunities in the US.

Operational overview and developments

The Group's partners continue to enjoy and benefit from new product developments, features and functionalities to enhance the end-user experience. During the year these included 228 new games, bringing the total portfolio to more than 570 active games as well as a number of Bingo game variations.

The Group remains confident of the opportunities for its B2B division, which remain underpinned by focusing on delivering and maintaining a first-class and full-service gaming proposition for its partners. Post the year-end, the Group initiated some organisational changes at Dragonfish to bring all aspects of the B2B offer, except marketing, into one standalone business unit. These changes are aimed at increasing the customer-focus of the Group's B2B operations as Dragonfish refines its strategic focus on offering an increasingly value-added proposition to a smaller number of larger customers (both in the UK and international regulated markets). Underpinned by the Group's technology edge and market know-how, the Board remains confident of the B2B division's long-term prospects.

Regulated markets

888 remains focused on growing in sustainable, regulated markets where the Group can leverage its full marketing expertise to capture growth opportunities. Revenue from regulated markets continued to represent the majority of Group revenue with revenue from regulated and taxed markets[1] representing 70% of revenue (2017: 70%). Excluding the UK, the proportion of revenue from regulated and taxed markets increased by 5.5%.

The global regulatory landscape continues to develop and the Group remains focused on exploring new markets on a case-by-case basis dependent on the strategic and economic viability of each new regulated market.

1 Regulated and taxed markets refer to jurisdictions where the Group operates under a local licence or where the Group is liable for gaming duties or VAT (or its equivalent).

Revenue by geographic market

The below table shows the Group's revenue by geographical market:

	2018 US$ million	2017 US$ million	Growth (decline) from previous year	% of reported Revenue (2018)
EMEA (excluding the UK and Spain)[1]	**228.9**	213.6	7%	43%
UK	**170.6**	203.1	(16%)	32%
Spain	**68.0**	63.1	8%	13%
Americas	**48.1**	46.2	4%	9%
Rest of world	**14.3**	15.8	(10%)	3%
Revenue before VAT accrual release	**529.9**	541.8	(2%)	100%
VAT accrual release	**10.7**	–		
Total revenue	**540.6**	541.8		

1 During the period the Group identified that the Europe Other Geographical segment (as was previously presented) should in fact be referred to as Europe, the Middle East and Africa (EMEA). Non-European revenue included in the segment during 2018 amount to US$45.7 million (2017: US$35.3 million).

EMEA (excluding the UK and Spain)

Regulated markets in Continental Europe continued to experience healthy growth with a revenue increase of 12% year on year. This outcome reflects strong progress driven by Sport and Casino across European markets. The increase was moderated due to the negative performance of Poker in Spain which was affected by the heightened competition resulting from a new shared liquidity regime with France, which 888 did not participate in.

In Italy, revenue increased by 29% and first time depositors more than doubled, compared to 2017. This was supported by the successful launch of Poker in Italy in January 2018; the launch of Orbit during the second half of 2018 which supported a 44% increase in new Casino players; and optimised and highly effective digital marketing investment in light of the industry-wide gambling advertising ban announced by the new Government.

Revenue from the Romanian market increased by 14% during 2018 driven by Sport and reflecting enhanced brand awareness. During 2019, the Group intends to extend the successful Orbit casino platform to the Romanian market.

At the very end of the year, the Group was delighted to be awarded its 11th licence in Malta, as well as its 12th licence in Sweden which enables the Group to offer Sport, Casino and Poker in this significant newly regulated market. Post the year-end, the Group received its 13th licence for Portugal, where the Group launched 888casino in January 2019. The Portuguese licence provides further growth opportunities for the Group with the forthcoming launch of 888's poker network that will, in time, share player liquidity across the regulated Spanish and Portuguese markets.

Revenue from Middle East and Africa markets included in the EMEA segment increased by 29% to US$45.7 million (2017: US$35.3 million). Revenue from Germany, which represented 8% of total, was impacted by the uncertain regulatory environment and challenges referred to in the Risk Management Strategy section below, increased in 2018 by 18%.

UK

As detailed in the product review above, revenue trends in the UK improved during the second half of 2018. Despite this, UK revenue decreased by 16% year on year to US$170.6 million (2017: US$203.1 million). This reflected revisions to the Group's operating practices across product verticals to align with the stricter regulatory environment across the UK market (detailed below); a small number of significant customer wins in Sport; reduced marketing investment by Cashcade, one of the Dragonfish Bingo partners that terminated its activity as of mid-November; as well as the Group's decision to redeploy marketing investment into other areas of the business where 888 is generating the highest returns.

During the second half of 2018, the Group witnessed certain positive indicators in its UK B2C business as first time depositors continued to increase (by 7% year on year, and 12% half-year on half-year), supported by the launch of the Orbit Casino platform during the first half of 2018, and strong Sport performance during the FIFA World Cup over the summer.

The actions and changes made to the operating processes undertaken by 888 in the UK market over recent years have been aimed at providing the safest possible gambling environment for players and ensuring the Group is aligned with the market's stricter regulatory environment. Changes made include the tightening of anti-money laundering processes, increased customer due diligence and further customer protection tools and protocols. Taking these actions is not only the right thing to do but also positions the Group for long-term development in what remains the world's largest regulated online gaming market.

As a result of the dynamics in the UK as well as the strong progress delivered across continental European markets, revenue from the UK represented a lower proportion of total revenue at 32% (2017: 37%).

Spain

In Spain, the Group's second largest single market, the Group delivered a revenue increase of 8% year on year to US$68.0 million (2017: US$63.1 million). As a result, Spain represented 13% (2017: 12%) of total revenue. The Group's growth reflected continued effective marketing investment and momentum in Casino, as well as Sport, which benefited from a strong FIFA World Cup. As described above, Poker was negatively impacted by the introduction of a shared Poker liquidity networks between Spain and France (that the Group has not participated in) accompanied by significant promotions and the large number of guaranteed tournaments offered by our competitors. However, we remain confident of the opportunities presented by shared Poker player liquidity across European markets including Spain and Portugal due to be launched in 2019.

The Group launched the Orbit Casino platform in Spain in December 2018, and saw a positive customer response, similar to the one seen in the UK, Italy and more recently also Denmark where first time depositors increased by 34% during the second half of 2018 following the launch of Orbit in October. The Group intends to support its product developments with increased investment in Spain during the current year.

US

Having operated in the regulated US market since 2013, 888 enjoys a unique position in that evolving market. The Group is focused on investing in delivering medium to long-term growth opportunities for the business in the US market. As a result, 2018 was a very busy year for the Group in the US market.

In May, the Group's long-term growth prospects in the US market were boosted by the US Supreme Court's decision to repeal PASPA, thereby clearing the path for US states to regulate sports betting. In September 2018, the Group launched 888sport in New Jersey, marking the first time the Group has offered sports betting in the United States. This launch was followed by another first, not just for 888 but for the entire industry, as 888.com became the first ever online casino to partner with a National Football League ("NFL") team when the Group signed a sponsorship agreement with the New York Jets.

In May the Group was pleased to announce an extension of its contract with the Delaware Lottery to continue powering the state lottery platform for a further two years.

In June, the Group announced an extended partnership with Evolution Gaming, a leading provider of Live Casino solutions in New Jersey, as 888 continues to invest in and improve its offering in the state. During the second half of the year, 888casino launched a comprehensive Live Casino suite of products to New Jersey customers on desktop (via the 888casino website) and on mobile (through the 888casino apps available for Android and iOS). The Group intends to launch the new Orbit Casino platform in New Jersey during 2019.

In December, the Group was pleased to announce the acquisition of the remaining 53% interest in AAPN, a joint venture established with Avenue Capital in 2013. The acquisition represented an important strategic milestone that will facilitate the Group's future growth strategy in the US by giving 888 additional operational, technological and commercial flexibility to deliver on multiple potential growth opportunities. The AAPN joint venture had been a successful endeavour for the Group by affording 888 the flexibility and financial capability to build a position in the regulated US market over the last five years whilst also investing in other global regulated markets.

In January 2019, post the period end, the US Department Of Justice released an updated opinion regarding the interpretation of the Wire Act of 1961. This has created uncertainty across the US market which may continue through a legal challenge to the new opinion. Despite this and underpinned by the strategic progress made in the US market during 2018, the Board believes that the Group remains well-positioned for future growth in the developing US market.

Business & Financial Review Continued

Expenses overview

The Group continues to improve its operating efficiencies with lower levels of expenses compared to the prior year driven by a continued, company-wide focus on cost optimisation and efficiencies.

888's continued progress in Casino and Sport, where the Group incurs some commissions (explained below) and a sustained focus on enhanced compliance and customer protection resulted in an increase in the ratio of operating expenses to revenue.

Operating expenses

The Group's expanding Casino and Sport offering resulted in higher commissions and associated expenses in respect of the Live Casino and Sport third-party platforms.

Operating expenses* decreased by 1% to US$137.8 million (2017: US$138.8 million). The proportion of operating expenses (which mainly comprise staff 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 increased to 26.0% (2017: 25.6%). This reflected stricter regulatory requirements to tighten the scope of customer related screening. Reported operating expenses amounted to US$158.1 million (2017: US$158.1 million).

Employee-related costs decreased by 8% compared to the prior year. The decrease is mainly a result of a cost reduction and headcount optimisation plan that was executed during the second half of 2017.

Gaming taxes and duties

Gaming duties levied in regulated and taxed markets decreased to US$69.9 million (2017: US$75.2 million). This is a result of the lower activity in the UK and a reduced gaming tax rate (from 25% to 20% of gross gaming revenue) in Spain which commenced during the second half of 2018, offset by increased gaming duties in Italy as a result of the Group's strong revenue growth and the lunch of Poker in Italy during January 2018.

Research and development expenses

Research and development expenses decreased 7% to US$32.8 million (2017: US$35.4 million). However, when adding back capitalised development expenses, overall research and development spend would have decreased only 2% to US$44.7 million (2017: US$45.5 million). This reflects continued investment across regulated markets and the development of new products and games as well as the implementation of new technologies and tools to further enhance customer protection. The research and development expenses to revenue ratio reduced to 6.2% (2017: 6.5%).

Selling and marketing expenses

One of 888's main objectives is cost-efficient, effective and innovative marketing spend. Overall marketing expenses decreased to US$155.0 million (2017: US$162.5 million) as a result of lower marketing investment as well as lower cost per player acquisition in the UK reflecting the market environment. In addition, the lower level of marketing spend was driven by management's decision to invest in more efficient online marketing activities and focus on high-growth regulated European markets. The ratio of selling and marketing expenses to revenue reduced to 29.3% (2017: 30.0%).

Administrative expenses

Administrative expenses* amounted to US$27.3 million (2017: US$29.2 million) and represented a lower proportion of revenue compared to the previous year at 5.1% (2017: 5.4%). This was a direct result of management's continued efforts to maximise operational efficiencies and strict cost control. Reported administrative expenses amounted to US$36.1 million (2017: US$37.7 million).

Adjusted EBITDA

Adjusted EBITDA increased by 6% to US$107.1 million (2017: US$100.7 million) representing a 4% increase at constant currency. The positive result was achieved despite the impacts of the UK market's heightened regulatory scrutiny and higher UK Point of Consumption ('POC') duty as a result of the new gross gaming revenue tax base that has been effective since the second half of 2017. Adjusted EBITDA margin increased to 20.2% (2017: 18.6%). EBITDA for the period amounted to US$129.1 million (2017: US$41.2 million) as detailed in the table on page 16.

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

Exceptional items

Exceptional income was US$11.1 million (2017: Exceptional expense of US$50.8 million). The Group received tax assessments from the tax authorities in Germany in respect of a legacy VAT matter relating to the provision of gaming services in Germany prior to 2015. This resulted in a payment of US$24.6 million and a release of US$22.4 million of the US$45.3 million provision which was recorded in 2017, as described in further detail in note 5 to the 2018 financial statements. In addition, during the period the Group recorded a provision of US$10.4 million in respect of regulatory matters related to customers' activity in prior periods and US$0.9 million legal and professional costs related to aborted M&A efforts.

Share benefit charges

Share benefit charges relate to long-term incentive equity awards granted to eligible employees.

Equity settled share benefit charges of US$8.9 million (2017: US$8.5 million) mainly comprise new awards granted during the year and the full year effect of awards granted in previous years. Further details are given in the Directors' Remuneration Report on page 60 to 76 and in note 22 to the financial statements.

Gain from re-measurement of previously held equity interest in joint ventures

On 10 December 2018, the Group acquired an additional 53% interest in the voting shares of AAPN, increasing its ownership interest to 100% for cash consideration of US$28.5 million. The Group re-measured its previously held 47% equity interest in AAPN at its acquisition-date fair value and recognised US$9.3 million gain in the consolidated income statement.

Finance income and expenses

Finance income of US$0.6 million (2017: US$0.6 million) less finance expenses of US$0.7 million (2017: US$3.7 million) resulted in a net expense of US$0.1 million (2017: US$3.1 million). The decreased expense compared to the previous year is mainly attributable by the weakness of EUR and GBP against USD in 2018 compared to 2017.

888 continually monitors foreign currency risk and takes steps, where practical, to ensure that net exposure is kept to an acceptable level.

Profit before tax

Profit before tax increased to US$108.7 million (2017: US$18.8 million profit) as a result of the exceptional income (compared to exceptional charges in 2017), VAT accrual release and gain from re-measurement of previously held equity interest in joint ventures outlined above. Adjusted profit before tax increased by 11% to US$86.7 million (2017: US$78.3 million).

Taxation

Taxation for the period was US$13.9 million (2017: US$6.2 million). The increase is primarily a result of the higher profit before tax during the period, the effect of foreign currency earnings following the strengthening of the USD against the ILS and withholding tax on dividend distribution by a subsidiary to the parent company.

Adjusted Profit after tax and Profit after tax

Adjusted profit after tax[1] increased by 1% to US$72.8 million (2017: US$72.1 million). Profit after tax was US$94.8 million (2017: US$12.6 million) as a result of the exceptional charges and gain from re-measurement of previously held equity interest in joint ventures outlined above.

Earnings per share

Basic earnings per share increased to 26.3¢ (2017: 3.5¢) as a result of the exceptional charges and gain from re-measurement of previously held equity interest in joint ventures outlined above. Adjusted basic earnings per share at 20.2¢ (2017: 20.1¢). Further information on the reconciliation of Adjusted basic earnings per share is given in note 9 to 2018 financial statements.

1 As defined in note 9 of the financial statements.

Dividend

The Board of Directors is recommending a final dividend of 6.0¢ per share in accordance with 888's dividend policy, plus an additional one-off 2.0¢ per share, bringing the total for the year to 12.2¢ per share (2017: 15.5¢ per share) reflecting the performance of the Group, recent acquisitions as well as regulatory developments and the importance of retaining adequate cash to fund potential investment activities.

Cash flow

Net cash generated from operating activities was US$42.1 million (2017: US$95.5 million). The decrease is primarily explained by an exceptional payment on account of historical VAT in Germany, higher gaming duties in respect of H2 2017 driven by increase in trading activity and a reduction in customer deposits as a result of a decrease in Poker activity.

Dividend payments during the year amounted to US$56.6 million (2017: US$70.5 million).

Balance sheet

888's balance sheet remains strong, with no debt as of the date of the financial statement and ample liquid resources. 888's cash position as at 31 December 2018 was US$133.0 million (2017: US$179.6 million). The balance owed to customers at US$57.1 million (2017: US$71.7 million). Net cash at 31 December 2018 was US$75.9 million (2017: US$107.9 million) after dividend payments of US$56.6 million during the year (2017: US$70.5 million).

In February 2019, 888 signed a revolving credit facility ("RCF") with Barclays Bank plc pursuant to which 888 may borrow an amount of up to US$50 million in order to finance its M&A activities in the short term.

Aviad Kobrine
Chief Financial Officer

Risk Management Strategy

IDENTIFYING AND MANAGING OUR RISKS

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.

The Board acts in accordance with a Risk Management Policy, which aims to explicitly identify and evaluate key risks underlying the Group's core business strategy and standardise the approach to risk prioritisation and management across 888's operations. This 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. 888's risk register is updated periodically and regular discussions are held at Board and management level of the role of risk in 888's business.

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 has also adopted a Reporting and Escalation Procedure to ensure timely reporting of internal reportable events including bugs, technical failures, information security malfunctions and marketing and other operational incidents which may affect customers.

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 2018 and up to the date of approval of the annual report and accounts; and
- they are regularly reviewed by the Board.

Please see page 26 for further details of the review conducted in 2018.

Risk appetite

Addressing 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 during 2018 the Board considered risk appetite to ensure adequate resources are allocated to identified 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 of our operating processes are based around policies and procedures that minimise the risk of a loss of financial control.
Compliance	Extremely low	We have an extremely low to zero tolerance when complying with laws and regulations that relate to bribery, corruption and anti-money laundering. 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. We are particularly sensitive to compliance risks in our key regulated markets including the UK.

Risk Management Strategy Continued

888 faces the following significant risks:

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 either holds a licence or applied to obtain one. 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, including internet service provider blocking, payments blocking, black-listing and fines. 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. Finally, changes to either the regulatory framework or enforcement policy relating to online gaming in certain markets may effectively force the Group out of certain markets where it currently operates or compel it to change its business practices or technology in a way that would materially impact results.

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 to 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 various jurisdictions where its services are marketed or which generate significant revenue for the Group. 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. 888 has also implemented organizational changes in order to strengthen regulatory compliance oversight, as well as to improve co-operation between the different departments and streamline processes of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests. Finally, 888 blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate.

What happened in 2018

The UKGC took an increasingly strict approach towards compliance, tightening requirements, adopting more stringent policies and regulations, and increasing the level of oversight over licensees. The primary areas of focus for the UKGC were responsible gambling and prevention of underage gambling, consumer protection, and anti-money laundering. During 2018, the UKGC issued fines to a number of licensed operators, for various violations and shortcomings pertaining to regulatory compliance, signalling a tougher stance on compliance and enforcement. The Group continued to work closely with the UKGC on compliance matters, and also to update its policies and procedures and to strengthen internal reporting lines to ensure compliance within the business, investing significant resources in regulatory compliance measures. In Germany, the Company is subject to prohibition orders issued by various German states, some of which have been upheld by German courts and others which are in the process of judicial review. While the Company continues to challenge the validity of these orders (where possible) and is seeking relief on this matter from the German Constitutional Court, it has been consulting closely with its German advisers as to the appropriate operational measures to be taken by the Group in light of the orders issued. The Group continues to be conscious of the potential for increased enforcement in Germany and of the impact that the current German legal landscape may have on the willingness of payment processors to process payments from German players. In light of these developments, the Group continues to assess its operations in Germany, with a view to averting legal, reputational and operational risks. In the Netherlands, where a law was approved in February 2019 to liberalize the market, the local regulator has been taking a more aggressive approach towards enforcement of existing laws against operators whose operations are conducted in violation of the "prioritization criteria" for enforcement issued by the authorities and updated from time to time. Several operators received significant fines due to the conduct of operations in a manner violating these criteria. Operators fined may also be barred from participating in the liberalized market or have their eligibility for licensing delayed. The Group has been studying these developments closely. In January 2019 the US Department of Justice issued a legal opinion on the scope of the federal Wire Act, overturning a previous opinion from 2011, and finding that the Act applies to all forms of gambling (not only sports betting, as was concluded in the previous opinion.) This reversal, and a subsequent change of enforcement policy by the federal authorities, could have far-reaching impacts on the US gambling industry, particularly with respect to online operations. The Department of Justice has announced it will not be pursuing enforcement action under the new interpretation for a 90-day period starting on January 15, 2019. In tandem, various state regulators have announced their position on the ramifications of the new opinion or are in the process of studying its implications. The Group is taking advice on this matter from its legal advisors in the US, to ensure that its operations are consistent with updated regulatory requirements and cannot be seen as violating federal law. The issuance of the updated memo could have far-reaching consequences in connection with the ability or willingness of various crucial service providers (e.g. banks and payment processors) to work with the gambling industry, and the Group anticipates that the full impact of the new opinion on its operations and on the industry will become more apparent in the near future.

Increase Decrease Stable

Brexit-related risks

The risk

The status of Gibraltar as a result of "Brexit" remains 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 licenses in certain EU jurisdictions. Brexit may also adversely impact economic and market conditions in the United Kingdom, and give rise to a slowdown of UK business for the Company.

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 is not able to control political changes of this nature, however it has obtained a gaming licence in Malta and established a server farm in Ireland so that it can continue to serve European markets with no disruption to its business. 888 also diversifies its geographical customer base so as to mitigate dependency on the UK market.

What happened in 2018–19

The UK formally notified the EU in March 2017 of its intention to withdraw from the EU, which commenced a negotiation period which is expected to conclude in March 2019 (unless all parties to the negotiations agree otherwise) with the United Kingdom ceasing to be a member of the EU at the end of March 2019. On 15 January 2019, the British House of Commons rejected Prime Minister Theresa May's Brexit deal with the EU. Presently, the manner of Britain's exit from the EU on March 29, 2019, remains unclear.

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. 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. 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 and to the maintenance of customer loyalty.

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 obtaining 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 service level agreement key performance indicators 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 2018

Security – Awareness training was carried out for Group personnel at all locations by the Chief Information Security Officer. New security practices and technologies were implemented with a focus on DDoS mitigation and GDPR readiness. Infrastructure – A new main data centre was built in Dublin using advanced IT architecture and technologies. The new data centre introduces a very high standard of redundancy and performance, and is expected to launch in March 2019. Operations – 888 focused on operations analytics as the next evolution of monitoring, implementing an "elastic" framework for near real-time log and KPI analysis.

Risk Management Strategy Continued

Taxation risk

The risk

Heightened attention continues to be given to matters of cross-border taxation in line with the G20/OECD Base Erosion and Profit Shifting recommendations. On 21 March 2018, the European Union proposed new rules to implement "virtual permanent establishment" criteria as well as interim measures to tax the digital economy, including a targeted turnover-based equalisation tax and potentially an EU-wide advertising tax, which has led to introduction of "web taxes" in jurisdictions such as Italy and France. In the UK, new rules have been implemented from 1 April 2019 imposing UK tax on the receipt of royalties by offshore companies deriving from business activity in the UK, whilst past proposals regarding imposition in the UK of "use and enjoyment" VAT rules with respect to UK-facing advertising have not materially progressed. In Gibraltar, legislation has been introduced to recover unpaid taxes following a European Commission ruling regarding illegal state aid given between 2011-2013. Due to pressure from the European Union, offshore jurisdictions including the British Virgin Islands have introduced new "substance" requirements with regard to IP companies and other entities. The likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions and the aggressiveness of tax authorities remains high, with 888 receiving VAT assessments in Germany during 2018 relating to tax years 2010-2017, regarding which it had previously recorded a provision and contingent liability in its financial statements. A finding of taxable presence of the Group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as mentioned above), a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), or imposition of another form of tax as mentioned above, may have a substantial impact on the amount of tax and VAT paid by 888 or require significant payments by 888 in respect of historical tax liabilities. 888's effective tax burden also increases due to the imposition or increase of gaming duty in markets in which the Group has customers, including the recently announced increase in the rate of UK remote gaming duty to 21% of GGR as from 1 April 2019, the additional Romanian gaming tax at 2% of deposits from 2019, and the increase in Italian gaming duty to 25% of GGR (24% for sports betting) from 2019. The Company's Israeli subsidiary entered into an Assessment Agreement with the Israeli Tax Authority in 2016, in which the subsidiary's transfer pricing remuneration was agreed with regard to tax years ending in 2015. The Company believes that the remuneration attributed for tax purposes to its Israeli subsidiary complies with the arm's length standard, and therefore continues to rely on the transfer pricing agreement with regard to tax years following 2015, however the agreement has not been renewed. As such, and in light of the developments in taxation rules internationally, including in the field of transfer pricing pursuant to which new methodologies are gaining prominence, in the context of the tax audit detailed below, the Israeli Tax Authority may seek to increase the level of remuneration attributed to the Israeli subsidiary for tax purposes commencing from the 2016 tax year, which could have material financial consequences to the Company.

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 – has become 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, 888 consults with tax advisers not only in jurisdictions in which its Group companies are incorporated and in which it has personnel, but also in major markets in which it has customers, in order to comply with its legal obligations whilst taking such action as is necessary to prevent the improper imposition of unlawful or double taxation.

What happened in 2018

888 continues to engage with tax authorities and obtain legal advice in order to regularise its tax position and mitigate exposures. As regards the inquiry in Germany regarding VAT, 888 received assessments for tax years 2010-2017 and accordingly partially released the provision recorded in its financial statements in addition to the contingent liability. In Israel, the local subsidiary is undergoing a tax audit and has also appealed a withholding tax assessment relating to tax years 2013-2016.

Increase Decrease Stable

Data Protection risk

The risk

888 processes a large quantity of personal customer data, including sensitive data such as name, address, age, bank details and gaming / betting history. Such data could be wrongfully accessed or used by employees, customers, suppliers or third parties, or lost, disclosed or improperly processed in breach of data protection regulations. In particular, the European General Data Protection Regulation ("GDPR") entered into force in May 2018, having a significant effect on the Company's privacy and data protection practices, as it introduced various changes to how personal information should be collected, maintained, processed and secured. Non-compliance with the GDPR may result in fines of up to €20 million or 4% of the Company's annual global turnover, and the Company will be particularly exposed to enforcement action in light of the amount of customer data it holds and processes. In addition, various countries in the EU have introduced domestic data protection laws incorporating the GDPR requirements. The Company could also be subject to private litigation and loss of customer goodwill and confidence.

Relevance to strategy

The holding and processing of personal and sensitive data in a lawful and robust manner is central to 888's analytics-based business strategy. As an online B2C and B2B business, the integrity of 888's data protection framework is crucial to the supply of its offerings, compliance with its regulatory obligations and maintenance of the impressive customer loyalty with which 888 is entrusted.

How the risk is managed

888 has undergone a robust and risk-oriented GDPR-preparation project, pursuant to a designated GDPR Gap Analysis that was prepared for that purpose in coordination with its legal advisers.

What happened in 2018

888 mapped the personal data life-cycle within the organisation, including how personal data of its customers and EU employees is collected, stored, secured and shared with third parties. In addition, 888 appointed a designated internal Data Protection Officer and put in place policies and procedures on relevant matters including exercising user rights and data retention, data sharing with third parties, security policies, as well as reviewing necessary product and IT implementation. Such policies and procedures are reviewed and updated on an ongoing basis to align with the most up to date regulatory guidelines. 888 has also put in place adequate contractual measures with respect to sharing data with third parties, reviewing its privacy notices and other customer notifications and reviewing the current data security framework on an ongoing basis.

Risk Management Strategy Continued

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. Various regulators, most notably the UKGC, have adopted stricter compliance and enforcement policies, conducting more in-depth reviews of operational practices and sanctioning operators found to be non-compliant. There appears to be growing sentiment in various jurisdictions that existing regulations do not sufficiently protect minors and vulnerable players or do enough to prevent the use of illictly obtained funds for gambling purposes. This could result in reputational damage to the Group, as well as in the adoption of stricter regulations and enhanced enforcement measures.

Relevance to strategy

Underage and problem gaming, as well as the use of illicit funds for gambling, are risks associated with any gaming business, and ensuring compliance with regulatory requirements for the protection of vulnerable people and the prevention of money laundering is critical to maintaining 888's online gaming licences.

How the risk is managed

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 2018

During 2018, the UKGC continued its regulatory enforcement processes and actions which resulted in several public regulatory settlements with online operators, as published by the Commission. Such publications raise further concerns about the sector's compliance with regulatory requirements pertaining primarily to Anti-Money Laundering and Social Responsibility. 888 continued to devote significant resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update procedures to ensure that minors are unable to access their gaming sites. 888 also completed an upgrade of the Observer responsible gambling tool, to increase the protection to players and ensure earlier and more efficient detection and prevention of instances of problem gambling, and updated its anti-money laundering policies to better detect players suspected of using illicit funds for gambling. 888 has continued its review of all its websites and those of its B2B partners in light of the UK Advertising Standards Authority and Committees of Advertising Practice's review of gaming industry practices, with a view to ensuring that content that may be particularly appealing to children, whether specific games or general creative elements on the site, have been removed or made accessible only after a robust age verification process has been completed. 888 has also integrated with the National Online Self-Exclusion Scheme (also known as "GAMSTOP") to enable its customers to self-exclude themselves on national level from all UK online gambling operators.

Partnership risks

The risk

B2B partnerships expose 888 to business risks as well as compliance and reputational risks, with increased pressure on 888 as the licence holder, particularly from the UK Gambling Commission, to monitor activities of its B2B partners.

Relevance to strategy

B2B remains a material part of 888's business, particularly for Bingo in the UK; in addition, its US B2B contracts have strategic importance for the longer term.

How the risk is managed

888 has reduced its dependency on B2B relationships, following the acquisition of Costa Bingo and other formerly B2B bingo brands. Remaining B2B contracts are maintained commercially 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 2018-19

In early 2019, 888 acquired Costa Bingo and other formerly B2B bingo brands from its former B2B partner Jet Management.

Increase Decrease Stable

Acquisition risks

The risk

888 has made a number of acquisitions in the online gaming and betting space. Acquisitions of gaming companies carry business risks, such as overpaying for what are mainly intangible assets, as well as legal and regulatory risks, including the receipt of necessary regulatory approvals to the transaction and exposure to legacy non-compliance of the seller. Furthermore, integration of acquired entities gives rise to a financial burden and the requirement of management attention and operational resources.

Relevance to strategy

Ongoing consolidation of the online gaming market costs has increased the importance of 888 being ready to acquire smaller operators, particularly in business areas such as Sport where 888's activity has historically been smaller.

How the risk is managed

888's legal, financial and tax advisers ensure that a comprehensive due diligence is carried out on potential acquisition targets. Generally, 888 prefers to acquire assets rather than shares of companies, in order to mitigate exposure to any past non-compliance issues on the part of the seller. 888 seeks to take into account the resources required to integrate acquired entities in its annual budgeting and planning.

What happened in 2018–19

In early 2019, 888 acquired Costa Bingo and other formerly B2B Bingo brands from its former partner Jet Management, as well as acquiring the BetBright Sport business.

Credit risks

The risk

888 has taken an RCF from Barclays Bank plc in order to finance its activities. The credit facility contains covenants by the Group regarding the maintenance of certain financial ratios, as well as various regulatory compliance matters.

Relevance to strategy

Ongoing consolidation of the online gaming market has increased the importance of 888 being ready to acquire smaller operators, requiring readily available cash resources.

How the risk is managed

888 monitors its ongoing compliance with the relevant financial ratios. 888, in-house and via its legal counsel, also monitor changes to the regulatory landscape which may have an impact on its obligations under the credit facility.

What happened in 2018–19

In early 2019, 888 executed the revolving credit facility with Barclays.

The Strategic Report, from pages 01 to 41, was reviewed, approved by the Board and signed on its behalf on 12 March 2019.

Regulation and General Regulatory Developments

OPPORTUNITIES IN A DYNAMIC GLOBAL MARKET

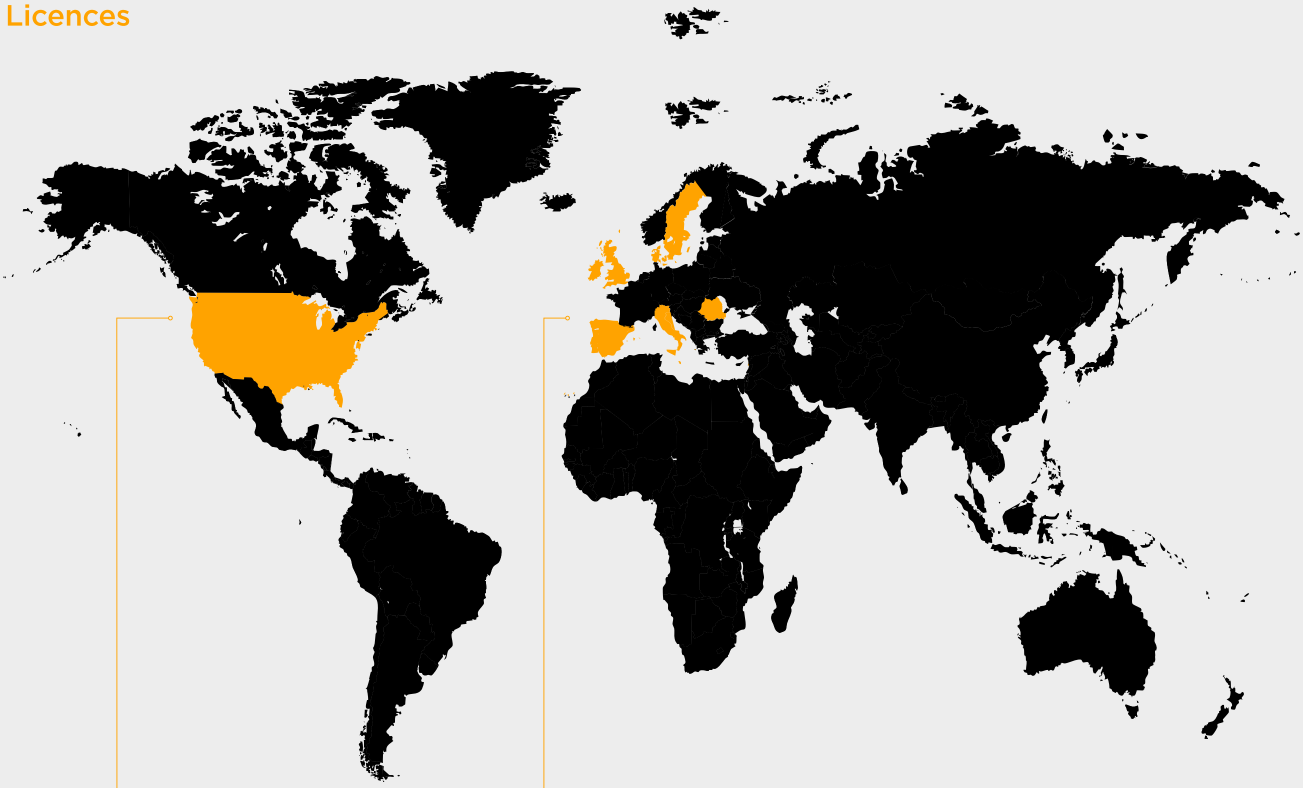
Like its predecessor, 2018 brought many changes to the online gaming industry, nowhere more so than in the United States where the overturn of PASPA by the US Supreme Court ushered in legal sports betting.

The 888 Group continued to seize the increasing trend towards tailored regulation of online gaming to increase its presence in locally regulated markets and grow its licensing portfolio. In the face of regulatory reforms and increased scrutiny from regulatory authorities, the Group continues to adapt to shifting regulatory environments, while striving constantly to maintain the highest compliance standards and to support the move towards clearer regulation in the online gaming industry.

We look forward to working with our partners in the industry and with regulators toward shaping a regulatory landscape that is business-friendly whilst safeguarding the objectives of the industry's regulation.

The following paragraphs summarise the main relevant regulatory developments of 2018 and our expectations regarding changes that may impact 888 in 2019.

Licences



US

Nevada
Delaware
New Jersey

Europe

UK	Italy
Gibraltar	Denmark
Ireland	Malta
Romania	Portugal
Spain	Sweden

Europe

2018 saw several European jurisdictions adopting new regulatory regimes for online gaming or significantly amending existing regimes. Though a growing number of European jurisdictions now have robust regimes in place allowing for the licensing of commercial operators to offer various forms of online gaming, there remain pockets within Europe where the regulatory regimes are ambiguous, non-compliant with EU law, or simply ignore the technological advancements in the industry. We perceive these as obstacles to the growth of the industry and also as an impediment to channelling commerce towards secure and compliant operators, leaving players less protected and with less access to quality services. We hope, therefore, that 2019 will see a further elimination of this situation in those jurisdictions where it persists.

With attention in the EU dedicated to Brexit, there were no noticeable developments at the pan-European level dedicated to gambling, and regulation continued to develop on the national level. Similarly, 2018 saw no landmark rulings by the European Court of Justice on matters pertaining to gambling.

The entry into force in 2018 of the GDPR had a significant effect on the privacy and data protection practices of companies dealing with information relating to EU residents, and 888 brought its practices and policies in line with the requirements imposed by this Regulation.

Brexit, presently scheduled to occur in March 2019, could see Gibraltar cease to be a part of the EU. As a Gibraltar-based group, with many of its licensed subsidiaries registered in Gibraltar, the Group commenced a restructuring of its European-facing business during 2018, to be completed in Q1 2019. This would see part of the Group's operations migrated to other EU Member States, most notably Malta, where the Group is now a licensed operator. Other parts of the Group's business will remain in Gibraltar. The final form of this restructuring may be dependent on the particulars of the UK's departure from the EU, however the Group has put measures in place to ensure that its operations continue undisturbed under any variation of Brexit.

Regulation and General Regulatory Developments Continued

Europe continued

A number of regulatory developments in European jurisdictions during 2018 have had an effect on 888's operations and will continue to do so in 2019:

- In the UK, 888's main market, the Group continued adapting to meet the developing and increasingly more stringent regulatory requirements, a process which continues to require significant efforts and the implementation of changes in many areas of the business. 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.
  - The UKGC placed significant attention during 2018 on the protection of consumers, specifically problem gamblers and underage gamblers, and on raising standards in the gambling market. These focal points will be monitored, as before, by both the UKGC and the CMA. 888 implemented sweeping changes to our problem gambling detection systems, updating triggers and introducing additional interaction points, in an effort to better identify potential problem gamblers and prevent the use of our services by those for whom they are not appropriate.
  - During 2018, the UKGC issued fines to various operators for failings pertaining to consumer protection, money laundering and the use of proceeds of crime for gambling. We have scrutinized the UKGC's findings and determinations in these cases and, where necessary, have implemented changes in the Group's business modalities to ensure they are in line with our understanding of the UKGC's expectations and demands.
  - The Group continued to engage with the UKGC with respect to cases submitted to its attention by the UKGC and is committed to continuing its open and productive dialogue with the UKGC on all matters pertaining to our operations.
  - Late in the year, UK licensed bookmakers agreed to self-impose an advertising watershed. This came amid calls, including within Parliament, for the imposition of stricter restrictions on the advertising of gambling services.
  - The UKGC has reportedly been working with banks on a plan that would give players the possibility of restricting or blocking gambling-related transactions directly from their bank accounts. A leading high-street bank has already made such an option available to account holders. This development, as well as the introduction during 2018 of GamSTOP (a national self-exclusion program) could have a significant impact on UK-licensed operators.
- In January 2019, the Group obtained a license in Portugal in order to bring its offering to players in this jurisdiction.
- On 1 January 2019 a new law regulating the online gaming market came into force in Sweden. 888 obtained a Swedish license under this new law and now offers its services in Sweden under a local license and in accordance with the new regulatory framework in place in this jurisdiction.
- In Switzerland, voters in a referendum upheld a new law regulating the online gaming and betting market. This law, which came into force on 1 January 2019 (with a 6 month transitional period for enforcement), provides for the licensing of land-based casinos to offer online casino gambling. The Group continues to investigate potential business opportunities in this newly regulated market and will evaluate its strategy with respect to the Swiss market, in light of the new law, accordingly.
- In the Netherlands, progress towards liberalization of the market continued, and legislation introducing a new regulatory framework for online gaming was passed by Parliament in February 2019. In the interim, the Dutch regulator continued to update its enforcement policy, based on the "prioritization criteria" for enforcement, and issued several fines, including to large international operators, whose operations were perceived to be in violation of these criteria.
- Germany's regulatory landscape remains riddled with uncertainty, although the market yielded a few regulatory and legal developments in 2018. The future of the German Inter-State Gambling Treaty continues to be a cause for friction between the German states. Several German states (including, most recently, Hesse) have suggested they would break with the other German states if progress was not made towards liberalization of the online gaming market in line with neighbouring jurisdictions.

  In March 2018, the German Federal Administrative Court upheld the current Treaty's compliance with EU law when it comes to its prohibition of remote casinos, scratch cards and poker games, and restricting sports betting (contrary to previous rulings by both German and EU courts). This ruling, which only formally applies with respect to a particular prohibition order issued in a single German state, raised concerns over a possible shift in the approach to enforcement in other German jurisdictions. An attempt by the state of Lower Saxony to prevent payment processors from processing payments for German players has been linked to this ruling, as have efforts in the state of Baden Wuerttemberg to give effect to the prohibition orders upheld by the Federal Court. The Company filed a petition to the German Federal Constitutional Court seeking to overturn the Administrative Court ruling, and a ruling on the admissibility of this petition is pending. In parallel, the Company has sought to engage in constructive dialogue with various German authorities with respect to its operations in this jurisdiction. The Group also obtained an interim license from the state of Schleswig Holstein, whose previous licensing regime lapsed at the end of 2018. The Group remains hopeful that, as one of Europe's largest jurisdictions, Germany will make moves in 2019 to clarify its regulatory landscape and to adopt a regime that is beneficial for consumers, operators and the state.
- In Italy, where 888 renewed its licensed status after the expiry of the first set of concessions issued under the current law, lawmakers imposed an extensive ban on advertising related to gambling, which included a gradual implementation timeline and limited grandfathering of existing advertising relationships. The Group has implemented measures to comply with the new regulations, which are anticipated to have an impact on the growth of this market. Other jurisdictions in Europe where the Group operates, including Spain, have similarly been considering restrictions on the advertising of gambling services.

The United States

2018 saw major shifts in the regulatory landscape in the US. In May 2018, the US Supreme Court issued its landmark ruling overturning in its entirety the Professional and Amateur Sports Protection Act ("PASPA"). As a result, states were once again empowered to regulate sports betting within their respective territories. Some states whose laws already allowed for the regulation of sports betting subject to the removal of any federal law impediment, proceeded shortly after the ruling to launch regulated sports betting activities. Others, including West Virginia and the District of Columbia adopted legislation introducing sports betting to the state (in some cases this was restricted to land-based betting only, and in others it included online betting as well.) In Michigan, a bill to regulate online gambling was vetoed by the State Governor in the last days of 2018, returning the issue to the state legislature. New Jersey, where 888 has been operating for several years, launched regulated online sports betting shortly after the Supreme Court ruling, and the Group commenced offering these services in the state with its local partners.

The repeal of PASPA and the emergence of regulated sports betting on the state level have prompted debate in Washington DC around new federal legislation either banning sports betting or imposing a federal layer of regulation on the industry. A bill on this matter was tabled in the US Senate in the final days of 2018, but with the commencement of a new session of Congress it is unclear whether and in what form the federal legislature will address this industry.

In 2018, Pennsylvania launched online gambling under a 2017 law, including casino and sports betting.

With new legislatures and new administrations taking power in various states following the mid-term elections, proposed legislation to reform the gambling landscape in some key states is anticipated to be tabled during 2019. Attention is focused on New York where the public debate on the regulation of online gambling continued in 2018.

We believe the developments in the US have the potential to transform the US into a major gambling (primarily – betting) market, and 888 intends to follow these developments as they evolve with a view to capitalising on our strong position in this market.

Further afield

In 2018, Australia adopted a much awaited amendment to the 2001 Interactive Gambling Act, providing the authorities with significant enforcement tools against operators offering unlicensed gambling services. The Group's operations are fully compliant with the amended Act.

Two heavily populated districts of Argentina (the State and City of Buenos Aires) adopted legislation late in 2018 introducing commercial gambling services. Details about the licensing structure and scope are expected in the coming months. In parallel, the Argentinian communications regulator has increased efforts to block access to offshore online gambling services, a move which may be linked to the anticipated emergence of a locally regulated market.

Brazil, whose antiquated gambling laws did not specifically regulate online gambling, adopted framework legislation late in 2018 which would bring commercial online gambling to this significant jurisdiction. The law gives the local authorities two years to develop implementing regulations, a process which has already commenced. Given the size of this market, an accommodating regime in Brazil could represent a significant opportunity for the Group, though this is not likely to materialise in 2019.

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 re-examined the time-frame for the viability analysis of 888 pursuant to a two-stage process. The Directors have first considered the prospects of the Company taking into account its current position and principal risks. Second, they have considered whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

In this light, the Directors note that the Company operates in the online gaming sector, which has matured substantially since the early days of the internet and is now focused on predominantly regulated markets, meaning that there is now more stability and ability to assess future scenarios than ever before. Having said that, the online gaming industry remains fast-moving and dynamic, with change ongoing in the global regulatory and competitive landscape, and the industry is subject to greater consolidation than ever before, meaning that it still remains difficult to forecast a period longer than three years with any significant level of certainty.

Management currently forecasts as part of the business planning process and capital investment cycle over a varying period. A detailed bottom up model is used to budget the business for a period of one year in advance and a top down model for a period of three years.

A longer forecasting period might be required in the context of equity or debt financing, however the Company has not completed any such financing in which forecasts were produced since its initial public offering (“IPO”) in 2005, and believes that the level of certainty over any such longer period decreases to such a level as not to be useful for planning purposes.

On the basis that the top down model is sufficiently detailed for the Directors to review, the Directors consider that a reasonable period on which it can and should forecast is three years. Notwithstanding, the Board acknowledges that the Company’s prospects should persist into the longer term.

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.

The severe but plausible scenarios considered by the Directors included: exit/closure of major markets due to regulatory or legal events, a major cyber-attack and/or data protection violation, 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 their view that 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.

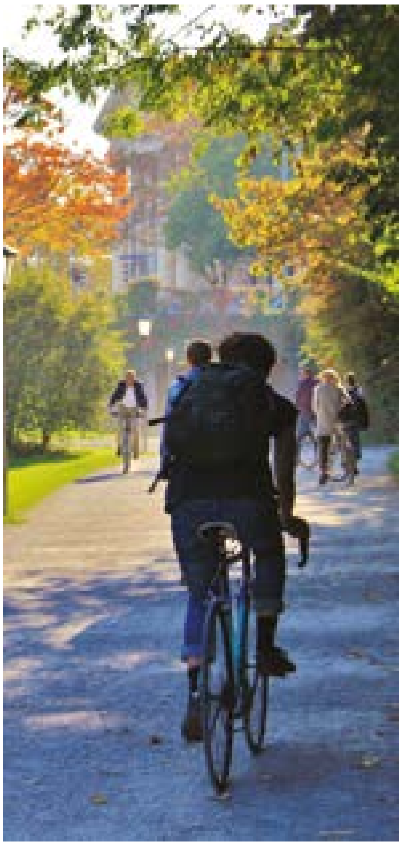
In light of the foregoing, the Directors confirm they have a reasonable expectation that 888 will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2021.

Furthermore, after careful review of the Group’s budget for 2019, 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.

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 25.

Corporate Responsibility

RESPONSIBLE BUSINESS ACTIVITIES



$90.1 m
total fiscal contribution

42%
female Group employees

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; and
- 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 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 that 888 has low emissions, that little has changed in the way it conducts its business, 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 employees around the world seriously and we 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 2018 include the following:

Focus on talent

The acquisition of technological and online marketing talent continues to be competitive. Under our employer 888 branding which positions 888 as an "employer of choice", this year we focused our various recruitment marketing initiatives, developing our talent acquisition channels. Our efforts were invested in social network presence and campaigns, intense sourcing and headhunting, the development of a revamped employee referral program, and new career websites per location.

Managing employee performance is an important topic on the Company's agenda, and in 2018 we conducted a performance-based evaluation process focusing on our performance values to align our focus on excellence and team success. Ultimately this process is aimed at achieving a more agile and goal-oriented dialogue between managers and employees and is intended to allow us to better link our compensation approach to performance.

Managerial development: Throughout 2018 we heavily invested in growing managerial skills and capabilities by addressing professional development using external managerial experts. All levels of the Company's management received attention. We deployed new managerial workshops "Leading in a Global Environment" to all managerial levels across sites, and this bespoke workshop was led by our global vendor and HR team.

Another focus of ours is growing site management in each of our locations. This year we focused on Romania and built a continuance program for all levels to build and strengthen local leadership.

Global innovation program: During 2018, we ran our first global "Firestarter" program, giving Group employees the opportunity to propose innovative solutions to the "big questions" within our business. The winning participants will represent the Company at a major innovation conference in Silicon Valley, and even more importantly – the top ideas have all been included in the Company's roadmap for delivery in 2019.

To encourage our employees' professional growth and personal development, in 2018 we continued to focus on internal mobility and career development. Our internal mobility program in 2018 included over 87 employee career moves.

Finally, we continue to invest in new managers promoted for their first managerial role with dedicated programs in all sites.

Employee experience

Throughout 2018, we aligned our welfare plans across all 888 sites, celebrating special events reinforcing our warm and friendly organizational climate. In addition, in 2018, we initiated global site gatherings throughout the year, sharing the Group's vision.

Organisational development

As our business landscape continues to change and adapt, so does our organizational structure. 2018 included many changes to our divisional working structures allowing us to maintain our dynamic business edge.

During 2018 our B2C marketing division implemented a top-down restructuring to address the market and operational needs. This process included the formation of a new divisional management and brought along with it changes in all divisional levels.

To support these organizational changes, we devised a new cross-company nomination process based on standardization of roles and selection criteria. This methodology will continue to serve us through the years to maintain our managerial balance and efficiency.

HR Tools

During the year we prepared for the launch of a new HR system, SuccessFactors, which will allow us to streamline all HR data across sites.

In addition, and as part of our efforts to automate HR processes, we also introduced a new cloud-based global recruitment system, providing related analytical insights with the click of a button.

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 within 888, 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 2018, there were no material labour disputes, litigation, or health and safety related fines or sanctions imposed on 888. 888 has adopted a written Board diversity policy, in addition to statutory requirements in this respect in certain of its locations. During 2018, 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. 888 furthermore makes contributions to employee pensions in accordance with applicable law and practice.

Corporate Responsibility Continued

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 within 888.

Responsible gaming

888 is constantly developing new and innovative ways to deliver a responsible gaming environment. Our goal is to ensure that all those who visit our sites can do so with confidence and that those for whom our games are not intended, notably underage and vulnerable individuals, will not be drawn into the gaming environment and those few customers who develop a gambling problem are quickly identified and helped. Conducting business responsibly is fundamental to the future success of 888, and we are absolutely committed to a proactive policy of corporate and social responsibility that reflects the high professional and ethical standards we set for ourselves across the business.

Steps taken in 2018 included:

- Decreased the amounts customers can deposit during various periods, through the imposition of lower deposit limits;
- Improving anti-money laundering and "Know Your Client" checks, including an increase in the amount of information and supporting documentation requested from customers (or obtained from third parties) earlier in the customer life-cycle and updates to the various circumstances which trigger enhanced customer due diligence;
- Implementing organizational changes in order to strengthen regulatory compliance oversight as well as to improve co-operation between the different departments and streamline the process of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests;
- Improved the "Observer" tool (888's proprietary customer behaviour tracking system) so that it captures a broader range of changes in player behaviour. The algorithms used by the Observer platform are periodically updated to improve accuracy, implement learnings from real-world examples, and meet the evolving regulatory requirements. This resulted in improvement of the scope and type of players that have been flagged for RG review and interactions;
- Improved UK responsible gaming related processes and procedures, under which maximum cash-out timeframe has been shortened, withdrawal restriction for Jackpots and other big wins has been removed and self-excluded players who request to return to gambling following the lapse of the respective self-exclusion period are required to provide certain information as per the Company's policy;
- 888 continued its review of marketing practices for various marketing materials published in the UK, which included an extensive review and monitoring of marketing affiliates' and B2B partners' websites, as well as reducing the number of affiliates so that we can better monitor and supervise those affiliates that remain engaged;
- 888 updated the terms and conditions that apply to UK customers with a view to improving the level of clarity and enhancing compliance with consumer protection regulations;
- Extended responsible gaming related training programs and sessions, through an internal annual training session focusing on interactions with VIP players and an additional training session conducted by external representatives from a responsible gaming related organisation;
- 888 joined responsible gaming forums to extend its involvement in initiatives led by the UK Gambling Commission and the online gambling industry.

During 2019, 888 intends to further improve the "Observer" system, improve research into effect of customer interactions on customer behaviour, improve customer interaction communication, analyse and assess possible ways to increase consumer awareness and continue to strengthen technological quality assurance and processes which relate to regulation and compliance.

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 (GB Group) to identify and track minors if they log into our software.

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.

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 line with the Group's increased awareness and focus on social responsibility, in 2018 we continued our internal program named GR8 PEOPLE, allowing 888 employees to spend time 'giving back' to underprivileged sectors of the community (for example, people from minority groups or people with disabilities) with employees volunteering to join one of the ongoing activities dedicating their time and effort throughout the year. In addition, employees in the Group's Israeli office dedicated working hours to sharing their unique knowledge, whether in the field of online marketing, technology or other areas, with charitable organisations.

Anti-Modern Slavery

888 has adopted an Anti-Modern Slavery Policy, in the context of which the Group carried out a detailed risk assessment and is implementing various measures to prevent Modern Slavery practices both in its operations and through its supply chain (including, but not limited to, the provision of a letter to suppliers outlining the Group's policy, inclusion of relevant representations and provisions in supplier contracts and satisfactory completion of due diligence questionnaire if deemed required in the circumstances). During 2018, no red flag events were reported under the Anti-Modern Slavery Policy.

Fiscal contributions

During the year the Group made fiscal contributions totalling US$90.1 million (2017: US$ 92.1 million) comprising of corporation tax of US$13.9 million (2017: US$6.2 million), VAT of US$6.3[1] million (2017: US$ 10.7 million) and gaming duties of US$69.9 million (2017: US$75.2 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.

Anti-bribery and corruption

We are committed to operating with integrity and complying with all relevant laws, including all applicable anti-corruption legislation. 888 has a zero-tolerance approach to bribery and corruption; a position clearly set out in our Anti-Bribery and Corruption Compliance Program which applies to all 888 Group personnel. During 2018, the internal approvals process was implemented as regards gifts given and received as required pursuant to the programme.

Recognition

In January 2019, in recognition of 888's transparent management and clearly-defined environmental, social and governance criteria, 888 was admitted to the FTSE4Good index. 888 is proud to have been recognized for its efforts in these areas.

On behalf of the Board:

Brian Mattingley
Chairman
12 March 2019

Diversity

Diversity is important to us as we believe that only through access to the most diverse pool of people will we recruit and retain the most talented individuals to serve our customers. We actively seek to recruit and advance women into our top levels of management.

When seeking to recruit new Non-Executive Directors to the Board, the Nominations Committee considers the benefits of all aspects of diversity including, but not limited to, age, gender and educational and professional backgrounds, in order to enable it to discharge its duties and responsibilities effectively. Board appointments are made on merit by assessing candidates against objective criteria in the context of the overall balance of skills and backgrounds that the Board needs to maintain in order to remain effective. Where appropriate, steps are taken to identify and remove unnecessary or unjustifiable barriers.

A summary of the breakdown of men and women across 888 as of 31 December 2018, is as follows:

	Men		Women	
	Number	Percentage	Number	Percentage
Board of Directors	5	84%	1	16%
COO/Senior Vice Presidents	6	75%	2	25%
Vice Presidents	15	75%	5	25%
Other Group Employees	771	58%	562	42%

1 Excluding US$10.7 million VAT accrual release.

Board Of Directors

EXPERIENCED MANAGEMENT

1 – Brian Mattingley

Chairman
Age: 67

Relevant skills and 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**

2 – Itai Frieberger

Chief Executive Officer until January 2019
Age: 48

Relevant skills and 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 served 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 stood down from his role as the Group's Chief Executive Officer in January 2019, and in order to ensure a smooth transition will remain as a Director for a period of up to 12 months.

3 – Itai Pazner

Chief Executive Officer from January 2019
Age: 46

Relevant skills and experience

Mr. Pazner was appointed as COO in November 2017 and as Chief Executive Officer of the Company in January 2019. He was appointed to the board in March 2019.

He has worked for the Group since 2001, initially launching the 888.com brand in the UK and positioning 888.com as a top 3 UK online gaming operator. Other roles included Global Offline Marketing Director, Senior Vice President Head of EMEA, Senior Vice President of B2C (Casino) and Senior Vice President Head of B2C.

Prior to joining the Group, Mr. Pazner held managerial positions at Internet Gold, a leading ISP.

› Read more from Itai **on pages 08 and 15**

4 – Aviad Kobrine

Chief Financial Officer
Age: 55

Relevant skills and 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 and 23**

5 – Ron McMillan

Senior Independent Director
Age: 66

Relevant skills and 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, SCS Plc and B&M European Value Retail SA, and Chairman of the Audit Committee of Homeserve plc. 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.

A R N G

› Read more from Ron **on pages 77**

6 – Zvika Zivlin

Independent Non-Executive Director
Age: 53

Relevant skills and experience

Zvika Zivlin is the Founder and Managing Partner of Tulip Capital, the exclusive partner firm of Wells Fargo Securities in Israel, is a strategic partner to Alias Tech (JB Capital), and currently serves on the advisory board of Infinidat Ltd.

Mr. Zivlin has been engaged in projects covering the fields of insurance, banking, real estate, technology and communications, and was previously Chief Executive Officer of Trans4u Ltd and Chief Financial Officer of GSI Group. Mr. Zivlin holds an MSc in Economics from the London School of Economics, an MBA from Tel Aviv University (1st year, with distinction) and a BA in Economics and Management from Tel Aviv University (with distinction). Mr Zivlin is the Chairman of the Company's Remuneration Committee and a member of the Audit Committee, Nominations Committee and Gaming Compliance Committee.

A R N G

› Read more from Zvika **on pages 60 and 76**

7 – Anne de Kerckhove

Independent Non-Executive Director
Age: 46

Relevant skills and experience

Anne de Kerckhove is currently the CEO of Freespee - a fast growing company in the communication cloud space. Previously, she was the CEO of Iron Capital and the Managing Director EMEA for Videology, Global Director of Reed Elsevier, and COO and International Managing Director at Inspired Gaming Group. Ms. de Kerckhove is also an angel investor and mentor for early-stage startups and entrepreneurial funds including Metail, CRE and Daphni, and holds board positions with 7digital. She holds a Bachelor of Commerce from McGill University and an MBA from INSEAD. Ms. de Kerckhove is a member of the Company's Remuneration Committee, Audit Committee and Nominations Committee.

A R N

Committee Key

A Audit Committee

R Remuneration Committee

N Nominations Committee

G Gaming Compliance Committee

● Chairman of Committee

○ Member of Committee

Directors' Report

The Directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2018. The Strategic Report, Corporate Governance Statement and Directors' Remuneration Report on pages 08, 50 and 59 respectively, form part of this Directors' Report.

Results

The Group's profit after tax for the financial year of US$94.8 million (2017: US$12.6 million) is reported in the consolidated income statement on page 90. The Board is recommending a final dividend of 6.0¢ per share plus an additional one-off 2.0¢ per share, which together with the interim dividend of 4.2¢ per share equals 12.2¢ per share for the year (2017: 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 pages 42 and 43. 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 Memorandum & Articles of Association ("Articles"), 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, stepped down 23 January 2019)

Itai Pazner (first appointed 8 March 2019)

Aviad Kobrine (first appointed 30 August 2005)

Ron McMillan (first appointed 15 May 2014)

Zvika Zivlin (first appointed 9 May 2017)

Anne de Kerckhove (first appointed 28 November 2017)

The beneficial and non-beneficial interests of the Directors and their closely associated persons (pursuant to Article 19 of the European Market Abuse Regulation) in shares of the Company are set out in the Directors' Remuneration Report on pages 60 to 76. There has been no change in the interests of Directors in shares of the Company between 31 December 2018 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 2018, the issued share capital of the Company comprised 364,284,539 Ordinary Shares of GBP £0.005 each ("Ordinary Shares").

At the Annual General Meeting held in May 2018, 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 2018, provided that, in accordance with institutional guidelines issued by the Investment Association, this would permit up to a maximum nominal value of £1,198,937.59 (66.66%) to be allotted pursuant to a rights issue and up to a maximum nominal value of £599,468.79 (33.33%) to be allotted otherwise. Furthermore, the Board was empowered to allot equity securities of the Company for cash without application of pre-emptive rights under the 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 £89,929.31; 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 £89,929.31;

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 2019.

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 2018, the Company did not exercise any of the foregoing powers and authorities.

Share Buy Back Authority

The Directors do not have any power in relation to the buy back by the Company of its own Ordinary Shares. In 2018, the Company did not seek authority to and did not purchase any of its own Ordinary Shares. The Directors intend to propose a resolution to seek authority to purchase the Company's own Ordinary Shares at the 2019 Annual General Meeting.

Rights attaching to Ordinary Shares in the Company

The rights and obligations attaching to Ordinary Shares are set out in the Articles.

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 Articles can only be amended by a special resolution at a general meeting of shareholders. There were no changes to the Articles during 2018.

Deadlines for exercising voting rights at the 2019 Annual General Meeting

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 17 May 2019. 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 16 May 2019.

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.

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 licensee, 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 5%) 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 fulfilment 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 Articles include provisions to ensure that 888 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 (as defined in the Articles) 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 2018, Virtual Share Services Limited (a wholly owned subsidiary of the Company) held 3,694,587 Ordinary Shares in its administrative capacity in connection with the 888 Holdings plc Long-Term Incentive Plan 2015 and Deferred Share Bonus Plan. Full details are set out on page 63.

Directors' Report Continued

Substantial shareholdings

As at 31 December 2018, 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 Financial Conduct 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	23.69%	Indirect
Standard Life Aberdeen plc	35,892,391	9.85%	Indirect
The Phoenix Holdings Ltd.	19,006,183	5.22%	Indirect

Between 31 December 2018 and the date of this Annual Report, no further notifications were received regarding holdings comprising 5.0% of the Company's issued share capital. 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

The Company is a party to a relationship agreement with, among others, Sinitus Nominees Limited as trustee for Dalia Shaked ("DS Trust") dated 14 September 2005 which was amended on 16 July 2015 (the "Amended Relationship Agreement"). The O Shaked Shares Trust and the Ben Yitzhak Family Shares Trust (together with Dalia Shaked Bare Trust, the "Principal Shareholder Trusts") are also party to the Amended Relationship Agreement but are no longer bound by certain material provisions since they are no longer shareholders of the Company.

The Amended Relationship Agreement includes the following provisions in respect of the independence of the Company (in accordance with the UK Listing Rules) which provide that DS Trust shall, and shall procure as far as it is legally able, that its respective associates:

- 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;
- not take any action which precludes or inhibits 888 Holdings plc, or any member of the Group, from carrying on its business independently of it;
- 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
- 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 the DS Trust will not solicit Group employees without consent, that only independent directors can vote on proposals to further amend the Amended Relationship Agreement, that the DS Trust 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 DS Trust's power to appoint Directors and includes obligations on the DS Trust to exercise its voting rights to ensure that the majority of the Board, excluding the Chairman, is independent.

The DS Trust 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 DS Trust whilst it holds 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 R (14), the Board confirms for that period of financial year 2018 during which the Company had a controlling shareholder:

- the Company has complied with the independence provisions included in the Amended Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Amended 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.

As at the date of this Annual Report, the Company has no controlling shareholder as defined under the UK Listing Rules.

Shareholders' Agreements

There are no known Shareholders' Agreements in force between shareholders of the Company.

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. The RCF between the Company and Barclays Bank plc provides that in the event of a change of control in the Company, the parties have 30 days to negotiate acceptable terms to continue the facility, failing which it will be cancelled and all outstanding amounts thereunder will be immediately payable.

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 exposure to specific countries and trading counterparties, to be low. During 2018, 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 25 to the annual accounts on page 124.

Directors' indemnities

The Articles 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 the Executive Directors to indemnify them to the fullest extent permitted by applicable law and the Articles in connection with the execution of their duties and/or exercise of their 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 Annual Report for the year ended 31 December 2011. Finally, the Company entered into qualifying third-party indemnity arrangements for the benefit of all of its Directors in a form and scope which comply with the requirements of the UK Companies Act 2006 and the Gibraltar Companies Act 2014 which were in force from 1 November 2017 (or subsequently, with respect to subsequently appointed directors) and remain in force.

Corporate governance

The corporate governance statement is on pages 50 to 57 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 page 36, and are incorporated in this Directors' Report by reference.

Principal subsidiary undertakings

The principal subsidiary undertakings are listed on page 120.

Directors' Report Continued

Research and development activities

In 2018, the Group maintained its focus on enhancing the products offered, expanding its platform which is accessible on mobile devices and further developing its gaming platform capabilities.

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

- Implementation of a cross-Group project to ensure the Group's compliance with the EU General Data Protection Regulation ("GDPR")
- Development of new front end for our Sport in Casino offering
- Major investment in compliance management and monitoring
- Increased foothold in regulated markets: Portugal (Casino) and Sweden (Sport, Casino and Poker)
- The opening of the US market for 888sport NJ betting, which gave 888 the opportunity to be amongst the first companies to operate in this market
- Launch of a new and advanced platform for 888casino (Orbit) in regulated markets, including full integration with registration and cashier, new smart search, fully responsive, personalised experience, improve user flow and interface
- Improvement of real time abilities improving player experience of campaigns
- Integration to new Casino game providers – Pariplay, Evolution, NyX
- Major infusion of new 3rd party games to 888casino on PC and mobile platforms.

127 unique games added to Casino platform, including 10 new Section8 games, of which 3 entered the top 15 games

- Introduced a new and exciting feature that allows Sport players to race against each other when betting on their favourite leagues
- A new user interface for Poker DL table. Exciting user experience that will create additional level of engagements on top of the common poker engagement and provide to our players experience that no other poker room has provided
- First step into the realm of AI on 888casino – a new game recommendation model with a personal list of top picks which suggests games to players according to a smart algorithm
- More payment capabilities in our Bingo offering, new and unique bonuses, and more games; and
- A new tournament format "Progressive Knockout", released in order to encourage Poker ecosystem growth.

Greenhouse gas emissions

Details of 888's greenhouse gas emissions are set out in the Corporate Responsibility section of the Strategic Report on page 38.

Post-period events

The following important events affecting the Group occurred since 31 December 2018:

- In February 2019, the Group announced the acquisition of a portfolio of bingo brands, including Costa Bingo, as detailed on page 19
- In March 2019, the Group announced the acquisition of the BetBright sports betting platform, as detailed on page 18
- In February 2019, 888 signed an RCF with Barclays Bank plc, as detailed on page 23.

Future developments

Likely future developments in the business of the Group are set out in the Market Overview on page 06.

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 2019 Annual General Meeting.

During the year ended 31 December 2018, Ernst and Young LLP were reappointed as auditors for the purposes of the Company preparing financial statements as required pursuant to the UK Listing Rules and the DTRs. 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.

Details of audit and non-audit fees charged by EY to the Company are set out on page 77 of the Audit Committee Report.

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 International Financial Reporting Standards ("IFRS") 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 Company 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, performance, business model and strategy.

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

(a) the financial statements, prepared in accordance with IFRS 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 as Directors 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 Pazner
Chief Executive Officer
12 March 2019

Corporate Governance Statement

The Company's Ordinary Shares are admitted to the premium segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities. 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 April 2016 applied to the financial year under review, and the Company is committed to compliance with the version of the Code published in July 2018 with effect from 1 January 2019.

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 2018, the Company was in material compliance with the UK Corporate Governance Code 2014, other than as regards the following:

- The Chairman of the Board, Brian Mattingley, has been a member of the Board since August 2005.

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 for constructively challenging and helping 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 53 and 57), 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.

Board activities

During 2018, the Board assessed and monitored 888's culture, including in particular the further implementation of the Group's across-the-board compliance culture in the field of responsible gaming. Where the Board is not satisfied that policy, practices or behaviour throughout the business are aligned with the Company's purpose, values and strategy, the board seeks assurance that management has taken corrective action. In 2018, the Board was satisfied in this respect. The Board assessed the basis on which 888 generates and preserves value over the long-term, including by way of growing and developing the business in regulated markets.

Investing in and rewarding the workforce

The Company's approach to investing in and rewarding its workforce is set out under "Corporate Responsibility" on pages 38 to 41.

Shareholder engagement

During 2018, 888's Chairman Brian Mattingley met with the Company's major shareholders in order to discuss the Company's performance and to address any concerns. Furthermore, in advance of adoption of the Company's revised Remuneration Policy described on pages 58 to 76, the Company presented the proposed Policy to its major investors and proxy voting agencies, and engaged with them accordingly.

At the 2018 Annual General Meeting, all resolutions were passed with a high level of shareholder approval and there was no resolution recommended by the Board which garnered 20 per cent or more votes cast against.

Key stakeholders

The Company's key stakeholders are its shareholders, employees and customers as well as the communities in which it does business. The Board takes care to engage with its stakeholders, as detailed in the Corporate Responsibility section on page 38 and the Remuneration Report on page 60. The interests of the Company's key stakeholders are considered in Board discussions and decision-making. Whilst as a Gibraltar company, the UK Companies Act 2006 does not apply to the Company, the matters set out in section 172 thereof, which include the likely consequences of any decision in the long term, the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the company, are taken into account by the Board in its decision-making to the extent permitted under Gibraltar law.

The Board continually reviews its engagement mechanisms in order to make sure that it is engaging with its stakeholders effectively.

Engagement with the workforce

888 does not currently formally consult employees on remuneration but has a timetable and agenda of actions for 2019 to ensure it is compliant with the new requirements of the UK Corporate Governance Code going forwards. This will include considering workforce policies and practices and how it can best fulfil its obligations to engage with the wider workforce to explain the alignment of Executive Director pay to the wider organisation.

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

The Chairman, Mr Mattingley, and the Chief Executive Officer (until January 2019), Mr Frieberger, have had a close working relationship to ensure the integrity of the decision-making process of the Board and the successful delivery of 888's strategy. The new Chief Executive Officer Mr Pazner is similarly committed to working closely with the Chairman in order to ensure continuity and stability for the Company; in addition, to ensure a smooth transition, Itai Frieberger will remain as a Director of the Group for a period of up to 12 months. There is a clear division of responsibilities between the Chairman and the CEO, which the Board considers an important part of its corporate governance.

Mr. Mattingley was not independent on his appointment as Executive Chairman in March 2015 as he had previously held the role of Chief Executive Officer. Mr. Mattingley's appointment at the time as Executive Chairman was approved by the Board in light of the benefits to the Company in terms of his experience of the gaming industry, extensive knowledge of the business, and in maintaining and developing relationships with regulators.

Non-Executive Directors' 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. The same is true of independent Non-Executive Directors Zvika Zivlin and Anne de Kerckhove.

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.

Corporate Governance Statement Continued

Board diversity policy

The Group has adopted a Board Diversity Policy, which sets the Company's aspiration for diversity of its Board without compromising on the quality or merit of candidates including their aptitude and ability. The policy refers to the diversity criteria of age, gender and educational and professional backgrounds. Whilst the policy seeks to ensure that appointments are based on the candidate's strengths set by objective criteria including their past contributions and potential, the benefits of diversity are also regarded and decisions are not influenced by certain protected characteristics including gender, sexual orientation, marital or civil partnership status, gender reassignment, pregnancy, the undergoing of fertility or in vitro fertility treatment, parenthood, part-time or fixed-term status, age, race, religion or belief, nationality, ethnicity, country of origin, place of residence, views, disability, trade union membership and political affiliation. Where appropriate, steps are taken to identify and remove unnecessary or unjustifiable barriers. The standards set out in the policy apply to the Board and its committees, which are the Company's administrative, management and supervisory bodies.

The Board was satisfied that during 2018, steps were taken to promote the diversity objectives of the policy. The Group's activities detailed in the Corporate Responsibility section on page 41 support the Group's diversity objectives.

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 38 to 41.

Effectiveness

Board composition

During 2018, the Board consisted of six Directors, as follows: a Chairman (Brian Mattingley), a Senior Independent Director (Ron McMillan), two independent Non-Executive Directors (Zvika Zivlin and Anne de Kerckhove), and two Executive Directors (Itai Frieberger as the Chief Executive Officer, and Aviad Kobrine as the Chief Financial Officer). In March 2019, the new Chief Executive Officer Itai Pazner also joined the Board.

The biographical details of all of the Directors, setting out their relevant skills and experience and their professional commitments, are given on pages 42 to 43.

Independent Directors

Currently, 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. In 2018, at least half of the Directors, excluding the Chairman, were independent Non-Executive Directors (as required by the UK Corporate Governance Code).

The role of the Senior Independent Director (Ron McMillan) 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.

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. The Nominations Committee had a central role in succession planning for the CEO role. Over the course of 2018, the alternatives were carefully considered and the Board ultimately decided to appoint Itai Pazner as CEO in January 2019. Itai Pazner has been with 888 for 18 years and previously served as its Chief Operating Officer. Furthermore, in order to ensure a smooth transition, it was decided that Itai Frieberger would remain as a Director of 888 for a period of up to 12 months.

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 Chairman of the Board Brian Mattingley (Chairman), Senior Independent Director Ron McMillan, Independent Non-Executive Director Zvika Zivlin and Independent Non-Executive Director Anne de Kerckhove.

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 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 is also responsible for pursuing diversity within the scope of its mandate, including setting measurable objectives and monitoring progress on achieving such objectives. In considering new Board appointments, diversity (including of gender, age and professional and educational background) is one of the criteria considered by the Nominations Committee in accordance with the Board's Diversity Policy. The Company's statement regarding diversity is set out in the Corporate Responsibility section of the Strategic Report on page 41.

During 2018, the Nominations Committee's work included the following:

- Succession planning for the CEO role: In the present case, the Nominations Committee considered that an internal appointment was most appropriate. In general, the Nominations Committee acknowledges its role in supporting the development of a diverse pipeline of candidates for senior management
- Monitoring the board evaluation process which is described on page 54.
- Implementing the Board's diversity policy which is described on page 41 (including considering the gender balance of senior management and their direct reports).

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 election or re-election 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.

The Chairman has disclosed details of his other significant commitments to the Board during 2018 and these are detailed in his biography on page 42.

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 for 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 2018, the Board met seven times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2018.

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 or she 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.

	Total number of meetings held during the year ended 31 December 2018 and the number of meetings attended by each Director				
	Board	**Audit committee**	**Remuneration committee**	**Nominations committee**	**Gaming Compliance committee**
Total held in year	7	3	2	1	5
Brian Mattingley	7	N/A	N/A	1	N/A
Itai Frieberger	7	N/A	N/A	N/A	N/A
Aviad Kobrine	7*	N/A	N/A	N/A	N/A
Ron McMillan	7	3	2	1	5
Zvika Zivlin	7	3	2	1	5
Anne de Kerckhove	7	3	2	1	N/A

* Includes one meeting attended as an observer.

Corporate Governance Statement Continued

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 in-depth evaluation of the Board and its Committees relating to performance in 2018 was carried out in December 2018. This 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 questionnaires and face to face meetings with Board members, senior management and 888's external legal advisers. The next Board evaluation is scheduled for the end of 2019.

The evaluation culminated in a number of recommendations, including as regards succession planning, the structure of and preparation for Board meetings, tracking of Board decisions, development of Company strategy, addition of Non-Executive Directors and additional exposure of the Non-Executive Directors to the Company's business. 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, and proposes them for re-election or election at the 2019 Annual General Meeting.

1 References in this Annual Report to Company Secretary refer to Herzog Fox & Neeman. The Company secretary for Gibraltar corporate purposes is Straits Secretaries (Gibraltar) Limited.

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[1] 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 2018. Itai Pazner was appointed as Chief Executive Officer in January 2019 and as a Director in March 2019.

As noted above, the Chairman regularly agrees and reviews each Director's training and development needs. Members of the Board 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 Articles 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 2018 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; and
- reporting information of companies around the Group which enable the Company to prepare consolidated financial statements including management accounts.

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 2018, are set out in the Audit Committee Report on pages 77 to 80.

During the year the Company's Audit Committee comprised Senior Independent Director Ron McMillan (Chair) and Independent Non-Executive Directors Zvika Zivlin and Anne de Kerckhove.

During 2018, Deloitte carried out the Company's internal audit function, reporting to the Audit Committee; during 2018, the internal auditor provided twelve reports to the Audit Committee and discussed the internal audit working plan for 2019.

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 24 and 36 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 Zvika Zivlin (Chair), Senior Independent Director Ron McMillan and Independent Non-Executive Director Anne de Kerckhove.

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 70.

The Remuneration Committee was advised during part of 2018 by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc, and the remainder of 2018 by Korn Ferry. Neither remuneration consultant has any other connection with 888 or any of the Directors. Further details are provided on page 76.

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 60 to 76. The Remuneration Committee's terms of reference are available on the Company's website, corporate.888.com.

Corporate Governance Statement Continued

Gaming Compliance Committee

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

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 whistle-blowing incidents were internally reported by the Company's employees during 2018 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 these 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. Details of engagement with shareholders during 2018 are set out on page 76.

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 2019 Annual General Meeting (scheduled to be held on 21 May 2019) and private investors are encouraged to take advantage of the opportunity given to ask questions. All Board members (including the Chairs 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.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the Risk Management Strategy report on page 24.

Corporate Social Responsibility Statement

The CEO 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 38 to 41.

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	N/A

On behalf of the Board:

Brian Mattingley
Chairman
12 March 2019

Statement by the Chairman of the Remuneration Committee

DIRECTORS' INTERESTS & THEIR REMUNERATION

Incentive plans are aligned to profitability of the business, long-term sustainable growth and shareholder value, which we believe derive from implementation of 888's strategy.

Zvika Zivlin
Chairman of the Remuneration Committee

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 and shareholder voting requirements of a UK incorporated company.

At this year's Annual General Meeting we will seek triennial shareholder approval to our Directors' Remuneration Policy and shareholders will be provided with a binding resolution to approve the Policy and the usual annual advisory vote to approve this Annual Statement and our Annual Report on Remuneration.

Remuneration policy and strategy

Following a review of the current policy, the Committee has concluded that the policy continues to support Group strategy and that no significant changes are required.

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, employees, community and act responsibly.

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

The Committee has taken the opportunity to incorporate into the new policy changes to take account of latest best practice and the new UK Corporate Governance Code. The changes to the policy are set out in summary below:

- the policy currently provides for a maximum annual pension contribution of 15% of salary. Our new CEO, Itai Pazner, and our CFO receive an annual pension contribution equal to 15% of salary, which is aligned to the workforce average and statutory requirement in Israel, where the Group subsidiary which employs the most Group personnel is located. For any new appointments, the Committee will align pension contributions to the workforce level, taking into account market practice and legal requirements in the country of the executive and the wider workforce.
- a two-year post-vesting holding period will be introduced for LTIP awards granted in or after 2019 to create a five-year period between the grant of awards and the earliest opportunity for sale of vested shares (except for any earlier sale of shares to meet any tax liabilities triggered on vesting).
- our share ownership requirement will be retained at 200% of base salary. The Committee has considered carefully the UK Corporate Governance Code requirement to develop a policy for post-employment shareholdings and how to provide an appropriate balance between aligning executives to Company performance post-employment, which is in part a continuation of the business strategy they have developed, but also taking into account the fact that the volatility in the market, likely future changes in regulation and the actions of a new management team are not under their control. To achieve the right balance, an updated policy on post cessation of employment shareholdings for leavers will require LTIP post vesting holding periods to continue post cessation of employment to the extent that this provides an interest in shares for two

years after leaving. A good leaver would also retain an interest in both unvested annual bonus deferred share awards and prorated LTIP awards post-employment. The Committee will keep under careful review developments in market practice, but other than those LTIP awards subject to a holding period, there will be no requirement to hold beneficially-owned shares after cessation of employment under the proposed policy.

- the Committee will have discretion to adjust the formulaic outcome of incentive awards in circumstances where the Committee believes the outcome is not reflective of underlying corporate performance, the investor experience or employee reward outcome.
- the current clawback and malus provisions are being broadened, enabling the Committee to recover and/or withhold payments in the event of failures of risk management, corporate failure and reputational damage.
- dividend equivalent payments on deferred share awards granted under the new Policy will be made in shares and only exceptionally where necessary in cash (previously there was the choice of cash or shares).

Operation of our policy in 2019

With CEO succession we have taken the opportunity to reduce remuneration. Our new CEO, Itai Pazner, was appointed on 24 January 2019 on a base salary of ILS2,520,000 (equivalent to circa £540,000) which will not be increased during FY19. Our former CEO, Itai Frieberger, will remain on his FY18 base salary (ILS 3,275,000) for the duration of his notice period. The CFO will receive a salary increase of 2% for FY19 compared to an average workforce increase of just over 4%.

Annual bonus maximum opportunity for FY19 will be the same as FY18 being 150% of salary for the CEO, CFO and our former CEO, Itai Frieberger.

Our new CEO will receive the same level of LTIP award as our former CEO, of 200% of salary, and the CFO's LTIP award will be 150% of salary, in line with the award he received in FY18. No LTIP award will be granted to former CEO Itai Frieberger for FY19.

The annual bonus performance condition will continue to be based on like-for-like adjusted EBITDA, with target payment of 50% of maximum for achieving a stretching budget figure, increasing to full pay-out for a stretching target above budget. The target range is lower than the FY18 EBITDA figure, recognising the currently extremely challenging regulatory environment and the general industry outlook for the year ahead. The targets are, however, as stretching as those set last year and will be disclosed with performance against them retrospectively in next year's annual report on remuneration.

We believe that a focus on EBITDA, the most important KPI based on the profitability of the Company, is the most straightforward approach to ensure a robust link between reward and performance.

The Committee has considered carefully the performance metrics for the 2019 LTIP awards given the increasingly difficult regulatory environment in which 888 operates and recognising the difficulty to set accurate long-term financial performance conditions for the next 3-year LTIP performance period. The Committee has therefore determined that the 2019 LTIP award will be based on a performance condition comparing 888's relative TSR to that of its gaming industry peers, all of whose performance is likely to be affected by similar external industry-related factors. The Committee believes this provides a strong alignment of interest between executives and shareholders. Previously, awards have been based 50% on adjusted EPS and 50% on relative TSR. In addition to achieving the TSR condition, there will be an additional requirement that the Committee is satisfied that the Company's TSR is reflective of underlying financial performance.

The Committee has also reviewed the TSR peer group, as recent corporate activity has reduced the size of the existing group, and concluded the current peer group of five companies, being GVC Holdings plc, Sportech plc, Playtech plc, Paddy Power Betfair plc and William Hill plc, should be expanded. Therefore, the following five companies will be added to the current peer group: Betsson AB, International Game Technology plc, JPJ Group plc, Kindred Group plc and OPAP SA. The TSR vesting schedule will continue to be 25% of the award vesting if 888's TSR is equal to the median TSR of the peer group increasing to 100% vesting if 888's TSR is 33% (i.e. 10% CAGR over the three-year performance period) or more above the TSR of the median company in the peer group.

Pay outcomes for 2018

The Annual Report on Remuneration sets out in detail the performance outcomes and total remuneration paid in respect of FY18.

The Committee noted the solid performance of the Company and the management team over the year, which continued to drive growth in regulated markets, enhance compliance and develop product innovations.

The annual bonus was focused on the achievement of stretching like-for-like adjusted EBITDA growth targets. Like-for-like adjusted EBITDA[1] growth in 2018 was 6.3% resulting in bonuses to the Directors of 43.8% of salary. As the pay-out is less than 100% of base salary, none of the bonus will be deferred into shares this year. For full details of Executive Directors' bonuses and the associated performance delivered see page 69.

In relation to long-term incentives, the LTIP awards granted in 2016 will vest based on EPS growth targets for 50% of the award and for the other 50% based on relative TSR measured over three financial years to 31 December 2018. Adjusted EPS growth over this period was 9.5% p.a. compounded, against a target range of 5% p.a. compounded to 20% p.a. compounded. The Company's TSR was +11%, putting it above the target for maximum vesting. This results in 73.8% of the 2016 award vesting in 2019.

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 and that no discretion needed to be exercised.

Considerations for FY19

The Terms of Reference of the Committee have been updated to include the broader remit of the Committee as set out in the new UK Corporate Governance Code. Not only does this mean that the Committee must review and set the remuneration for the tier of senior management immediately below the Executive Directors, but also that it must review the wider group workforce policies and practices and take these into account when setting Executive Director pay. The Committee has already agreed a timetable and agenda of actions for 2019 to ensure it is fully compliant with the UK Corporate Governance Code with regards to this and can report its activities in the 2019 Annual Report. The Committee is also considering how it can best fulfil its obligations to engage with the wider workforce to explain the alignment of Executive Director pay to the wider organisation.

The Committee is committed to maintaining an open and constructive dialogue with our shareholders on remuneration matters. I welcome any feedback you may have and look forward to your support for our remuneration-based resolutions at our 2019 AGM.

Zvika Zivlin
Chairman of the Remuneration Committee
12 March 2019

Directors' Remuneration Report

Review of the Policy

During the year, the Committee carried out a detailed review of the Directors' Remuneration Policy, taking into consideration alignment of the policy to the Group's strategy and long-term sustainable business success, corporate governance developments and UK best practice. As a result of this review, the Committee is proposing the following changes to the Policy which will be brought to shareholders for approval at the Annual General Meeting on 21 May 2019:

- A two-year post-vesting holding period will be introduced for LTIP awards granted in or after 2019
- The Committee will have discretion to adjust annual bonus payments and LTIP vesting levels in line with the Corporate Governance Code where the formulaic outcome does not reflect underlying corporate performance, investor experience or employee reward outcome
- The circumstances in which malus and clawback may be operated for both the annual bonus and LTIP will be broadened to incorporate corporate failure, a failure of risk management and reputational damage
- The Committee is not at this time introducing a post-employment shareholding requirement in respect of beneficially owned shares not subject to holding periods but will keep market practice in this area under review. It is, however, ensuring that annual bonus deferred share awards and LTIP post-vesting holding periods continue post-employment to ensure that there continues to be alignment to shareholder interests and longer-term corporate performance post-employment
- Dividend equivalent payments on vested awards granted under the new Policy will be payable in shares and only in exceptional circumstances in cash. Previously they could be payable in cash or shares.

Remuneration policy table

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 and shareholder voting requirements of a UK incorporated company.

At this year's Annual General Meeting we will seek triennial shareholder approval for our Directors' Remuneration Policy and shareholders will be provided with a binding resolution to approve the Policy.

The table below sets out the new remuneration policy which will be subject to a binding shareholder vote at the 2019 Annual General Meeting. If approved, the policy will apply for a maximum of three years from the 2019 Annual General Meeting.

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. For new appointments the Committee will align pension to the workforce average taking into account market practice and legal requirements in the country of the executive and the wider workforce pension.

Directors’ Remuneration Report Continued

Remuneration policy table continued

Annual bonus	
Purpose and Link to Strategy	Rewards the achievement of annual financial and non-financial strategic targets.
Operation	Bonus targets (percentage of salary) are based on objective and disclosable calculations 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. The deferral period continues on cessation of employment. The Committee may adjust the formula-driven outturn of the annual bonus calculation in the event that the Committee considers that it does not reflect underlying performance, overall shareholder experience or employee reward outcome. Any such use of discretion would be detailed in the Chairman’s annual statement and Annual Report on Remuneration. A dividend equivalent provision operates enabling dividends to be accrued (in shares) on unvested deferred bonus shares or options and only in truly exceptional circumstances cash. The bonus is subject to recovery and withholding provisions which may be applied if the financial statements of 888 were materially misstated, an error occurred in assessing the performance conditions of a bonus, if the Executive ceased to be a Director or employee due to gross misconduct, or in an event of corporate failure, failure of risk management or reputational damage.
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. 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. 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** Non-financial performance conditions will be based on KPIs in line with the business plan which the Committee considers will enhance future financial performance, the long-term sustainability of the business and shareholder value.

Remuneration policy table continued

Long-Term Incentives (LTIP)	
Purpose and Link to Strategy	Rewards Executive Directors for achieving superior returns and sustainable growth for shareholders over a longer-term timeframe. Enables Executive Directors to build a meaningful shareholding over time and align goals with shareholders.
Operation	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. A post-vesting holding period applies to awards granted in or after 2019, which requires vested shares (or shares acquired on the exercise of vested options) to be retained for two years post-vesting (except for any earlier sale of shares to meet any tax liabilities triggered on vesting). This holding period continues on cessation of employment. The Committee may adjust the formula-driven outturn of an LTIP award in the event that the Committee considers that it does not reflect underlying performance, overall shareholder experience or employee reward outcome. Any such use of discretion would be detailed in the Chairman's annual statement and Annual Report on Remuneration. Awards are subject to recovery and withholding provisions which may be applied if there is a material misstatement in 888's financial statements, an error in the calculation of any performance conditions, if the Executive Director ceases to be a Director or employee due to gross misconduct or in an event of a failure of risk management, corporate failure or reputational damage. A dividend equivalent provision operates enabling dividends to be accrued (in shares) on LTIP awards to the extent they vest and only in truly exceptional circumstances cash.
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.
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 will vest based on a range of challenging financial, total shareholder return (TSR), or strategic measures. Strategic measures, if used, will represent a minority of the award. 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 or TSR metrics with no more than 25% of the award vesting at threshold performance.

Share Ownership Guidelines
Executive Directors are expected to build and maintain an interest equivalent in value to no less than two times salary. Beneficially owned shares, fully vested unexercised nil-cost options (valued on a net of tax basis) and unvested awards subject to a service requirement for vesting only (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 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 and other expenses incurred in the performance of their duties (including any tax incurred thereon) including any expense deemed a taxable benefit in kind and the tax payable thereon.
Opportunity	No maximum.

Discretions retained by the Committee in operating its incentive plans

The Committee will operate the annual bonus plan, deferred annual bonus plan and LTIP according to their respective rules. The Committee retains discretion in a number of regards to the operation and administration of these plans. These include, but are not limited to, the following:

- the determination of vesting and the extent to which performance targets have been met;
- the determination of the treatments of leavers;
- determination of the extent of vesting in the event of a change of control; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends).

Approach to setting remuneration for a new recruit

The remuneration package for a new Executive Director would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual. Salary would be provided at such a level as is required to attract the most appropriate candidate while paying no more than is necessary. The annual bonus and LTIP award would be in line with the Policy. In addition, the Committee may offer additional cash and/or share based elements to replace benefits, deferred or incentive pay forfeited by an executive leaving a previous employer. It would ensure that these awards would be consistent with awards forfeited in terms of delivery mechanism (cash or shares), vesting periods, expected value and performance conditions. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms or adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. The Committee may agree that 888 will meet relocation expenses as appropriate.

Service contracts and loss of office payment policy for Executive Directors

Executive Directors have service contracts with up to 12-month notice periods. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of base salary plus the value of any benefits (including pension), and in the case of the Chief Financial Officer, annual bonus for the unexpired portion of the notice period. This is a legacy contractual obligation and will not be provided in the contracts of any new appointments. 888 seeks to apply the principle of mitigation in the payment of compensation on the termination of the service contract of any Executive Director. There are no special provisions in the service contracts for payments to Executive Directors on a change of control of 888. In the event of an exit of an Executive Director, the overriding principle will be to honour contractual remuneration entitlements and determine on an equitable basis the appropriate treatment of deferred and performance linked elements of the package, taking account of the circumstances. Failure will not be rewarded. If an Executive Director resigns or is summarily dismissed, salary, pension and benefits will cease on the last day of employment and there will be no further payments. There are no other obligations to pay remuneration, or which could impact remuneration, contained in any service contract other than the terms of the Executive Directors' service agreements described herein. Directors' service agreements are available for inspection at 888's registered office and at each annual general meeting.

Remuneration for leavers

Fixed pay

Salary, pension and benefits will be paid up to the length of the agreed notice period or agreed period of gardening leave.

Variable pay

Where a Director leaves for certain specified reasons such as retirement, as a result of injury, illness or disability or otherwise with the agreement of the Committee (sometimes referred to as "good leaver" reasons) the following will apply:

Annual bonus and annual bonus deferred shares
Subject to performance, a bonus may be payable at the discretion of the Committee pro-rata for the portion of the financial year worked. Unvested deferred bonus shares will ordinarily vest in full at the end of the normal vesting period. The Committee has discretion to permit in exceptional circumstances such unvested awards to vest early rather than continue on the normal vesting timetable, taking into account the Company's policy for bonuses from FY19 for Executive Directors to retain an interest in shares in the Company for two years post-employment.

LTIPs
Unvested awards under the 888 Long-Term Incentive Plan 2015 would normally vest on the normal vesting date unless the Committee determines that such awards shall instead exceptionally vest at the time of cessation, taking into account the Company's policy for awards granted from FY19 for Executive Directors to retain an interest in shares in the Company for two years post-employment. Unvested awards will only vest to the extent that the performance conditions have been satisfied (over the full or curtailed period as relevant). A pro-rata reduction in the size of awards would normally apply, based upon the period of time after the grant date and ending on the date of cessation of employment relative to the normal vesting period.

Where a Director leaves for any other reason, all annual bonus, annual bonus deferred shares and LTIP awards will lapse immediately on cessation.

Depending upon circumstances, the Committee may consider other payments to settle statutory entitlements, legal claims or potential legal claims, in respect of an unfair dismissal award, outplacement support and assistance with legal fees, including the statutory obligation in Israel to make a severance payment on cessation for any reason equal to one month's gross salary for every year of service.

Terms of appointment for Non-Executive Directors

The Non-Executive Directors serve subject to letters of appointment and are appointed subject to re-election at each annual general meeting. The Non-Executive Directors are typically expected to serve for three years, although the Board may invite a Non-Executive Director to serve for an additional period. Their letters of appointment are available for inspection at 888's registered office and at each annual general meeting.

Directors' Remuneration Report Continued

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 6 months' prior written notice. No remuneration is payable in respect of any unexpired portion of the term of the Chairman's appointment, including if the Chairman is asked to step down from the Board.
Itai Pazner	Chief Executive Officer	Indefinite subject to termination provisions set out in his Agreement. Loss of office provisions are detailed above.
Aviad Kobrine	Chief Financial Officer	Indefinite subject to termination provisions set out in his Agreement. Loss of office provisions are detailed above.
Itai Frieberger	Executive Director	12-month notice period expires on 23 January 2020
Ron McMillan	Senior Independent Director	Until 15 May 2020. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.
Zvika Zivlin	Non-Executive Director	Until 8 May 2020. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.
Anne de Kerckhove	Non-Executive Director	Until 27 November 2020. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.

All service contracts and letters of appointment are available for inspection at the Company's registered office and at the annual general meeting.

How the views of shareholders are taken into account when determining Directors' pay

888 engages with significant investors regarding remuneration issues and in respect of any proposed changes to the Directors' Remuneration Policy and significant changes to operation of that policy and intends to continue doing so. Views of shareholders and their representative bodies expressed at the annual general meeting and feedback received at other times will be considered by the Committee.

How the views of employees are taken into account when determining Directors' pay

888 does not currently formally consult employees on remuneration but has a timetable and agenda of actions for 2019 to ensure it is compliant with the new requirements of the UK Corporate Governance Code including consideration of workforce policies and practices and how it can best fulfil its obligations to engage with the wider workforce to explain the alignment of Executive Director pay to the wider organisation.

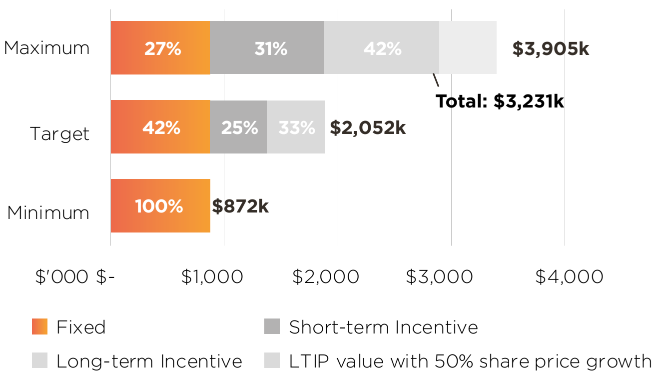
In determining the remuneration policy for Executive Directors, the Committee takes account of the policy for employees across the workforce. In particular, when setting base salaries for executives, the Committee takes into account the salary increases being offered to the workforce as a whole. The overall structure of the remuneration policy for Executive Directors is broadly consistent with that for other senior employees, but reflects the additional risks and responsibilities borne by the Executive Directors. Executive remuneration and remuneration of senior employees is weighted towards performance-related pay. 888's Senior Vice Presidents all participate in the same annual bonus and long-term incentive arrangements as the Executive Directors (at varying levels of quantum) and 888's Business Leadership Forum also participate in a long-term equity plan.

Illustration of application of current remuneration policy

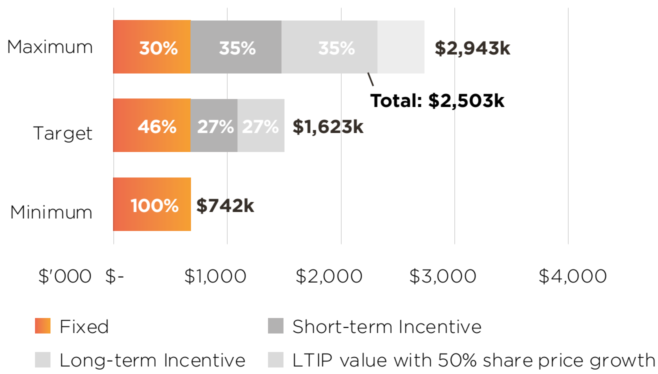
The following charts illustrate the operation of the Directors' Remuneration Policy for the current Executive Directors (CEO and CFO) and former CEO Itai Frieberger, under three different performance scenarios: 'Fixed pay', 'Target', and 'Maximum'.

The Maximum scenario includes an additional element to represent 50% share price growth from the date of grant to vesting.

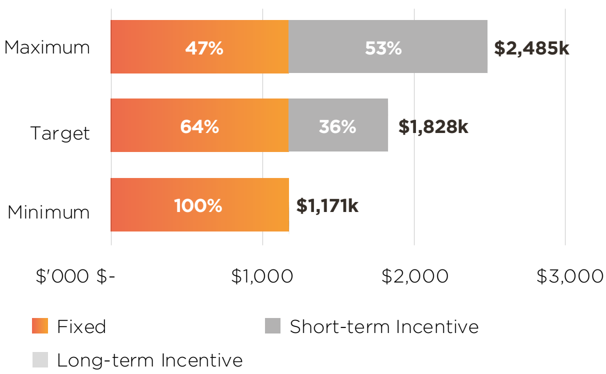
CEO – Itai Pazner



CFO – Aviad Kobrine



Executive Director – Itai Frieberger



Assumptions:

- Fixed: Shows fixed remuneration only, base salary as at 1 January, taxable benefits (as disclosed for the previous financial year) and pension.
- Target: Shows fixed remuneration plus 50% of the maximum annual bonus opportunity and 50% of the LTIP award.
- Maximum: Shows fixed remuneration and maximum annual bonus (150% of salary for the CEO, CFO and former CEO Itai Frieberger) and LTIP (200% of salary for the CEO and 150% of salary for the CFO, no LTIP for former CEO Itai Frieberger). The Maximum scenario includes an additional element to represent 50% share price growth from the date of grant of the LTIP to vesting (where applicable).

Annual report on remuneration

This Annual Report on Remuneration together with the Chairman's Annual Statement, as detailed on pages 06 to 07 will be subject to an advisory vote at the 2019 AGM. The information on page 69 with respect to Directors' Emoluments and onwards through page 76 has been audited.

Directors' Remuneration Report Continued

Operation of Remuneration Policy for 2019

Set out below is the proposed application of the Remuneration Policy for 2019.

Base salaries

Salaries for 2019 are set out below:

- CEO – Itai Pazner: Salary on appointment as Chief Executive Officer of ILS 2,520,000.
- Itai Frieberger: ILS 3,275,000. Salary remains unchanged from 2018 while Mr Frieberger remains as a Director during his notice period.
- CFO – Aviad Kobrine: £460,000. Salary increased by 2% compared to an average workforce increase of 4% (2018: £450,000).

Annual bonus

The CEO, CFO and Mr Frieberger will have a maximum bonus opportunity of 150% of salary. The Annual bonus will continue to be determined by like-for-like adjusted EBITDA with target payment of 50% of maximum for achieving a stretching budget figure increasing to full pay-out for a stretching target above budget. For the first time this year, the target range will be lower than the prior year actual EBITDA, reflecting the extremely challenging regulatory environment in which 888 operates and the outlook for the year ahead. The Committee considers that the targets are as stretching as those set last year given the outlook and regulatory environment and that preserving profitability at this level would represent an excellent result for 2019. The Committee has determined that the target range is commercially sensitive, and therefore cannot disclose the targets in this report. However, targets and performance against them will be disclosed retrospectively in next year's annual report on remuneration.

Any bonus above 100% of salary will be deferred into shares in 888 which will vest in equal tranches over one, two and three years.

Long-term incentive plan

Award levels

The CEO will be granted an award under the 888 Long-Term Incentive Plan 2015 of 200% of salary, and the CFO 150% of salary.
No LTIP award will be granted to Mr Frieberger.

Performance conditions

The Committee has considered carefully the performance metrics for the 2019 LTIP awards, given the increasingly difficult regulatory environment in which 888 operates and recognising the difficulty of setting accurate long-term financial performance conditions for the next 3-year LTIP performance period. The Committee has, therefore, determined that all of the 2019 LTIP award will be based on a single performance condition measuring 888's total shareholder return performance relative to its peers. The Committee believes this approach provides a strong alignment of interest between executives and shareholders.

Detail and target ranges

TSR targets for 2019 awards:

The Committee reviewed the relative TSR peer group to ensure it contains all relevant peers and is sufficiently large enough to provide a robust measure of performance and has arrived at a slightly revised group with the addition of five other sector peers. The revised group will be used for awards granted from 2019. The new peer group comprises the companies used in 2018, GVC Holdings plc, Sportech plc, Playtech plc, Paddy Power Betfair plc and William Hill plc, with the addition of Betsson AB, International Game Technology plc, JPJ Group plc, Kindred Group plc and OPAP SA.

25% of the award 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 compound) or more above the TSR of the median company in the comparator group ("Maximum"). The Committee has reviewed whether the 10% out-performance requirement remains appropriate and is comfortable that, with the additional companies in the group, the 10% stretch target is sufficiently stretching, being equivalent to upper quartile performance or above. Vesting will be on a proportionate basis for performance between Threshold and Maximum. In addition to achieving the TSR condition, there will be an additional requirement that the Committee is satisfied that the Company's TSR is reflective of underlying financial performance.

The 2019 awards will be subject to a two-year post vesting holding period.

Pension and benefits

888 offers a defined contribution pension scheme (via outsourced pension providers) or cash payment in lieu of pension. In accordance with standard practice in Israel, Itai Pazner receives personal pension scheme contributions in an amount of 14.87% of base salary, including a contribution for loss of working capacity. Aviad Kobrine receives an annual cash payment in lieu of pension in the amount of 15% of base salary.

Benefits will continue as for 2018 with Itai Pazner receiving similar benefits to former CEO Itai Frieberger, with an approximate value of $100,000.

Itai Frieberger will continue to receive his pension in an amount of 14.87% of base salary, including a contribution for loss of working capacity and benefits during his notice period.

Chairman and Non-Executive Directors fees

The Non-Executive Director fees were reviewed during the year, taking into account the increased workload and responsibilities for the Directors as a result of increased regulation. As a result the Non-Executive Directors fees are increased with effect from 1 January 2019 as follows, which include the introduction of a Board Committee membership fee:

- Chairman's fee: £320,000 (2018: £305,000);
- Non-Executive Director fee: £90,000 (2018: £90,000);
- Senior Independent Director fee: £20,000 (2018: £20,000);
- Chairman of a Board committee (inclusive of membership fee): £15,000 (2018: £10,000); and
- Membership of Audit or Remuneration committee: £5,000 (2018: £0).

Remuneration paid to Executive Directors for service in 2018

The following table presents the Executive Directors' emoluments in respect of the year ended 31 December 2018 (all amounts are in US$ 000).

Executive Directors		Salary[2] US$ 000	Taxable benefits[3] US$ 000	Annual bonus[4] US$ 000	Long-Term Incentives[5] US$ 000	Pension[6] US$ 000	Total US$ 000
Itai Frieberger, CEO	**2018**	**912**	**170**	**387**	**913**	**136**	**2,518**
	2017	885	197	1,371	8,186	132	10,771
Aviad Kobrine, CFO	**2018**	**601**	**55**	**251**	**532**	**90**	**1,529**
	2017	563	51	885	736	84	2,319

1 Directors' remuneration is converted from Sterling and New Israeli Shekels into US$ at the average rate of exchange for the relevant month it was paid save for the annual cash bonus which is converted into US$ at the year-end exchange rate.
2 Salaries for 2018 were ILS 3,275,000 for Itai Frieberger and £450,000 for Aviad Kobrine.
3 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, car allowance as well as gross-up of car allowance, and meal allowance.
4 A breakdown of the 2018 annual bonus targets and the extent of their achievement is set out overleaf. In 2018, a bonus of 43.8% of salary was awarded to both Itai Frieberger (ILS 1,434,452) and Aviad Kobrine (GBP 197,100) paid in cash with no deferral.
5 In previous years LTIP awards have been reported in the year of vesting. While, as a Gibraltar incorporated company, 888 is not obliged to comply with UK reporting regulations, commencing with this year's Annual Report on Remuneration LTIPs will be reported where the performance period ends in the year of report, in order to provide fully comparable disclosure with other companies reporting under UK regulation.
LTIPs for the single total figure in 2017 is the value at vesting (at a share price of $2.95) of the 2015 LTIP awards that vested in 2018 and where the performance period ended on 31 December 2017 as disclosed in more detail in the 2017 Remuneration Report.
LTIPs for the single total figure in 2018 is the value of the 2016 LTIP awards that will vest in 2019 and where the performance period ended on 31 December 2018 and as disclosed in more detailed below. The value is based on the average share price for the last three months of FY18 of $2.28 (based on the exchange rate of 1.29) as the share price of the date of vesting is unknown. The value will be restated in the 2019 Annual Report on Remuneration using the actual share price on vesting. A restricted share award over 1,250,000 shares awarded on 28 August 2015 vested in Itai Frieberger on 28 August 2018 the value of which ($ 3,133,900 at grant) should have been reported in the 2015 Annual Report on Remuneration being the reporting year of the date of grant.
6 888 offers a defined contribution pension scheme (via outsourced pension providers) or cash in lieu of pension. In accordance with standard practice in Israel, Itai Frieberger is granted personal pension scheme contributions in an amount of 14.87% of base salary, including a contribution for loss of working capacity. Aviad Kobrine receives a cash payment in lieu of pension in the amount of 15% of base salary.

Directors' Remuneration Report Continued

Non-Executive Directors' and Chairman's fees

Current Non-Executive Directors		Fee US$ 000	Other US$ 000	Total US$ 000
Ron McMillan	**2018**	**160**	**–**	**160**
	2017	148	–	148
Amos Pickel	**2018**	**0**	**–**	**0**
	2017	38	–	38
Zvika Zivlin	**2018**	**134**	**–**	**134**
	2017	81	–	81
Anne De Kerckhove	**2018**	**120**	**–**	**120**
	2017	14	–	14
Brian Mattingley (Executive Chairman)	**2018**	**407**	**24**	**431**
	2017	374	23	397

1 "Other" for Brian Mattingley reflects reimbursement of expenses connected with his role.
2 Zvika Zivlin was appointed as a Non-Executive Director on 9 May 2017.
3 Anne de Kerckhove was appointed as a Non-Executive Director on 28 November 2017.

Annual bonus payments in respect of 2018 performance

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. Annual bonus in excess of 100% of salary is deferred into shares in one-third tranches for one, two and three years.

EBITDA performance

The extent to which the EBITDA performance conditions in respect of 2018 performance were achieved is as follows:

Performance Measures	Threshold (25% pay-out)	Target (50% pay-out)	Max (100% pay-out)	Actual performance % of maximum	Bonus awarded US$ 000
Like-for-like adjusted EBITDA growth per annum	5%	12.5%	20%	29.2%	
Itai Frieberger					387
Aviad Kobrine					251

To enable a like-for-like comparison with the prior year and to be comparable with the basis on which the growth targets were original set, the Committee has determined a range of criteria, which have been applied consistently for several years. On this basis EBITDA growth is adjusted to take into account of:

- the Group's withdrawal from any markets during the year, to provide an assessment of the underlying performance of the core business;
- changes to gaming taxes arising in the year that were not included at the start of the year when the targets were set; and
- movements in foreign exchange rates from budgeted rates (like-for-like adjusted EBITDA growth is calculated on constant currency basis).

EBITDA performance continued

The Committee agreed the following adjustments to the FY18 reported adjusted EBITDA for bonus purposes.

	2018 Reported (US$ million)	Adjustments (US$ million)	Adjusted EBITDA (US$ million)	YoY%
Reported Adjusted EBITDA	**107.1**			**6.4%**
Constant currency adjustment		(2.3)	104.7	
Partial exit in 2017 and no operations in 2018 in certain markets		3.6	108.3	
Indirect tax adjustments (net)		(1.3)	107.0	
Like-for-like Adjusted EBITDA			**107.0**	**6.3%**

Taking into account the underlying financial and operational performance of the business during the year, including the significant resources devoted again this year by the senior management team in assessing and delivering improvements to 888's responsible gaming tools, processes and technology, the Committee considered that the overall bonus out-turn was reflective of the solid performance of the Company and the management team over the year and that the pay-out levels were appropriate and that therefore no discretion was required to adjust the formulaic outcome.

There is no bonus deferral in shares as the bonus payable is less than 100% of salary.

Long-term incentive awards with performance periods ending in the year ended 31 December 2018

Long-Term Incentive Plan

The 2016 LTIP awards have a performance period that ended on 31 December 2018 and the awards are due to vest in 2019. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 73.8%, and the actual number of awards vesting (with their estimated value).

	TSR (relative to a comparator group of 5 gaming companies – Bwin.Party Digital Entertainment, Sportech, PLC, Ladbrokes PLC, Playtech Ltd and Paddy Power PLC)[1]		Like-for-like EPS Growth[2]	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%	0%
Threshold	Median = -38%	25%	15.76%	25%
Stretch or above	33% above median = -25.22%	100%	72.8% or above	100%
Actual achieved	11%	100%	31%	48%

1 Relative to a comparator group of 5 gaming companies – GVC Holdings, Ladbrokes Coral Group plc, Playtech plc, Paddy Power Betfair plc and William Hill plc. On 28 March 2018, the acquisition of Ladbrokes plc by GVC Holdings plc was completed. As of such date, Ladbrokes plc was delisted and therefore peer group data reflects the share price of GVC Holdings plc from 29 March 2018. In addition, during 2016, 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.

3 Like-for-like EPS growth is calculated as the growth in adjusted EPS between 2015 (the base year) and 2018 (the final year of the performance period). To ensure that the comparison is made on a like-for-like basis, adjustments have been made to exclude the impact of the Group's withdrawal from certain markets and new gaming duties and taxes introduced during the period.

Directors' Remuneration Report Continued

Long-term incentive awards with performance periods ending in the year ended 31 December 2018 continued

Details of the level of vesting for each Director in respect of awards granted under the 2016 LTIP, 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 excluding Dividend Accrual[1] US$
Itai Frieberger	289,799	75,927	213,872	0	487,416
	252,927	66,267	186,660	0	425,401
Aviad Kobrine	221,277	57,975	163,302	0	372,168
	94,761	24,827	69,934	0	159,380

1 The value of the vested shares is based on the share price of US$2.28 (based on the exchange rate of 1.29) being the average share price for the last three months of 2018.
2 Dividends accrue on awards at the date of a dividend payment to the date of vesting and upon exercise the value of the accrued dividends is paid to the employee on the number of vested awards.

Scheme interests awarded during the year

The table below sets out the grants under the 888 Holdings plc Long-Term Incentive Plan and the Deferred Share Bonus Plan in 2018.

Executive	Award type	Grant date	Number of awards granted	Face value of awards granted[1]	Face value of awards as % salary	% vesting at threshold performance
Itai Frieberger	LTIP	21-Mar-18	485,957[2]	US$1,855,548	200%	25%
	Deferred share bonus	20-Mar-18	117,965[3]	US$456,277	N/A	NA
Aviad Kobrine	LTIP	21-Mar-18	244,388[2]	US$933,156	150%	25%
	Deferred share bonus	20-Mar-18	79,109[3]	US$305,986	N/A	NA

1 Face value was calculated using share price on the date of grant, which was £2.7 (21 March 2018) and £2.762 (20 March 2018). 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 2020. 50% of an award is subject to an EPS performance condition requiring annual like-for-like adjusted 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 plc, Sportech 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 plus 10% p.a.).
3 Granted on 20 March 2018 by way of deferral, of the part of the 2017 annual bonus in excess of 100% of salary, into shares in accordance with the Company's Remuneration Policy and pursuant to the Company's Deferred Bonus Share Plan, and vesting in equal tranches over one, two and three years. No further performance conditions apply to the vesting of the awards.

Loss of office payments and payments to past Directors

In 2018, no loss of office payments were made to Executive Directors, and no payments were made to past Executive Directors.

On 24 January 2019 it was announced that Itai Frieberger would step down with immediate effect from the role of CEO. Itai Frieberger will remain as an Executive Director during his 12 month notice period to ensure the smooth transition of Mr Pazner into his new role as CEO, as well as to continue responsibility for certain key strategic initiatives and developments within the business. Mr Frieberger's remuneration for his notice period and the treatment of his incentive awards is set out below. Mr Frieberger has been treated as a good leaver by the Committee in respect of his unvested incentive awards:

- salary, benefits and pension to be paid for the duration of his notice period;
- eligible to receive an annual bonus for 2019 (and for the part of 2020) for the duration of the notice period that Mr Frieberger will work, subject to the performance targets being met and paid at the normal time. Mr Frieberger's role as an Executive Director in the business during his notice period and continued responsibility for certain key strategic initiatives is critical to the business and as such the Committee has agreed it is important that he remains eligible for an annual bonus during his notice period;
- no LTIP grant for 2019;
- payment of 15 months gross pay (currently ILS 4,093,750 ($1,134,443) on the date of cessation being a statutory entitlement under Israeli law to severance pay calculated on the basis of one month's gross pay for every year of service and therefore for Mr Frieberger 15 months gross pay. All unvested deferred share bonus awards will vest on the date of cessation;
- Mr Frieberger's 2017 and 2018 LTIP awards will vest at the usual time, subject to performance and will be pro-rated to reflect the period of service as a proportion of the total vesting period.

Directors' shareholdings and share interests

The Executive Directors are required to build and maintain a shareholding in 888 worth two times their annual salary as set out in the Remuneration Policy.

Details of the Directors' interests in shares as at 31 December 2018 are shown in the table below. There were no changes in the Directors' interests in shares between 31 December 2018 and the date of this Report.

	Number of Ordinary Shares							
	At 31 December 2018							
Director	Legally owned[5]	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]	Total	% achievement against shareholding guideline[2]
Itai Frieberger	5,210,149	1,544,017	0	—	205,241	43,638	7,003,045	1326%
Aviad Kobrine	—	—	—	800,536	132,960	3,284,379	4,217,875	676%
Brian Mattingley	142,857	—	—	—	—	—	142,857	N/A
Ron McMillan	—	—	—	—	—	—	—	N/A
Zvika Zivlin	—	—	—	—	—	—	—	N/A
Anne de Kerckhove	—	—	—	—	—	—	—	N/A

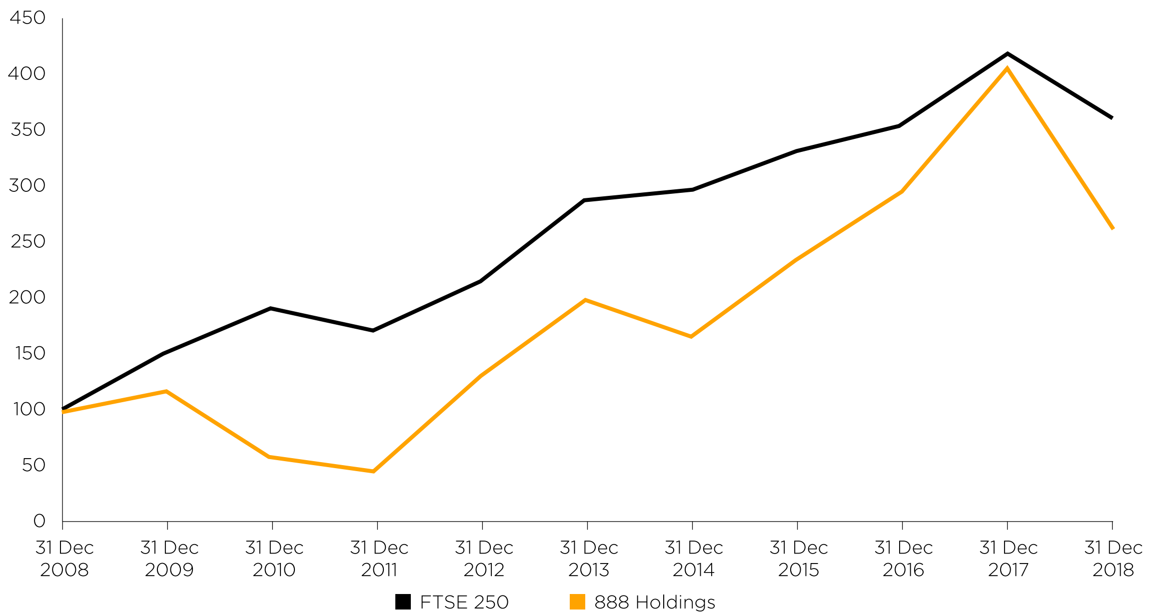
1 Nil Cost Options.
2 The Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Shares counting towards this guideline include legally owned shares and fully vested but unexercised nil-cost options and deferred bonus share awards (valued on a net of tax basis).
3 Share price at 31.12.2018 was £1.75.
4 FX ILS/GBP = 4.76.
5 Includes Closely Associated Persons in accordance with the EU Market Abuse Regulation.

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

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.

Value of £100 Sterling in 888 1/1/2009 – 31/12/2018 vs FTSE 250



Directors’ Remuneration Report Continued

Total remuneration history for CEO

The table below sets out the total single figure remuneration for the CEOs over the last ten years with the annual bonus paid as a percentage of the maximum and the percentage of long-term share awards where the performance period determining vesting ended in the year.

	2009	2010	2011[1]	2012[2]	2013	2014	2015[3,4]	2016[5]	2017[6]	**2018**
Total remuneration ($000s)	1,168	958	3,783	1,060	1,275	1,331	5,415	1,855	10,771	**2,518**
Annual bonus (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%	**29.2%**
LTI vesting (%)	68%	0%	100%	0%	0%	0%	59%	100%	100%	**73.8%**

1 Gigi Levy was the CEO of 888 in the years 2009-2010. Mr Levy resigned as CEO of 888 as of 30 April 2011.
2 Brian Mattingley was appointed as CEO on 27 March 2012.
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 Reflects Brian Mattingley tenure as CEO until 13 May 2015.
5 Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016.

The table above has been amended from last year to show the LTIP awards (and resulting total remuneration) in the year in which the performance period that determines vesting ends.

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

The following table sets out the percentage change in salary, taxable benefits and annual bonus from financial year 2017 to financial year 2018, for both the CEO and employees of the Group taken as a whole. Exchange rates were normalised for 2018 in order to neutralise foreign exchange effects.

	Year on year change CEO (2018 vs. 2017)	Year on year change Employee (2018 vs. 2017)
Base salary	3%	3%
Benefits	-14%	-4%
Bonus	-70%	-9%

The salary figure includes base salary together with other payments made to the employees (e.g. sick pay, vacation pay), but excluding discretionary bonuses.

The benefits figure includes benefits granted to employees which are not part of salary (e.g. medical insurance, meals, further education funds).

Pension amount are not included in benefits.

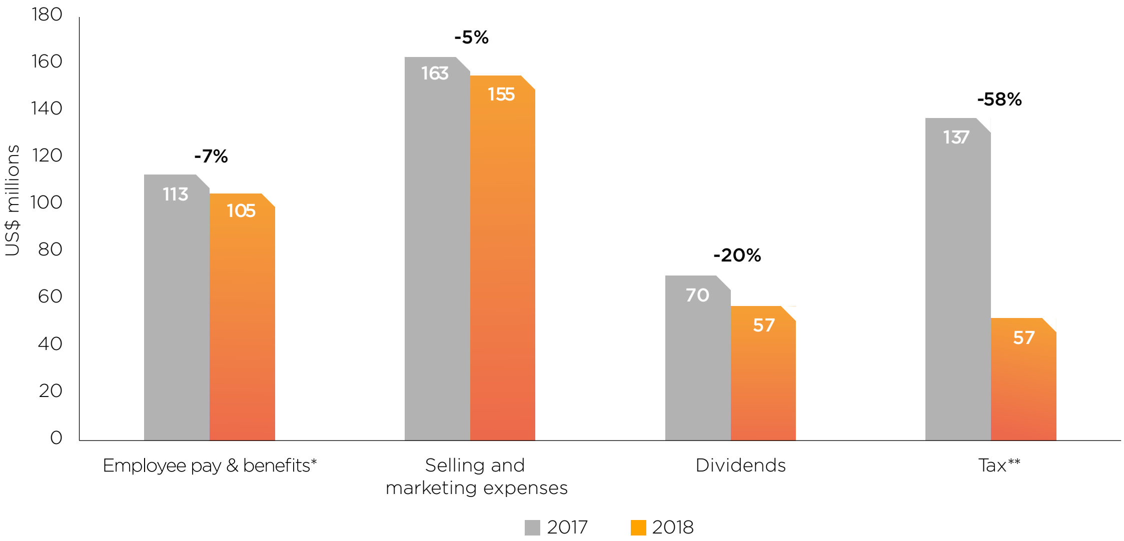
The short-term incentives figure solely includes bonuses, which are based on an estimation by the company based on the bonus accrual, since bonuses are generally paid to Group employees in April in respect of the previous financial year.

Exchange rates were normalised for 2018 in order to neutralise foreign exchange effects.

Relative importance of spend on pay

The following graph sets out the actual expenditure by 888 in financial years 2017 and 2018 on items that were the most significant outgoings for 888 in the last financial year, including on remuneration to Group employees.

Relative importance of spend on pay 2017 vs. 2018



* **Employee pay & benefits:**
Employee pay & benefit is according to note 5.
Employee pay & benefits are included SBC (Equity and Cash settled).

** **Tax**
Tax includes US$22.4 million release of provision following receipt of tax assessments in respect of legacy VAT relating to the provision of gaming services in Germany prior to 2015 (2017: exceptional charges of US$45.3 million) and VAT accrual release of US$10.7 million (2017: nil).

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.

Committee members, attendees and advice

The Remuneration Committee consists solely of Non-Executive Directors, currently Zvika Zivlin (Chair), Ron McMillan and Anne de Kerckhove. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on page 53. The Chairman and Company Secretary attend meetings by invitation.

The Remuneration Committee's remit is set out in its Terms of Reference which are available at https://corporate.888.com/investor-relations/corporate-governance/board-committees.

The Committee's remit has been amended to take into account the updated UK Corporate Governance Code.

Directors' Remuneration Report Continued

Remuneration Committee adviser

The Remuneration Committee was advised by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc to 29 November 2018. Korn Ferry was appointed on 30 November 2018 following a tender process.

The primary role of the adviser to the Committee is to provide independent and objective advice and support to the Committee's Chair and members and Korn Ferry has discussions with the Committee Chair on a regular basis to discuss executive and wider group remuneration matters, reporting, regulation, investor views and process. Korn Ferry does not provide any other services to 888. The Committee undertakes due diligence periodically to ensure that its advisers remain independent and is satisfied that the advice that it received and receives from New Bridge Street and Korn Ferry is objective and independent. Korn Ferry and New Bridge Street are also signatories 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.

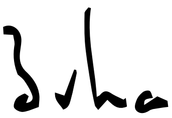
The total fees paid to New Bridge Street in respect of its services to the Committee for the year ending 31 December 2018 were £20,715 (2016: £11,730). Fees are charged on a 'time spent' basis. No fees were paid to Korn Ferry during 2018.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report (other than that part containing the Remuneration Policy), and separately the Remuneration Policy in 2016 are shown below.

	Advisory Vote to approve Annual Report on Remuneration (at 2018 Annual General Meeting)		Advisory Vote to approve Remuneration Policy (at 2016 Annual General Meeting)	
	Total number of votes	Total number of votes	% of votes cast	% of votes cast
For	271,559,788	100.00%	278,617,899	94.60%
Against	12,355	0.00%	15,900,728	5.40%
Vote Withheld	3,359		37,443	

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



Zvika Zivlin
Chairman of the Remuneration Committee
12 March 2019

Audit Committee Report

Letter to Shareholders

Dear Shareholders,

During the year, the Audit Committee has continued to carry out a key role within the Group's governance framework, supporting the Board in risk management, internal control and financial reporting. The 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 contained in this Annual Report and considers that sufficient information has been provided by the Board to give shareholders a fair, balanced and understandable account of the Group's business.

Whilst risk management is a Board responsibility, the Committee works closely with the Board and Group management 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.

EY Limited, Gibraltar is the statutory auditor of the Company including for the purposes of issuing an audit report pursuant to the Gibraltar Companies Act 2014. Ernst and Young LLP are the auditors for the purposes of the Company preparing financial statements as required pursuant to the UK Listing Rules and the DTRs.

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 governance 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, risk appetite and the risk register prepared by management.
- The viability statement and going concern statement prepared by management.
- 888's anti-bribery obligations.
- 888's anti-money laundering obligations.
- The Group's ongoing engagement with regulatory bodies.
- The accounting treatment of the AAPN acquisition.

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.

The Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of audit.

I am available to speak with shareholders at any time and shall also be available at the Annual General Meeting on 21 May 2019 to answer any questions. I would like to thank my colleagues on the Committee for their help and support.

Sincerely,

Ron McMillan
Chairman of the Audit Committee
12 March 2019

Audit Committee Report Continued

Committee composition

The Committee comprises three members, Senior Independent Director Ron McMillan (Chair), Independent Non-Executive Director Zvika Zivlin and Independent Non-Executive Director Anne de Kerckhove.

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. The Committee as a whole has competence relevant to the online gaming sector and all members of the Committee have an understanding of financial reporting, 888's internal control environment, relevant corporate legislation, the functions of internal and external audit and the regulatory and compliance framework of the business. Mr. Zivlin has extensive business and industry experience through his various roles, Mr. McMillan has served in the past as the auditor of betting and gaming companies and Ms. de Kerckhove has extensive entrepreneurial and business experience as the founder of several business ventures. Details of meetings of the Audit Committee are set out in the Corporate Governance Report on page 50.

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;
- assisting the Board in its consideration of relevant risk factors and determining appropriate mitigation actions; and
- monitoring the enforcement of the Company's Global Code of Conduct and the adequacy and security of its whistle-blowing procedure.

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 all areas of its business. This creates risk for the Company as non-compliance can lead to financial penalties, reputational damage and the loss of licences to operate. As part of this process, the Audit Committee received updates from management and discussed follow-up actions in response to regulatory matters relating to customer activity in prior periods. The Group manages its regulatory risk with input from its legal advisors in order to operate its business in compliance with relevant regulatory requirements. The Group works with its lawyers to produce regular updates so that the Board and Audit Committee understand what is happening in the regulatory landscape.

During 2018, the Audit Committee received regulatory briefings 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. This notably included examination of the changing regulatory landscape in Germany and defence of the Company's position in that market, the Group's Brexit planning and implementation of various compliance and quality assurance controls in various markets as the regulatory regimes evolve.

Taxation

The Board oversees and sets the Group's tax strategy and evaluates tax risk. In undertaking this task, the Group uses its legal and tax advisors. During the year, the Group'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 2018, the Board and Audit Committee discussed tax related matters including the partial release of the provision for German VAT and the removal of the related contingent liability disclosure previously recorded in the Company's financial statements, in light of the assessments received by the Company from the German tax authorities for tax years 2010-2017. Furthermore, the Board received detailed updates regarding the progress of the Israeli tax audit of Random Logic Ltd., as well as the withholding tax assessments issued by the Israeli tax authorities. The Committee noted that the Group registered for taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis, whilst reserving its position concerning contesting possible existence of a liability in appropriate cases. For further information, see notes 8 and 27 to the financial statements.

Goodwill and intangible assets

As set out in note 12 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 as well as the impact of the recent regulatory developments on the business, and satisfied itself that no impairments were required in relation to carrying values. In addition, the committee reviewed the board paper in relation to 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.

AAPN Acquisition

In December 2018, 888 acquired the remaining 53% interest in AAPN joint venture established in 2013, for US $28 million. The Group used the services of an independent valuation expert to assist with the fair valuation and purchase price allocation of AAPN. The Audit Committee also reviewed the cash flow forecasts supporting the varying book value of AAPN including the key assumptions and estimates and satisfied itself with the resulted goodwill and gain.

Revenue Recognition and Development Costs Capitalisation

Revenue recognition and the capitalisation of development costs are areas of material risk in relation to the preparation of the financial statements. The Committee has considered the Group's accounting policies in these areas and the internal controls which are in place and has concluded that the Group's recognition of income and capitalisation of development costs is appropriate.

IT systems

888's IT systems are complex and predominantly 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 as well as to ensuring a robust control environment.

During the year, the Audit Committee has reviewed reports from management on cyber and data security and disaster recovery planning and incident response.

Internal controls and risk management

The Board has overall responsibility for ensuring that the Group 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 Group 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; and
5. Target dates for actions to mitigate.

A description of the principal risks is set out on pages 25 to 31.

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.
- 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 36.
- Review of the external audit fee.

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 FRC. During the year, the Audit Committee did not advise the Board 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 received a report from management on the internal control environment and on the basis of reviewing and challenging that report, 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.

Going concern and financial viability

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they are managed, the availability of finance and the appropriate period for assessment. The committee challenged the identification of these significant risks and the assumptions comprising the viability analysis carried out by management. The Group's viability statement is on page 36.

Audit Committee Report Continued

Fair, balanced and understandable

The Committee considered whether the 2018 Annual Report is fair, balanced and understandable, and whether it provides the necessary information to shareholders to assess the Group's performance, business model and strategy. The Committee considered management's assessment of items included in the financial statements and the prominence given to them. The Committee and subsequently the Board were satisfied that, taken as a whole, the 2018 Annual Report and Accounts are fair, balanced and understandable.

Performance of Audit Committee

The Audit Committee's performance was evaluated as part of the Board evaluation carried out during 2018, as detailed on page 54. The overall conclusion of the review was that the Committee remains effective in discharging its functions and reporting to the Board.

Internal auditors

The Group's internal audit function is outsourced to Deloitte. The Audit Committee reviewed and monitored 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 and regulation. In 2018, Deloitte issued reports on the Group's billing processes, cyber security, Gibraltar office processes, self-exclusion and bonuses processes, implementation of Board decisions, payroll and procurement fraud, GDPR readiness, accounts receivable and payroll in the Group's Romanian subsidiary office, as well as presenting the internal audit plan. 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 Angelique Linares, a partner in EY's Gibraltar office, and Cameron Cartmell, a partner in EY's London office. Cameron Cartmell is stepping down from the audit in 2019 due to EU rotation requirements. Angelique replaced Jose Julio Pisharello for the year ended 31 December 2018, such that the partner rotation was staggered rather than concurrent. Cameron has been responsible for the audit since EY was appointed.

The FRC conducted a review of EY UK's annual audit of 888 for the year ended 31 December 2017 and made a number of recommendations for improvement in relation to the audit of revenue, segmental reporting and capitalised development costs and supporting evidence concerning legal advice received by the Group. In each of these areas, EY has committed to making appropriate changes to the way in which their audits of 888 are conducted and the committee will monitor progress in relation to these.

The Committee has also discussed with EY the results of the latest published review of EY as a firm, which was in relation to the period March 2017 to February 2018, and the findings of that report. EY has committed to making changes to the way in which it undertakes audits and the committee will monitor progress against these plans. In relation to its work on 888, the Committee is satisfied with the performance of EY and recommends its reappointment.

The Committee has also reviewed the performance of EY in relation to the 888 audit, a process which involved all Board members and senior members of 888's finance function. Notwithstanding the items identified by FRC in their review, 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 proposed to shareholders at the Annual General Meeting to be held on 21 May 2019. 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. In the normal course, Cameron Cartmell will rotate off the 888 audit at the conclusion of this year's audit and the Committee and EY have commenced discussions on audit partner succession to ensure there is an orderly and timely handover of responsibilities. The Committee notes and confirms compliance with the other provisions of the Competition & Markets Authority Order 2014 in respect of statutory audit services for large companies.

The Committee reviewed the reports prepared by the external auditors 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 material internal control weaknesses and management has committed to making appropriate changes to controls in areas highlighted by EY.

Audit and non-audit work

The Audit Committee remains mindful of the attitude investors have to the auditors performing non-audit services. The Committee has clear policies relating to the auditors undertaking non-audit work and 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 ensuring that fees for non-audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

Minor non-audit work carried out by the external auditors for the Group in 2018 amounted to £16,000 (2017: US$0.1 million). In 2018, the Company paid the external auditors for the statutory audit of the consolidated financial statements an amount of US$0.7 million (2017: US$ 0.4 million).

Independent Auditors' Report to the Members of 888 Holdings plc

Our opinion on the financial statements

In our opinion:

- 888 Holdings plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 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 parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

We have audited the financial statements of 888 Holdings plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2018.	Balance sheet as at 31 December 2018.
Consolidated income statement for the year then ended.	–
Consolidated statement of comprehensive income for the year then ended.	–
Consolidated statement of changes in equity for the year then ended.	Statement of changes in equity for the year then ended.
Consolidated statement of cash flows for the year then ended.	Statement of cash flows for the year then ended.
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies.	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Gibraltar Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report Continued

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 26 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 25 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 36 in the annual report 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 36 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters	• Regulatory and legal risks. • Taxation. • Revenue recognition. • Impairment of Bingo CGUs. • Acquisition of AAPN.
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 or specific audit procedures accounted for the entirety of Profit before tax adjusted for exceptional charges, Revenue and Total assets.
Materiality	• Overall Group materiality of US$3.7m which represents 5% of profit before tax adjusted for exceptional charges.

Risk	Our response to the risk	Key observations communicated 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 25, 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 and gaming duties, and in certain jurisdictions VAT or equivalent taxes. • 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. • At 31 December 2018 the Group has provided US$11.3m (2017: US$47.0m) in respect of ongoing legal disputes. • Following the United Kingdom Gambling Commission ("UKGC") Licence review, management has undertaken significant enhancements and improvements of the Group's processes and controls in respect of UK Gambling Regulation compliance, particularly in respect of customers' self-exclusion and responsible gaming. Refer to Corporate Responsibility section on page 38. • After reaching settlement with the German authorities, during 2018 the Group released a portion of the German VAT provision (US$22.4m) and a German VAT accrual of US$10.7m. Refer to the Audit Committee Report (page 77); significant accounting policies (Note 2 on page 94); and Note 5 and Note 27 to the Consolidated Financial Statements (pages 94 to 128).	• Understood the Group's process and related controls in respect of regulatory and legal risks and the related accounting, and assessed whether the controls are designed effectively. • Circularised legal confirmations to significant legal management experts as at 31 December 2018. • Assessed the integrity and expertise of Group's legal advisors. • Inquired of management and the Group's legal advisers, HFN and local legal counsels involved, where appropriate, about any known instances of material breaches in regulatory or licence compliance that need to be disclosed or required provisions to be recorded. • Tested the Group's legal expenses in coordination with the discussions with Group's legal advisers. • Reviewed the Group's correspondence with regulators and tax authorities. • Understood management's interpretation and application of relevant laws and regulations as well as analysis of the risks in respect of Group's operations in unregulated markets. • Challenged the appropriateness of the Group's assumptions and estimates in relation to provisions and contingent liabilities, including provisions for the UKGC inquiries, with reference to correspondence and communication with the UKGC, historical payments made by the Group and competitors, emerging industry practice and the period to which any provision amounts relate, including with respect to anti-money laundering and responsible gaming in the UK and other markets. • Engaged EY Germany legal specialists to assist us in understanding the risks in respect of online gaming prohibition in Germany. • Assessed appropriateness of disclosures in the Annual Report and Accounts.	• Based on our audit procedures on the Group's accounting conclusions in each of its major jurisdictions, we concluded that the provision in respect of potential historical VAT charge and accruals for amounts payable to regulatory authorities are appropriate, are on the conservative side of an acceptable range and that the disclosures in the financial statements were appropriate.

Independent Auditors' Report Continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Taxation The Group recognised a taxation charge of US$13.9 million in 2018 (2017: US$6.2 million) and had income tax receivable of nil (2017: US$1.1 million) and payable of US$11.4 million at 31 December 2018 (2017: US$4.1 million). The Group operates in a number of countries, resulting in complexities in the payment of and accounting for tax, particularly related to Transfer Pricing and Tax Residency. 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 77); significant accounting policies (Note 2 on page 94); and Notes 8 and 14 to the Consolidated Financial Statements (pages 109 and 117).	• 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. • Obtained and read the results of the third-party tax studies obtained by the Group and reviewed 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 challenged the appropriateness of its assumptions and estimates in relation to provisions and contingent liabilities. • We reviewed the Group Transfer Pricing policy and permanent establishment risk assessment prepared by management and their legal advisor. • We considered whether the Group's disclosures of its tax estimates and judgements are in accordance with IFRS requirements.	• With assistance from tax specialists in each major jurisdiction, We have concluded that management's judgements in relation to the taxation charge, provisions and the related disclosures are appropriate.
Revenue recognition The Group recognised revenue of US$540.6 million in 2018 (2017: US$541.8 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 94); and Note 3 to the Consolidated Financial Statements (page 103).	• We understood and tested the key application and manual controls over the Group's principal gaming systems and then applied IT-based auditing techniques to re-perform the reconciliation between the Group's gaming revenue, cash and customer accounts for 12 months ended 31 December 2018. • We also performed the testing of "Test accounts" in live gaming environment for each revenue stream to test the interface between gaming servers, production systems and cash processing system with the Datawarehouse. • We performed detailed substantive testing on a sample of revenue transactions, including validation of bets/wins and deposits/withdrawals. • 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 IFRS 15. • We audited other material manual adjustments.	• We did not identify any differences as part of our testing and considered the accounting for revenue to be appropriate. • We concluded that the adoption of IFRS 15 would not have any impact on the recognition for the Group revenue.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of Bingo cash generating units The Group has goodwill relating to Bingo B2C of US$95.3m and Bingo B2B of US$29.7m, arising from the acquisitions Globalcom (2007) and Wink (2009), and intangible assets of US$3.6m (2017: US$3.6m), the majority of which relates to the Bingo B2C business. As revenue and profit from the Bingo segment decreased in 2018, there is a risk that these assets are not supported by either the future cash flows they are expected to generate or their fair value, resulting in an impairment charge that has not been recognised by management.	• We challenged the assumptions used by management, particularly in respect of forecast growth rates and discount rates, and performed sensitivity analysis where there is limited headroom. • We compared the valuations to current trading conditions and revised forecasts. • We involved valuation specialists to assess the discount rate. • We validated the appropriateness of disclosures in the Annual Report and Accounts.	• Based on our audit work, including the sensitivities applied, we are satisfied that no impairment exists, however, given the limited headroom for the B2B CGU in relation to short-term growth rates and reducing the FX rate, additional disclosures are required in the ARA as a reasonable possible change could lead to an impairment.
Acquisition of All American Poker Network The fair valuation of 100% of the AAPN business requires judgement regarding the level of control premium paid for the 53%. The identification of intangibles assets and their associated fair valuation requires judgement. The goodwill associated with the deal must be tested for impairment before the end of the period in which the business combination occurs. There is a risk that these assets are not supported resulting in an impairment charge that has not been recognised by management. The key judgements in relation to this risk relate to the overall potential size of the US market, 888's forecast market share, and the speed with which the market grows. The recognition of the US$9.3m gain on acquisition is also similarly dependent on the value of AAPN at acquisition which is in turn dependent on the future assumed cash flows.	• We assessed management's accounting and calculation of the acquisition of the remaining share in AAPN joint venture. • We assessed the integrity and expertise of Group's valuation advisors, D&P. • We tested the valuation report and purchase price allocation prepared by management, in combination with Duff & Phelps ("D&P"). • We ensured that this is reflected and disclosed correctly in the financial statements, specifically under IFRS 3 for the acquisition of AAPN in regards to the business combination achieved in stages. • We challenged the assumptions used by management, particularly in respect of forecast growth rates and discount rates, and performed sensitivity analysis. • We audited the inputs to the calculations where possible, including the populations by state, the New Jersey market history. • We corroborated the market size assumptions, and speed of markets opening with externally available reports, where possible.	• Based on our audit work, we were satisfied the acquisition of AAPN has been correctly accounted for and the intangible assets have been appropriately valued. • Based on our audit work, including the sensitivities applied, we are satisfied that no impairment exists, however a reasonable possible change in the assumptions could lead to an impairment.

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 primary audit engagement 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. Non-statutory and statutory audit partners visited both locations at the planning, interim and year-end phases of the audit. During these visits they 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 with the component audit team 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 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$3.7 million (2017: US$3.4 million), which is 5% (2017: 5%) of profit before tax adjusted for exceptional charges.

We believe that profit before tax, adjusted for the exceptional charges 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 the continued growth achieved by the Group.

Starting basis	• Profit before tax – US$108.7 million (2017: US$18.8 million)
Adjustments	• Exceptional items – US$11.1million credit (2017: US$50.8 million charge) • VAT release US$10.7million (2017: nil) • Gain on re-measurement US$9.3 million
Materiality	• Total profit before tax adjusted for exceptional charges US$77.6 million (2017: US$69.6 million) • Materiality of US$3.7 million (2017: US$3.4 million), representing 5% of materiality basis (2017: 5%)

We determined materiality for the Parent Company to be US$1.35 million (2017: US$1.0 million), which is 2% (2017: 2%) of net assets.

During the course of our audit, we reassessed initial materiality and did not identify significant changes.

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% (2016: 75%) of our planning materiality, namely US$2.8 million (2017: US$2.5 million). We have set performance materiality at this percentage due to our past experience of the audit, low number of misstatements and overall effective internal controls.

Audit work at component locations 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 each component is based on the relative scale and risk of the component 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 Israeli component was US$1.6 million (2017: US$1.4 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$188,000 (2016: US$168,000), 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.

Other information

The other information comprises the information included in the annual report set out on pages 01 to 36, including Strategic Report, the Directors' Report and the Corporate Governance Report set out on pages 42 to 77, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on pages 48 to 49** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 77 to 80** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 50** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

Opinions on other matters as per the terms of our engagement letter with the Company

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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.

Matters on which we are required to report by exception as per the terms of our engagement letter with the Company

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters which we have been instructed to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 48 to 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those related to Gambling Regulations and related gaming and indirect taxes in different countries where the Group is operating, including the UK, Spain and Germany and other countries, those related to relevant tax compliance regulations in Gibraltar and Israel and related to the financial reporting framework (IFRS as adopted by the EU, UK Corporate Governance Code, Gibraltar Companies Act 2014 the Listing Rules of the London Stock Exchange and the Bribery Act 2010).
- We understood how 888 Holdings plc is complying with those frameworks by making enquiries of management and the company's legal counsel (HFN). We corroborated our enquiries through our review of board minutes, discussion with audit committee and any correspondence with regulatory bodies, our audit procedures in respect of "Regulatory and legal risk" and "Taxation" significant risks, as described above.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud, including in respect of revenue recognition. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journal entries.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, including anti-money laundering. Our procedures involved audit procedures in respect of "Regulatory and legal risk" and "Taxation" significant risks (as described above), as well as review of board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations and enquires of the management and HFN.
- In respect to the Israeli component, any instances of non-compliance with laws and regulations were communicated to the Primary team as they arose and were followed up with management by the Primary team.
- The Group operates in the gaming industry which is a highly regulated environment. The non-statutory audit partner has specialised in the betting and gaming sector for many years and has experience of working with both online and physical gaming operators in a variety of regulatory environments. He reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of a specialist where appropriate. The team had discussions during planning and throughout the audit in respect of the evolving gaming regulatory environment and the audit engagement partner provided briefings regarding the UKGC Licence review to the team.
- As part of our audit procedures we identified non-compliance with UK Gambling Regulation in respect of customers' self-exclusion process and responsible gaming. We had discussions with management and legal counsel to assess and understand the implications on our audit procedures. We revised our audit procedures in respect of "Regulatory and Legal risk" significant risk as described above in "Key audit matters" section.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 9 May 2018 to audit the financial statements for the year ending 31 December 2018 and no subsequent financial periods. We signed an engagement letter on 23 January 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 December 2014 to 31 December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

- This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Cameron Cartmell
(Non-Statutory Auditor)
Ernst & Young LLP
London
12 March 2019

Angelique Linares
(Statutory Auditor)
For and on behalf of EY Limited, Registered Auditors
Gibraltar
12 March 2019

The maintenance and integrity of the 888 Holdings plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Consolidated Income Statement
For the year ended 31 December 2018

	Note	2018 US$ million	2017 US$ million
Revenue before VAT accrual release	3	529.9	541.8
VAT accrual release	19	10.7	—
Revenue		540.6	541.8
Operating expenses	4	(158.1)	(158.1)
Gaming duties		(69.9)	(75.2)
Research and development expenses		(32.8)	(35.4)
Selling and marketing expenses		(155.0)	(162.5)
Administrative expenses		(36.2)	(37.7)
Exceptional items	5	11.1	(50.8)
Operating profit before exceptional items, VAT accrual release and share benefit charge		86.8	81.4
Exceptional items	5	11.1	(50.8)
VAT accrual release		10.7	—
Share benefit charge	22	(8.9)	(8.5)
Operating profit	4	99.7	22.1
Finance income	7	0.6	0.6
Finance expenses	7	(0.7)	(3.7)
Gain from remeasurement of previously held equity interest in joint ventures	11	9.3	—
Share of post-tax loss of equity accounted joint ventures and associates	14	(0.2)	(0.2)
Profit before tax		108.7	18.8
Taxation	8	(13.9)	(6.2)
Profit after tax for the year attributable to equity holders of the parent		94.8	12.6
Earnings per share	9		
Basic		26.3¢	3.5¢
Diluted		25.8¢	3.4¢

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	2018 US$ million	2017 US$ million
Profit for the year		94.8	12.6
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(0.4)	0.8
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability	6	1.1	(1.4)
Total other comprehensive expense for the year		0.7	(0.6)
Total comprehensive income for the year attributable to equity holders of the parent		95.5	12.0

The notes on pages 94 to 128 form part of these consolidated financial statements.

Consolidated Balance Sheet
At 31 December 2018

	Note	2018 US$ million	2017 US$ million
Assets			
Non-current assets			
Goodwill and other intangible assets	12	**200.3**	159.8
Property, plant and equipment	13	**11.0**	9.0
Investments	14	**1.1**	1.3
Non-current receivables	17	**0.8**	0.8
Deferred tax assets	15	**1.4**	1.5
		214.6	172.4
Current assets			
Cash and cash equivalents	16	**133.0**	179.6
Trade and other receivables	17	**33.0**	43.1
Income tax receivable		**—**	1.1
		166.0	223.8
Total assets		**380.6**	396.2
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	18	**3.3**	3.3
Share premium	18	**3.6**	3.5
Foreign currency translation reserve		**(2.0)**	(1.6)
Treasury shares	22	**(1.2)**	(0.7)
Retained earnings		**156.6**	108.7
Total equity attributable to equity holders of the parent		**160.3**	113.2
Liabilities			
Current liabilities			
Trade and other payables	19	**136.0**	156.9
Provisions	19	**11.3**	47.0
Income tax payable		**11.4**	4.1
Deferred tax liability	8	**2.3**	—
Severance pay liability	6	**2.2**	3.3
Customer deposits	20	**57.1**	71.7
		220.3	283.0
Total equity and liabilities		**380.6**	396.2

The consolidated financial statements on pages 90 to 128 were approved and authorised for issue by the Board of Directors on 12 March 2019 and were signed on its behalf by:

Itai Pazner
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 94 to 128 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$ million	Share premium US$ million	Treasury shares US$ million	Retained earnings US$ million	Foreign currency translation reserve US$ million	Total US$ million
Balance at 1 January 2017	3.2	3.3	—	159.5	(2.4)	163.6
Profit after tax for the year attributable to equity holders of the parent	—	—	—	12.6	—	12.6
Other comprehensive expense for the year	—	—	—	(1.4)	0.8	(0.6)
Total comprehensive income	—	—	—	11.2	0.8	12.0
Dividend paid (note 10)	—	—	—	(70.5)	—	(70.5)
Equity settled share benefit charges (note 22)	—	—	—	8.5	—	8.5
Acquisition of treasury shares	—	—	(0.7)	—	—	(0.7)
Issue of shares to cover employee share schemes (note 18)	0.1	0.2	—	—	—	0.3
Balance at 31 December 2017	**3.3**	**3.5**	**(0.7)**	**108.7**	**(1.6)**	**113.2**
Profit after tax for the year attributable to equity holders of the parent	—	—	—	94.8	—	94.8
Other comprehensive (expense) income for the year	—	—	—	1.1	(0.4)	0.7
Total comprehensive income	—	—	—	95.9	(0.4)	95.5
Dividend paid (note 10)	—	—	—	(56.6)	—	(56.6)
Equity settled share benefit charges (note 22)	—	—	—	8.9	—	8.9
Acquisition of treasury shares	—	—	(0.8)	—	—	(0.8)
Exercise of deferred share bonus plan	—	—	0.3	(0.3)	—	—
Issue of shares to cover employee share schemes (note 18)	—	0.1	—	—	—	0.1
Balance at 31 December 2018	**3.3**	**3.6**	**(1.2)**	**156.6**	**(2.0)**	**160.3**

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.
Treasury shares – represent reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.
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 94 to 128 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018 US$ million	2017 US$ million
Cash flows from operating activities			
Profit before income tax		**108.7**	18.8
Adjustments for:			
Depreciation	13	**5.3**	5.7
Amortisation	12	**15.0**	13.6
Interest income	7	**(0.6)**	(0.6)
Gain from remeasurement of previously held equity interest in joint ventures	11	**(9.3)**	—
Share of post-tax loss of equity accounted associates	14	**0.2**	0.2
Exceptional items		**(11.1)**	50.8
VAT accrual release		**(10.7)**	—
Share benefit charges	22	**8.9**	8.5
Profit before income tax after adjustments		**106.4**	97.0
Decrease (increase) in trade receivables		**8.4**	(7.2)
Increase in other receivables		**(1.3)**	(1.1)
Decrease in customer deposits		**(12.1)**	(2.9)
(Decrease) Increase in trade and other payables		**(29.1)**	17.7
Decrease in provisions		**(24.6)**	(3.8)
Cash generated from operating activities		**47.7**	99.7
Income tax paid		**(5.6)**	(4.2)
Net cash generated from operating activities		**42.1**	95.5
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(7.3)**	(5.6)
Interest received	7	**0.6**	0.6
Acquisition of intangible assets	12	**(2.7)**	(3.6)
Acquisition of subsidiaries, net of cash acquired	11	**(9.2)**	—
Internally generated intangible assets	12	**(12.0)**	(11.2)
Net cash used in investing activities		**(30.6)**	(19.8)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	18	**0.1**	0.3
Acquisition of treasury shares	22	**(0.8)**	(0.7)
Dividends paid	10	**(56.6)**	(70.5)
Net cash used in financing activities		**(57.3)**	(70.9)
Net (decrease) increase in cash and cash equivalents		**(45.8)**	4.8
Net foreign exchange difference		**(0.8)**	2.2
Cash and cash equivalents at the beginning of the year	16	**179.6**	172.6
Cash and cash equivalents at the end of the year[1]	16	**133.0**	179.6

1 Cash and cash equivalents includes restricted short-term deposits of US$1.5 million (2017: US$1.2 million) (see note 16).

Net cash generated from operating activities is presented after deduction of US$24.6 million paid during 2018 in respect of exceptional items (2017: US$6.2 million).

The notes on pages 94 to 128 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, Sport, Bingo, 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:

2.1 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 equity investments which have been measured at fair value.

The consolidated financial statements are presented in US Dollars because that is the currency in which the Group primarily operates. All values are rounded to the closest million except when otherwise indicated.

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 effective for the annual periods beginning on 1 January 2018. These are described in more detail on the next following pages.

2.2 New standards, interpretations and amendments adopted by the Group

The following interpretation and amendments to International Financial Reporting Standards, issued by the IASB and adopted by the EU, were effective from 1 January 2018 and have been adopted by the Group during the year with no significant impact on the parent company or on the consolidated results or financial position:

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions.
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration.
- Annual Improvements to IFRS Standards 2014-2016 Cycle: Clarification in IAS 28 that measuring investees at fair value through profit or loss is an investment-by-investment choice.

2 Significant accounting policies continued

2.2 New standards, interpretations and amendments adopted by the Group continued

The Group had applied, for the first time, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers, that require restatement of previous financial statements.

- IFRS 9 – IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group has applied IFRS 9 retrospectively with no material impact on the financial statements of the Group.

  (a) Classification and measurement
  The Group's income earned from Casino, Bingo and Sports falls within the scope of IFRS 9, which did not result in material impact on accounting or presentation of this income. There were no changes in classification and measurement of other financial assets and liabilities.

  (b) Impairment
  The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL). IFRS 9 application did not result in material changes to Group's financial statements.

  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 ePayment companies. The Group has applied the standard's simplified approach and has calculated the ECLs based on lifetime of expected credit losses. This did not result in material changes to Group's financial statements. Bad debts are written off when there is objective evidence that the full amount may not be collected.

  Equity instruments designated at fair value through OCI
  Under IFRS 9 equity investments are measured at fair value through other comprehensive income (FVOCI) without subsequent recycling to income statement. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, these were classified as available for sale financial assets. The impact is not material.

  Financial liabilities
  The accounting for Group's financial liabilities remains largely the same as it was under IAS 39.

- IFRS 15 – supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  The Group adopted IFRS 15 using the full retrospective method of adoption with no material impact on the financial statements of the Group:

  (a) Casino, Bingo and Sports
  The Group's income earned from Casino, Bingo and Sports does not fall within the scope of IFRS 15. Income from these online activities is disclosed as revenue although these are accounted for and meet the definition of a gain under IFRS 9.

Notes to the Consolidated Financial Statements Continued

2 Significant accounting policies continued

2.2 New standards, interpretations and amendments adopted by the Group continued

(b) Poker and B2B revenue
Poker revenue represents 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 certain promotional costs are accounted for, and entry fee revenue is recognised when the tournament has concluded. IFRS 15 adoption did not have impact on Group's Poker revenue.

Revenue from B2B is mainly comprised of services provided to business partners and brand licensing on third-party platforms. IFRS 15 adoption did not have an impact on Group's B2B revenue recognition policy including assessment whether the Group is acting as principal or agent in the relevant contracts.

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, identifying the specified services and determine which party controls such services before they are transferred to the customer. If control assessment is not clear, the Group considers the principal indicators such as 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.

(c) Presentation and disclosure requirements
The Group disclosed disaggregated revenue recognised from contracts with customers and revenue from other online activities in note 3 Segment Information.

2.3 New standards that have not been adopted by the Group as they were not effective for the year

The new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group has not early adopted IFRS 16.

IFRS 16 Leases – IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 Leases requires lessees to recognise right-of-use assets and lease liabilities for most leases. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liability, any lease payments made before or at the commencement date and initial direct costs. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortised cost with the interest expense recognised within finance income (expense) in the consolidated statement of income.

In accordance with the transition provisions in IFRS 16, the Group is entitled to choose to apply the modified retrospective approach. Under this approach, a lessee does not restate comparative information and recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be as follows:

Impact on the statement of financial position as at 31 December 2018:

	US$ million
Assets	
Property, plant and equipment (right-of-use assets)	27.2
Liabilities	
Current Lease liabilities	(5.1)
Non-current Lease liabilities	(22.1)
Net impact on equity	**–**

Expected impact on the statement of profit or loss for 2019:

	US$ million
Depreciation expense	(5.2)
Operating lease expense	5.9
Operating profit	**0.7**
Finance costs	(0.9)
Profit for the year	**(0.2)**

Following the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

The following relevant interpretations and amendments to existing standards issued by the IASB, have not been adopted by the Group as they were either not effective for the year or not yet endorsed for use in the EU. The Group is currently assessing the impact of these interpretations and amendments will have on the presentation of, and recognition in, parent company or consolidated results or financial position in future periods:

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for accounting periods beginning on or after 1 January 2019).
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for accounting periods beginning on or after 1 January 2019).

Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for accounting periods beginning on or after 1 January 2019).

Critical accounting estimates and judgements

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:

Critical judgements

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.

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 12.

Key accounting estimates
The Group's response to Brexit is shown on risk management strategy report. Given the level of uncertainty which still remains in relation to the nature of Brexit and how it might apply to online gambling companies its effect on the carrying values of assets and liabilities cannot be quantified. Brexit has been considered when assessing other key accounting estimates.

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. The Group believes that its accruals for tax liabilities are appropriate. For further information see note 8.

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 12.

Provisions, contingent liabilities and regulatory matters
The Group makes a number of estimates 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 27.

Notes to the Consolidated Financial Statements Continued

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

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 (IFRS 9)
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.

Social games revenue represents the Group's share from the sale of virtual goods to customers playing the Group's games.

Sport (IFRS 9)
Sport online gaming revenue comprises bets placed less payouts to customers, adjusted for the fair value of open betting positions.

Poker (IFRS 15)
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 certain promotional costs are accounted for, and entry fee revenue is recognised when the tournament has concluded.

B2B (IFRS 15)
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.

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

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 and adjusted performance measures

The Group classifies and presents certain items of income and expense as exceptional items. The Group presents adjusted performance measures which differ from statutory measures due to exclusion of exceptional items and certain non-cash items as the Group considers that it allows a further understanding of the underlying financial performance of the Group. These measures are described as "adjusted" and are used by management to measure and monitor the Group's underlying financial performance. Non-cash items that are excluded from adjusted performance measures of underlying financial performance include share benefit charge and share of post-tax loss of equity accounted joint ventures and associates. The Group also seeks to present a measure of underlying performance which is not impacted by exceptional items. 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.

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.

Notes to the Consolidated Financial Statements Continued

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

Goodwill

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 historical 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).

Investment in equity accounted joint ventures and associates

Joint ventures are those entities over whose 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.

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

Business combination achieved in stages

Business combination achieved in stages refers to transactions which the Group obtains control in entities which it held an equity interest immediately before the acquisition date. The Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the income statement.

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. The Group has applied the standard's simplified approach and has calculated the ECLs based on lifetime of expected credit losses. 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 equity investments, at fair value at each balance sheet date. The fair value related disclosures are included in notes 25 and 26. 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

From time to time 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.

Equity

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

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium account.

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.

Notes to the Consolidated Financial Statements Continued

2 Significant accounting policies continued

2.3 New standards that have not been adopted by the Group as they were not effective for the year continued

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.

Equity-settled Share benefit charges

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.

Severance pay schemes

The Group operates two severance pay schemes:

Defined benefit severance pay scheme
The Group operates a defined benefit severance pay scheme pursuant to the Severance Pay Law in Israel. Under this scheme Group employees are entitled to severance pay upon redundancy or retirement. The liability for termination of employment is measured using the projected unit credit method.

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.

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.

Defined contribution severance pay scheme
In 2017 the Group introduced defined contribution plan pursuant to section 14 to the Severance Pay Law. Under this scheme the Group pays fixed monthly contributions. Payments to defined contribution plans are charged as an expense as they fall due.

3 Segment information

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, Sport, Bingo; 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	Consolidated
2018	Casino US$ million	Poker US$ million	Sport US$ million	Bingo US$ million	Total B2C US$ million	US$ million	US$ million
Segment revenue before VAT accrual	**317.6**	**49.0**	**80.3**	**32.4**	**479.3**	**50.6**[1]	**529.9**
VAT accrual release	—	—	—	—	10.7	—	10.7
Segment revenue					**490.0**	**50.6**	**540.6**
Segment result[2]					**218.7**	**25.4**	**244.1**
Unallocated corporate expenses[3]							(155.5)
Exceptional items							11.1
Operating profit							**99.7**
Finance income							0.6
Finance expenses							(0.7)
Gain from remeasurement of previously held equity interest in joint ventures							9.3
Share of post-tax loss of equity accounted joint ventures and associates							(0.2)
Taxation							(13.9)
Profit after tax for the year							**94.8**
Adjusted profit after tax for the year[4]							**72.8**
Assets							
Unallocated corporate assets							380.6
Total assets							380.6
Liabilities							
Segment liabilities					55.5	1.6	57.1
Unallocated corporate liabilities							163.2
Total liabilities							**220.3**

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 9.

Notes to the Consolidated Financial Statements Continued

3 Segment information continued

	B2C					B2B	Consolidated
2017	Casino US$ million	Poker US$ million	Sport US$ million	Bingo US$ million	Total B2C US$ million	US$ million	US$ million
Segment revenue	293.9	77.9	75.5	39.3	486.6	55.2	541.8
Segment result[1]					213.7	22.3	236.0
Unallocated corporate expenses[2]							(163.1)
Exceptional items							(50.8)
Operating profit							22.1
Finance income							0.6
Finance expenses							(3.7)
Share of post-tax loss of equity accounted joint ventures and associates							(0.2)
Taxation							(6.2)
Profit after tax for the year							12.6
Adjusted profit after tax for the year[3]							72.1
Assets							
Unallocated corporate assets							
Total assets							396.2
Liabilities							
Segment liabilities					67.1	4.6	71.7
Unallocated corporate liabilities							211.3
Total liabilities							283.0

1 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
2 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
3 As defined in note 9.

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)

	2018 US$ million	2017 US$ million
EMEA (excluding the UK and Spain)[1]	**228.9**	213.6
UK	**170.6**	203.1
Spain	**68.0**	63.1
Americas	**48.1**	46.2
Rest of world	**14.3**	15.8
Revenue before VAT accrual release	**529.9**	541.8
VAT accrual release	**10.7**	—
Total revenue	**540.6**	541.8

1 During the period the Group identified that the Europe Other Geographical segment used in 2017 financial statements should in fact be referred to as Europe, the Middle East and Africa (EMEA). Non-European revenue included in the segment during 2018 amount to US$45.7 million (2017: US$35.3 million).

3 Segment information continued

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2018 US$ million	2017 US$ million
Gibraltar	**135.6**	138.8
Rest of world	**77.6**	32.1
Total non-current assets by geographical location[1]	**213.2**	170.9

1 Excludes deferred tax assets of US$1.4 million (2017: US$1.5 million).

4 Operating profit

	Note	**2018 US$ million**	2017 US$ million
Operating profit is stated after charging:			
Staff costs (including Executive Directors)	6	**95.7**	104.2
Gaming duties		**69.9**	75.2
Selling and marketing expenses		**155.0**	162.5
Exceptional items	5	**(11.1)**	50.8
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:			
Statutory audit of the consolidated financial statements		**0.7**	0.4
Other assurance services		**—**	0.1
Depreciation (within operating expenses)	13	**5.3**	5.7
Amortisation (within operating expenses)	12	**15.0**	13.6
Chargebacks		**2.8**	2.7
Payment of service providers' commissions		**23.2**	23.4

5 Exceptional items

The Group classifies certain items of income and expense as exceptional, as the Group considers that it allows for a further understanding of the underlying financial 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.

	2018 US$ million	2017 US$ million
Historical VAT	**(22.4)**	45.3
Provision – regulatory matters	**10.4**	—
Exceptional legal and professional costs	**0.9**	—
UKGC – payments in lieu of a fine	**—**	5.5
Total exceptional items[1]	**(11.1)**	50.8

1 Tax effect of the exceptional items is US$0.3 million credit (2017: US$1.3 million tax charge).

Historical VAT

During 2017, the Group recorded a provision for exceptional items of US$45.3 million in respect of historical value added tax relating to the provision of gaming services in Germany prior to 2015. During 2018, following receipt of tax assessments from the Tax Authorities in Germany, the Group paid US$24.6 million on account of this provision and released US$22.4 million of the provision as described in note 19 below.

Provision – regulatory matters

During the year, the Group recorded a provision of US$10.4 million (2017: nil) in respect of regulatory matters related to legacy customers' activity in prior periods. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group. See also note 19.

Notes to the Consolidated Financial Statements Continued

5 Exceptional items continued

Exceptional legal and professional costs

During the year, the Group incurred legal and professional costs of US$0.9 million (2017: nil) associated with M&A activity.

UKGC – payments in lieu of a fine

During 2017 the UK Gambling Commission (UKGC) conducted a review of the manner in which the Group has carried on its licensed activities in the United Kingdom.

The Group worked cooperatively with the UKGC throughout its review and took actions to address the concerns raised therein and entered into a voluntary regulatory settlement involving a payment in lieu of fine of US$5.5 million. In respect of this settlement, the Group recorded exceptional items in 2017 consolidated income statement of US$5.5 million. The payment was made on 26 October 2017.

6 Employee benefits

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

	2018 US$ million	2017 US$ million
Wages and salaries	**94.6**	98.5
Social security	**4.9**	5.5
Employee benefits and severance pay scheme costs	**8.0**	9.1
	107.5	113.1
Staff costs capitalised in respect of internally generated intangible assets	**(11.8)**	(8.9)
	95.7	104.2

In the consolidated income statement total staff costs, excluding share benefit charges of US$8.9 million (2017: US$8.5 million), are included within the following expenditure categories:

	2018 US$ million	2017 US$ million
Operating expenses	**51.9**	56.3
Research and development expenses	**25.6**	29.1
Administrative expenses	**18.2**	18.8
	95.7	104.2

The average number of employees by category was as follows:

	2018 Number	2017 Number
Operations	**805**	838
Research and development	**388**	383
Administration	**127**	129
	1,320	1,350

At 31 December 2018 the Group employed 1,364 (2017: 1,310) staff.

At 31 December 2018 the Group used the services of 210 chat moderators (2017: 229) and 82 contractors (2017: 61).

6 Employee benefits continued

Severance pay scheme – Israel

The Group has defined contribution plan pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service at the date of their departure. The Group recognised an expense in respect of contribution to the defined contribution plan during the year of US$0.8 million (2017: US$0.3 million).

The Group's employees in Israel, which are not subject to section 14 to the Severance Pay Law, 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 administered funds. The funds are held by an independent third-party company.

The current service cost and the present value of the defined benefit obligation are measured using the projected unit credit method. Under this schedule, the Company contributes on a monthly basis at the rate of 8.3% per cent of the aggregate of members' salaries.

The disclosures set out below are based on calculations carried out as at 31 December 2018 by a qualified independent actuary.

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

	2018 US$ million	2017 US$ million
Included in the balance sheet:		
Severance pay scheme liability (within trade and other payables)	**2.2**	3.3
Included in the income statement:		
Current service costs (within operating expenses)	**1.6**	2.0
Current service costs (within research and development)	**1.5**	1.8
Current service costs (within administrative expenses)	**0.7**	0.8
Included in the statement of comprehensive income:		
Remeasurement of severance pay scheme liability	**(1.1)**	1.4

Movement in severance pay scheme liability:

Severance pay scheme assets	2018 US$ million	2017 US$ million
At beginning of year	**22.5**	18.8
Interest income	**0.8**	0.9
Contributions by the Group	**3.6**	4.3
Benefits paid	**(3.2)**	(3.8)
Return on assets less interest income already recorded	**(0.2)**	0.2
Exchange differences	**(1.6)**	2.1
At end of year	**21.9**	22.5

Severance pay plan liabilities	2018 US$ million	2017 US$ million
At beginning of year	**25.8**	20.4
Interest expense	**0.9**	0.9
Current service costs	**3.8**	4.6
Benefits paid	**(3.2)**	(3.9)
Actuarial gain on past experience	**(0.2)**	0.3
Actuarial loss on changes in financial assumptions	**(1.2)**	1.2
Exchange differences	**(1.8)**	2.3
At end of year	**24.1**	25.8

As at 31 December 2018 the net accounting deficit of the defined benefit severance pay plan was US$2.2 million (2017: US$3.3 million). The Scheme is backed by substantial assets amounting to US$21.9 million at 31 December 2018 (2017: US$22.5 million). The net accounting deficit of defined benefit severance plan is a result of two elements:

- Potential liability to pay further contributions to employees who will be made redundant, if the fund does not hold sufficient assets to pay all benefits relating to employee service at the date of their departure.
- Volatility of Israeli government bond rates may have substantial impact in absolute terms on the net liability. A decrease in the discount rate by 0.25% per annum (i.e. 4.46% to 4.21%) would increase the plan liabilities by US$0.5 million (2017: US$0.6 million).

Notes to the Consolidated Financial Statements Continued

6 Employee benefits continued

Severance pay scheme – Israel continued

The impact of the severance deficit on the level of distributable reserves is monitored on an on-going basis. Monitoring enables planning for any potential adverse volatility and helps the Group to assess the likely impact on distributable reserves.

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

The expected contribution for 2019 is US$3.8 million.

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

	2018 %	2017 %
Discount rate (nominal)	**4.46**	3.87
Estimated increase in employee benefits costs	**5.14**	5.14
Voluntary termination rate	**75**	75
Inflation rates based on Israeli bonds	**1.52**	1.55

Sensitivity of balance sheet at 31 December 2018

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.

The table below shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept as disclosed above.

	Resulted (surplus)/ deficit	**Change from disclosed**
	US$ million	**US$ million**
Discount rate less 0.25%	(2.7)	(0.5)
Estimated increase in employee benefits costs plus 1%	(3.9)	(1.7)
Voluntary termination rate decrease 5%	(2.3)	(0.1)
Inflation rates up 0.25%	(1.9)	0.3

7 Finance income and finance expenses

Finance income:

	2018 US$ million	2017 US$ million
Interest income	**0.6**	0.6
Finance income	**0.6**	0.6

Finance expenses:

	2018 US$ million	2017 US$ million
Foreign exchange losses	**0.7**	3.7
Finance expenses	**0.7**	3.7

8 Taxation

Corporate taxes

	2018 US$ million	2017 US$ million
Current taxation		
Gibraltar taxation	**2.2**	0.2
Other jurisdictions taxation	**11.9**	8.1
Adjustments in respect of prior years	**(0.2)**	0.1
	13.9	8.4
Deferred taxation		
Origination and reversal of temporary differences	**–**	(2.2)
Taxation expense	**13.9**	6.2

Notes to the Consolidated Financial Statements Continued

8 Taxation continued

Corporate taxes continued

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

	2018 US$ million	2017 US$ million
Profit before taxation	**108.7**	18.8
Standard tax rate in Gibraltar (2018: 10%, 2017: 10%)	**10.9**	1.9
Higher effective tax rate on other jurisdictions	**4.1**	0.8
Tax on dividend distribution from other jurisdictions	**5.5**	5.0
Deferred tax on intragroup transfer	**—**	(1.9)
Expenses not allowed for taxation	**1.8**	1.3
Capital allowances in excess of depreciation	**(0.8)**	(0.5)
Non-taxable revaluation of equity interest	**(0.9)**	—
Non-taxable income	**(6.5)**	(0.5)
Adjustments to prior years' tax charges	**(0.2)**	0.1
Total tax charge for the year	**13.9**	6.2

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%. Gibraltar corporate tax expenses for the year are significantly higher compared to 2017, as a result of higher profit before tax, partially derived from the release of provision for historical VAT recorded in 2017, as described in note 5.

Israel

The domestic corporate tax rate in Israel in 2018 is 23% (2017: 24%). 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.

UK

The Group's subsidiary in the UK is subject to a corporate tax rate of 19% (2017: 19.25%). 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.

Romania

The Group's subsidiary in Romania is subject to a corporate tax rate of 16% (2017: 16%).

US

The Group's subsidiaries in US are subject to federal corporate tax rate of 21% (2017: 34%), and state (New Jersey) tax rate of 9% (2017: 9%).

Sensitivity analysis

The key operating companies in the Group are incorporated, managed and controlled and tax resident in Gibraltar. The Group's subsidiaries are located in different jurisdictions and these subsidiaries are taxed locally on their respective profits which are determined with reference to transfer pricing agreements. Effective tax rate increased by 1% would result in an increase in the tax charge (and associated provision) of US$1.1 million (2017: US$0.2 million).

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 and outstanding during the year during the year.

Diluted 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 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 5,759,968 Ordinary Shares (2017: 8,840,298) and 18,481 market-value options (2017: 49,353).

The number of equity instruments excluded from the diluted EPS calculation is 2,078,991 (2017: 1,431,143).

	2018	2017
Profit for the period attributable to equity holders of the parent (US$ million)	**94.8**	12.6
Weighted average number of Ordinary Shares in issue and oustanding	**361,122,725**	359,260,003
Effect of dilutive Ordinary Shares and Share options	**5,778,449**	8,889,651
Weighted average number of dilutive Ordinary Shares	**366,901,174**	368,149,654
Basic earnings per share	**26.3¢**	3.5¢
Diluted earnings per share	**25.8¢**	3.4¢

Adjusted earnings per share

The Directors believe that EPS excluding VAT accrual release, exceptional items, share benefit charges, gain from remeasurement of previously held equity interest in joint ventures and share of post- tax loss of equity accounted joint ventures and associates ("Adjusted EPS") allows for a further understanding of 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, gain from remeasurement of previously held equity interest in joint ventures and share of post-tax loss of equity accounted joint ventures and associates ("Adjusted profit"):

	2018 US$ million	2017 US$ million
Profit for the period attributable to equity holders of the parent	**94.8**	12.6
VAT accrual release	**(10.7)**	—
Exceptional items (see note 5)	**(11.1)**	50.8
Share benefit charges (see note 22)	**8.9**	8.5
Gain from remeasurement of previously held equity interest in joint ventures	**(9.3)**	—
Share of post-tax loss of equity accounted associates (see note 14)	**0.2**	0.2
Adjusted profit	**72.8**	72.1
Weighted average number of Ordinary Shares in issue	**361,122,725**	359,260,003
Weighted average number of dilutive Ordinary Shares	**366,901,174**	368,149,654
Adjusted basic earnings per share	**20.2¢**	20.1¢
Adjusted diluted earnings per share	**19.8¢**	19.6¢

Notes to the Consolidated Financial Statements Continued

10 Dividends

	2018 US$ million	2017 US$ million
Dividends paid	**56.6**	70.5

An interim dividend of 4.2¢ per share was paid on 31 October 2018 (US$15.2 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2018 comprising 6.0¢ per share, and an additional one-off dividend of 2.0¢ per share, both of which will be recognised in the 2019 financial statements once approved.

In 2017 an interim dividend of 4.0¢ per share was paid on 11 October 2017 (US$14.4 million) and a final dividend of 5.9¢ per share plus an additional one-off 5.6¢ per share were paid on 11 May 2018 (US$41.4 million).

11 Business combinations

Acquisition of additional interest in AAPN Holdings LLC

On 10 December 2018, the Group acquired an additional 53% interest in the voting shares of AAPN Holdings LLC ("AAPN"), increasing its ownership interest to 100% for a cash consideration of US$28.5 million. US$10.0 million was paid on the day of acquisition and additional US$18.5 million to be paid during the first quarter of 2019 included in other payables as at 31 December 2018, see note 19.

The acquisition represented an important strategic milestone that will facilitate the Group's future growth strategy in the US by giving 888 additional operational, technological and commercial flexibility to deliver on multiple potential growth opportunities.

The Group remeasured its previously held 47% equity interest in AAPN at its acquisition-date fair value and recognised US$9.3 million gain in the consolidated income statement. The goodwill recognised of US$30.9 million represents the potential revenues from the US market as the states regulate online gambling. No goodwill is expected to be deductible for tax purposes. The fair value of the identifiable assets and liabilities of AAPN as at the date of acquisition were:

	Fair value recognised on acquisition US$ million
Assets	
Other intangible assets	9.9
Cash and cash equivalents	0.8
Trade and other receivables	0.3
Total assets	11.0
Liabilities	
Trade and other payables	1.8
Deferred tax liability	2.3
Total liabilities	4.1
Total identifiable net assets at fair value	**6.9**
Goodwill arising on acquisition	**30.9**
Purchase consideration transferred	28.5
Gain from remeasurement of previously held equity interest in joint ventures	9.3
Fair value of purchase consideration	**37.8**

	Cash flow on acquisition US$ million
Net cash acquired with the subsidiary	**0.8**
Cash paid	**(10.0)**
Net cash flow on acquisition	**(9.2)**

12 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 2017	146.1	18.8	69.4	234.3
Additions	—	3.6	11.2	14.8
Disposals	—	(0.8)	—	(0.8)
At 31 December 2017	146.1	21.6	80.6	248.3
Additions	—	2.7	12.0	14.7
Acquisition of a subsidiary (AAPN buyout)	30.9	9.9	—	40.8
At 31 December 2018	**177.0**	**34.2**	**92.6**	**303.8**
Amortisation and impairments:				
At 1 January 2017	20.7	14.4	40.6	75.7
Amortisation charge for the year	—	2.6	11.0	13.6
Disposals	—	(0.8)	—	(0.8)
At 31 December 2017	20.7	16.2	51.6	88.5
Amortisation charge for the year	—	3.2	11.8	15.0
At 31 December 2018	**20.7**	**19.4**	**63.4**	**103.5**
Carrying amounts				
At 31 December 2018	**156.3**	**14.8**	**29.2**	**200.3**
At 31 December 2017	125.4	5.4	29.0	159.8
At 1 January 2017	125.4	4.4	28.8	158.6

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of nil were written off in 2018 (2017: US$0.8 million).

Acquisition during the year

Fair Value of acquired intangible assets recognised on acquisition of AAPN includes licence to operate, trade names and customer relationships. The estimated remaining useful life of the acquired intangible assets is 5 years, 5 years and up to 12 years, respectively.

Internally generated intangible assets

This category of assets includes capitalised development costs in accordance with IAS 38. The material projects as included within the carrying amount above include compliance with local regulatory requirements in certain jurisdictions US$5.6 million (2017: US$6.6 million) and a major upgrade to the gaming systems platform US$23.5 million (2017: $22.4 million). No impairment tests were considered to be required at 31 December 2018 and the carrying value of internally generated intangible assets is considered to be appropriate. At 31 December 2018 there were projects with carrying value US$4.3 million (2017: US$3.1 million) which were not completed and therefore not being amortised. All of these projects are expected to complete and commence amortisation in 2019.

Notes to the Consolidated Financial Statements Continued

12 Goodwill and other intangible assets continued

Analysis of goodwill by cash generating units:

	B2C			B2B	Consolidated
	Bingo US$ million	AAPN US$ million	Other US$ million	Bingo US$ million	Total goodwill US$ million
Carrying value at 31 December 2018	**95.4**	**30.9**	**0.3**	**29.7**	**156.3**
Carrying value at 31 December 2017	95.4	—	0.3	29.7	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 B2C and B2B 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. In previous years these have been considered together as the risks and rewards associated with those income streams are deemed to be sufficiently similar. In 2018 Bingo B2C and Bingo B2B revenue streams were separated following the decline in Bingo revenue mainly due to the regulatory challenges facing the UK Bingo market and the termination of contract with one of the B2B partners which resulted in a decreased available headroom.

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 which applies for each of B2B and B2C, have been applied to revenue and are based on past experience, including the results in 2018 and 2017 and projections of future changes in the UK online bingo gaming market. B2B contracts that will not be renewed were projected accordingly. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition, stable exchange rate for GBP/US$ and the expectation that the Group will continue to operate and be subject to gaming duties 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 increase years 1-5	Operating expenses increase year 6+	GBP/US$ exchange rate used in the model for future periods
At 31 December 2018	**9%**	**2%**	**3%**	**2%**	**2%**	**2%**	**1.30**
At 31 December 2017	9%	3%	1%	2%	1%	2%	1.35

1 The pre-tax discount rate is recalculated 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 The underlying growth rate in 2018 was calculated excluding the effect of certain B2B contracts which were terminated during 2018 and excluding the full effect of newly acquired Bingo brands. For further information see note 28.

The calculation of value in use for Bingo B2C and Bingo B2B units is most sensitive to the following assumptions:

(i) Revenue growth rates – growth rates are based on past experience and projections of future changes in the online gaming market. The continued highly competitive UK Bingo market as well as the proactive steps 888 has taken to address the tighter regulatory environment in the UK adversely impacted 2018 revenue growth. A reduction of 1.3% and 1.9% in the long-term growth rates for each of B2B and B2C would result in zero headroom for Bingo B2B and Bingo B2C, respectively.

(ii) Cash flow forecast – cash flow projections may be affected by changes in the UK gaming market including possible economic slowdown as a result of Brexit. A reduction of 10% and 17% in the cash flow projections for each of B2B and B2C would result in zero headroom for Bingo B2B and Bingo B2C, respectively.

(iii) Exchange rate – Management recognises that a change in GBP/US$ currency rate can have a significant impact on available headroom. A reduction by 2% and 11%in the GBP/US$ currency rates for each of B2B and B2C would result in zero headroom for Bingo B2B and Bingo B2C, respectively.

12 Goodwill and other intangible assets continued

Goodwill – AAPN

The Group recognised goodwill of US$30.9 million following the acquisition of additional 53% interest in the voting shares of AAPN during December 2018, increasing the Group's ownership interest to 100%. The recognised goodwill reflects the potentially significant opportunities in the US to create additional value for the Group.

Key assumptions and inputs used

The recoverable amount of the AAPN CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets. Beyond the forecast period, management has applied an annual growth rate of 2%. The forecast cash flows are particularly uncertain as the rate of market growth in the US is dependent on both the timing of markets opening, as well as their forecast growth rates and 888's share of those markets. Management has applied a discount rate to the cash flows which reflect the additional risks specific to the US online gambling market. Management analysis shows the value in use is highly sensitive and reasonably possible changes in the US market size and 888's market share could result in an impairment of the goodwill.

Acquired intangible assets

Software licences
No impairment tests were considered to be required at 31 December 2018 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 2018 and the carrying value of other intangible assets is considered to be appropriate.

13 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 2017	49.9	4.4	15.1	69.4
Additions	4.1	1.2	0.3	5.6
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	44.1	5.5	15.2	64.8
Additions	6.4	0.6	0.3	7.3
Disposals	(3.5)	—	—	(3.5)
At 31 December 2018	**47.0**	**6.1**	**15.5**	**68.6**
Accumulated depreciation				
At 1 January 2017	43.6	3.3	13.4	60.3
Charge for the year	4.9	0.4	0.4	5.7
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	38.6	3.6	13.6	55.8
Charge for the year	4.4	0.5	0.4	5.3
Disposals	(3.5)	—	—	(3.5)
At 31 December 2018	**39.5**	**4.1**	**14.0**	**57.6**
Carrying amounts				
At 31 December 2018	**7.5**	**2.0**	**1.5**	**11.0**
At 31 December 2017	5.5	1.9	1.6	9.0
At 1 January 2017	6.3	1.1	1.7	9.1

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US$3.5 million were written off in 2018 (2017: US$10.2 million).

Notes to the Consolidated Financial Statements Continued

14 Investments

Investments in associate

The following entities meet the definition of an associate and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	**Effective interest 31 December 2018**	Effective interest 31 December 2017
Come2Play Limited	Associate	Israel	**20%**	20%

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US$1.5 million. As at 31 December 2018 the Group had investment in associate of US$0.9 million (2017: US$1.1million). Further disclosures have not been provided as the investment is not material to the Group.
A reconciliation of the movements in the Group's interest in equity accounted associates is shown below:

	Associates US$ million
At 1 January 2017	1.3
Share of post-tax loss of equity accounted joint ventures and associates	(0.2)
At 31 December 2017	1.1
Share of post-tax loss of equity accounted joint ventures and associates	(0.2)
At 31 December 2018	**0.9**

Investments in 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 had 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.

AAPN has been equity accounted for, reflecting the Group's effective 47% interest in their consolidated results and assets.

On 10 December 2018 ("AAPN buyout day"), the Group acquired an additional 53% interest in the voting shares of AAPN Holdings LLC ("AAPN"), increasing its ownership interest to 100% for cash consideration of US$28.5 million. US$10.0 million was paid to the non-controlling shareholders on the day of acquisition and additional US$18.5 million to be paid during the first quarter of 2019, included in the other payables as at 31 December 2018.

AAPN assets and liabilities as of 31 December 2018 are included in the consolidated balance sheet for further information, see note 11.

AAPN results were under the joint venture framework until AAPN buyout day. Starting 11 December 2018 AAPN results are included in the consolidated income statement, the impact on 2018 consolidated income statement is not material.

Group's share of net assets of the joint ventures as of 31 December 2017 are as follows:

Net assets of US joint ventures	2017 US$ million
Non-current assets	2.5
Current assets	7.5
Current liabilities	(1.1)
Net assets of joint ventures	**8.9**
Assets attributed to class B holders	(8.9)
Net assets of joint ventures attributed to the Group	–
Group effective interest in joint ventures	47%
Group share of net assets of joint ventures	–

14 Investments continued

Investments in US joint ventures continued

Group's share of post-tax losses of the joint ventures as are as follows:

Income statement of US joint ventures	1 Jan 2018 – 10 Dec 2018 US$ million	2017 US$ million
Revenue	**2.7**	2.6
Expenses	**(10.8)**	(6.1)
Post tax loss of joint ventures	**(8.1)**	(3.5)
Expenses attributed to class B holders	**(2.0)**	(2.0)
Total post tax loss of joint ventures attributed to the Group	**(10.1)**	(5.5)
Group effective interest in joint ventures	**47%**	47%
Group share of post tax loss of joint ventures[1]	**(4.7)**	(2.6)

1 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 2018 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$4.7 million in its consolidated income statement in 2018 (2017: US$2.6 million). The total amount of unrecognised loss as of AAPN buyout day is US$13.2 million (2017: US$8.5 million).

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, is 100% owned by the Group. However, the Group considers that due to the manner in which AGN was operated under the contractual arrangements in the JVA, it was regarded as a joint venture. During 2016 AGN surrendered its Nevada licence and ceased operation and winded down as of 31 December 2017.

Other investments

The Group holds equity instruments designated at fair value through OCI of US$0.2 million at 31 December 2018 (31 December 2017: US$0.2 million).

15 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:

	2018 US$ million	2017 US$ million
Deferred tax relates to the following:		
Accrued severance pay	**0.2**	0.2
Vacation pay accrual	**0.5**	0.6
Property, plant and equipment	**1.0**	1.1
Intangible assets	**(2.6)**	(0.4)
	(0.9)	1.5
Reflected in the statement of financial position as follows:		
Deferred tax assets	**1.4**	1.5
Deferred tax liabilities	**(2.3)**	—

The Group has no tax losses at 31 December 2018 (2017: nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Deferred tax liabilities of US$2.3 million have been recognised in respect of the fair value of acquired intangible assets recognised on acquisition of AAPN.

Notes to the Consolidated Financial Statements Continued

16 Cash and cash equivalents

	2018 US$ million	2017 US$ million
Cash and short-term deposits	**74.4**	106.7
Customer funds	**57.1**	71.7
Restricted short-term deposits	**1.5**	1.2
	133.0	179.6

Customer funds represent bank deposits matched by liabilities to customers and progressive prize pools of an equal value (see note 20). Restricted short-term deposits represent amounts held by banks primarily to support guarantees in respect of regulated markets licence requirements.

17 Trade and other receivables

	2018 US$ million	2017 US$ million
Trade receivables	**19.0**	27.8
Other receivables	**10.3**	11.4
Prepayments	**3.7**	3.9
Current trade and other receivables	**33.0**	43.1
Non-current prepayments	**0.8**	0.8
	33.8	43.9

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 25 provides credit risk disclosures on trade and other receivables.

18 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2018 Number	31 December 2017 Number	**31 December 2018 US$ million**	31 December 2017 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 2018 Number	31 December 2017 Number	**31 December 2018 US$ million**	31 December 2017 US$ million
Ordinary Shares of £0.005 each at beginning of year	**359,679,561**	358,585,958	**3.3**	3.2
Issue of Ordinary Shares of £0.005 each	**4,604,978**	1,093,603	**—**	0.1
Ordinary Shares of £0.005 each at end of year	**364,284,539**	359,679,561	**3.3**	3.3

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 22) during 2018 and 2017:

During 2018, the Company issued 4,604,978 shares (2017: 1,093,603) out of which 60,182 shares (2017: 155,603) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$0.1 million (2017: US$0.2 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$3.3 million (2017: US$3.3 million) and is split into 364,284,539 (2017: 359,679,561) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2017: £1.8 million).

19 Trade, other payables and provisions

	2018 US$ million	2017 US$ million
Trade payables	**30.8**	38.4
Accrued expenses[1]	**63.6**	87.3
Liability in respect of AAPN buyout[2]	**18.5**	—
Other payables	**23.1**	31.2
Total trade and other payables	**136.0**	156.9
Provisions[3]	**11.3**	47.0
	147.3	203.9

1 Following the receipt of tax assessments from the German tax authorities position in respect of 2015-2017 period the Group released US$10.7 million of accrual liability in respect of VAT due relating to this period.
2 The Group acquired additional 53% interest in the voting shares of AAPN for cash consideration of US$28.5 million. US$10.0 million was paid on the day of acquisition and additional US$18.5 million to be paid during the first quarter of 2019.
3 Includes mainly provisions in respect of regulatory matters related to legacy customers' activity in prior periods (2017: US$47.0 million in respect of historical value added tax relating to the provision of gaming services in Germany prior to 2015).

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances.

Provisions

During the year, the Group recorded a provision of US$10.4 million in respect of regulatory matters related to legacy customers' activity in prior periods. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group.

During 2017, the Group recorded a provision for exceptional items of US$45.3 million in respect of historical value added tax relating to the provision of gaming services in Germany prior to 2015. During 2018, following receipt of tax assessments from the Tax Authorities in Germany, the Group paid US$24.6 million on account of this provision and released US$22.4 million of the provision, as described in note 5.

Movement in the provision during the year is as follows:

	Total US$ million
At 1 January 2018	47.0
Arising during the year	10.4
Paid during the year	(24.6)
Released to income statement during the period	(22.4)
Exchange rate	0.9
At 31 December 2018	**11.3**
Current	11.3
Non-current	—

20 Liabilities to customers and progressive prize pools

	2018 US$ million	2017 US$ million
Liabilities to customers	**49.5**	65.1
Progressive prize pools	**7.6**	6.6
	57.1	71.7

Notes to the Consolidated Financial Statements Continued

21 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 2018 %**	Percentage of equity interest 2017 %	Nature of business
VHL Financing Limited	Gibraltar	**100**	100	Holding company
VHL Financing (Malta) Limited	Malta	**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
888 Portugal Limited	Malta	**100**	100	Holder of Portuguese online gaming licence
888 Sweden Limited	Malta	**100**	100	Holder of Swedish online gaming licence
Virtual Emerging Entertainment Limited	Gibraltar	**100**	100	Trademark licensor
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
Random Logic Ventures Limited	Israel	**100**	100	Investment holding company
Sparkware Technologies SRL	Romania	**100**	100	Software development
Virtual Internet Services Limited	Gibraltar	**100**	100	Data hosting and development services
Virtual Internet Services (Ireland) Limited	Ireland	**100**	100	Data hosting services
Virtual Share Services Limited	Gibraltar	**100**	100	Administration of employee equity schemes
888 US Inc.	Delaware, USA	**100**	100	Holder of AAPN
888 US Holdings Inc.	Delaware, USA	**100**	100	Holder of AAPN
AAPN Holdings, LLC	Delaware, USA	**100**	47	Holding company (Joint venture in 2017)
AAPN New Jersey LLC	New Jersey, USA	**100**	47	Holder of Casino Service Industry Enterprise licence in New Jersey (Joint venture in 2017)

22 Share benefit charges

Equity-settled share benefit charges

As at 31 December 2018 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 ("AEP"), which expired according to its terms in August 2015, and the 888 Long-Term Incentive Plan 2015 ("LTIP") 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 pages 60 to 76.

In addition, on 8 May 2017, the Board adopted a Deferred Share Bonus Plan ("DSBP") in order to allow the Company to comply with the requirement contained in its Remuneration Policy pursuant to which any annual bonus payment made to an Executive Director in excess of 100% of such Executive Director's annual salary is deferred into equity awards of the Company in the form of nil cost options or share awards.

Details of equity settled shares and share options granted as part of the AEP, the LTIP and the DSBP are set out below. Shares are granted to employees for nil consideration.

Share options granted

	2018		2017	
	Weighted average exercise price	**Number**	Weighted average exercise price	Number
Outstanding at the beginning of the year	**£1.26**	**97,968**	£1.27	259,981
Market value options lapsed during the year	**£1.08**	**(4,694)**	£1.15	(6,410)
Market value options exercised during the year	**£1.38**	**(60,182)**	£1.28	(155,603)
Outstanding at the end of the year[1,2,3]	**£1.08**	**33,092**	£1.26	97,968

1 Of the total number of options outstanding at 31 December 2018, 33,092 had vested and were exercisable (2017: 97,968).
2 The range of exercise prices for options outstanding at 31 December 2018 is £1.02-£1.11 (2017: £1.02-£1.50).
3 The weighted average remaining contractual life at the year-end was 0.79 years (2017: 1.22 years).

Ordinary Shares granted (without performance conditions)

	2018 Number	2017 Number
Outstanding at the beginning of the year	**4,083,372**	4,240,266
Shares granted during the year	**910,159**	35,652
Lapsed future vesting shares	**(141,397)**	(169,213)
Shares issued during the year	**(1,273,858)**	(23,333)
Outstanding at the end of the year	**3,578,276**	4,083,372
Averaged remaining life until vesting	**0.59 years**	1.09 years

Notes to the Consolidated Financial Statements Continued

22 Share benefit charges continued

Deferred Share Bonus Plan

	2018 Number	2017 Number
Outstanding at the beginning of the year	**211,691**	–
Shares granted during the year	**197,074**	211,691
Lapsed future vesting shares	**—**	–
Shares exercised during the year	**(70,564)**	–
Outstanding at the end of the year	**338,201**	211,691
Averaged remaining life until vesting	**1.02 years**	1.22 years

The aforementioned grants under the DSBP were approved by the Board as part of the annual bonus award to the Executive Directors for 2016-2018, pursuant to which an amount equal to 100% of salary was granted in cash, with the additional 50% of salary deferred into shares of the Company. These grants were made on 21 March 2018 to the CEO (117,965 Shares) and CFO (79,109 Shares) and 28 June 2017 to the CEO (130,914 Shares) and CFO (80,777 Shares), with the shares vesting in equal tranches over three years. Ordinary Shares granted for future vesting are valued at the share price at grant date, which the Group considers approximates to the fair value. On 28 March 2018, the Group purchased 197,074 shares and on 29-30 June 2017 the Group purchased 211,691 shares on the open market at an average price of 277.9¢ per share and 255.31¢ per share, respectively, all of which were recognised as treasury shares as of 31 December 2018.

Ordinary Shares granted (subject to performance conditions)

	2018 Number	2017 Number
Outstanding at the beginning of the year	**5,991,889**	5,573,612
Shares granted during the year	**1,372,015**	1,332,944
Lapsed future vesting shares	**—**	–
Shares issued during the year	**(3,221,775)**	(914,667)
Outstanding at the end of the year	**4,142,129**	5,991,889
Averaged remaining life until vesting	**1.25 years**	1.17 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 pages 60 to 76. 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.

Valuation information – shares granted under TSR condition:

Shares granted during the year:	2018	2017
Share pricing model used	**Monte Carlo**	Monte Carlo
Determined fair value	**£1.72**	£1.72
Number of shares granted	**686,008**	666,472
Average risk-free interest rate	**0.98%**	0.16%
Average standard deviation	**26%**	31%
Average standard deviation of peer group	**29%**	29%

22 Share benefit charges continued

Valuation information – shares granted

	2018		2017	
	Without performance conditions	**With performance conditions**	Without performance conditions	With performance conditions
Weighted average share price at grant date	**£2.76**	**£2.70**	£2.73	£2.73
Weighted average share price at issue of shares	**£2.29**	**£2.30**	£2.65	£2.71

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 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.

Share benefit charges

	2018 US$ million	2017 US$ million
Equity-settled		
Equity-settled charge for the year	**8.9**	8.5
Total share benefit charges	**8.9**	8.5

23 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:

	2018 US$ million	2017 US$ million
Short-term benefits	**3.2**	4.6
Post-employment benefits	**0.2**	0.2
Share benefit charges – equity-settled	**4.2**	4.7
	7.6	9.5

Further details on Directors' remuneration are given in the Directors' Remuneration Report on pages 60 to 76.

US joint ventures

During 2018 the Group charged the US joint ventures for reimbursement of costs of US$3.9 million (2017: US$2.1 million).

Notes to the Consolidated Financial Statements Continued

24 Commitments

Lease commitments

Future minimum lease commitments under operating leases on properties occupied by the Group at the year-end are as follows:

	2018 US$ million	2017 US$ million
Within one year	**5.4**	4.9
Between two and five years	**14.9**	17.7
More than 5 years	**8.9**	11.8
	29.2	34.4

The expense relating to operating leases recorded in the consolidated income statement in the year was US$5.1 million (2017: US$5.1 million). The disclosure in respect of transition to IFRS 16 is provided in note 2.

25 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;
- Trade and other receivables;
- Trade and other payables;
- Customer deposits;
- Equity instruments designated at fair value through OCI.

Detailed analysis of these financial instruments is as follows:

Financial assets	2018 US$ million	2017 US$ million
Trade and other receivables[1] (note 17)	**29.3**	39.2
Cash and cash equivalents (note 16)	**133.0**	179.6
Equity (note 14)	**0.2**	0.2
	162.5	219.0

1 Excludes prepayments and non-current other receivables.

In accordance with IFRS 9, all financial assets are classified as loans and receivables. Equity investments are measured at fair value through other comprehensive income ("FVOCI") without subsequent recycling to income statement.

Financial liabilities	2018 US$ million	2017 US$ million
Trade and other payables[1] (note 19)	**100.7**	93.8
Customer deposits (note 20)	**57.1**	71.7
	157.8	165.5

1 Excludes taxes payable.

In accordance with IFRS 9, all financial liabilities are held at amortised cost.

25 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. 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 as at year-end amounting to US$0.1 million arising from a PSP failing to discharge its obligation (2017: 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 2018 was US$1.1 million (2017: US$1.4 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 the majority of its funds with highly reputable financial institutions and will not hold funds with financial institutions with a low credit rating save for limited balances for specific operational needs. 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$162.5 million (2017: US$219.0 million).

Notes to the Consolidated Financial Statements Continued

25 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:

	2018				
	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]	**11.6**	**83.1**	**6.0**	**—**	**100.7**
Customer deposits	**57.1**	**—**	**—**	**—**	**57.1**
	68.7	**83.1**	**6.0**	**—**	**157.8**

1 Excludes taxes payable.

	2017				
	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]	11.2	68.7	13.9	—	93.8
Customer deposits	71.7	—	—	—	71.7
	82.9	68.7	13.9	—	165.5

1 Excludes taxes payable.

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 potential use of foreign exchange forward contracts designed to fix the economic impact of known liabilities when considered appropriate.

At 31 December 2018 the Group does not have any open foreign exchange forward contracts.

25 Financial risk management continued

Market risk continued

Currency risk continued

The tables below detail the monetary assets and liabilities by currency:

	2018					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	37.8	38.6	13.2	39.7	3.7	133.0
Trade and other receivables	6.2	14.9	0.5	2.3	5.4	29.3
Equity instruments designated at fair value through OCI	—	—	—	0.2	—	0.2
Monetary assets	44.0	53.5	13.7	42.2	9.1	162.5
Trade and other payables	(16.2)	(16.1)	(19.9)	(46.9)	(1.6)	(100.7)
Customer deposits	(8.7)	(17.6)	—	(29.0)	(1.8)	(57.1)
Monetary liabilities	(24.9)	(33.7)	(19.9)	(75.9)	(3.4)	(157.8)
Net financial position	19.1	19.8	(6.2)	(33.7)	5.7	4.7

	2017					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	29.5	59.5	25.8	56.7	8.1	179.6
Trade and other receivables	13.9	17.3	0.4	2.2	5.4	39.2
Equity instruments designated at fair value through OCI	—	—	—	0.2	—	0.2
Monetary assets	43.4	76.8	26.2	59.1	13.5	219.0
Trade and other payables	(28.4)	(11.3)	(30.5)	(21.4)	(2.2)	(93.8)
Customer deposits	(12.5)	(14.1)	—	(41.0)	(4.1)	(71.7)
Monetary liabilities	(40.9)	(25.4)	(30.5)	(62.4)	(6.3)	(165.5)
Net financial position	2.5	51.4	(4.3)	(3.3)	7.2	53.5

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 2018		
	GBP US$ million	EUR US$ million	ILS US$ million
10% strengthening	(1.9)	(2.0)	0.6
10% weakening	1.9	2.0	(0.6)

	Year ended 31 December 2017		
	GBP US$ million	EUR US$ million	ILS US$ million
10% strengthening	(0.3)	(5.1)	0.4
10% weakening	0.3	5.1	(0.4)

Interest rate risk

At present the Group has no borrowing. Once the Group utilise the RCF (see note 28) it will be exposed to floating rate risk however given the magnitude of the max drawable amount under the RCF interest rate fluctuations are not expected to be significant.

The Group's exposure to interest rate risk is limited to the interest bearing deposits in which the Group invests surplus funds.

Notes to the Consolidated Financial Statements Continued

25 Financial risk management continued

Market risk continued

Currency risk continued
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$0.3 million (2017: US$0.35 million).

26 Fair value measurements

At 31 December 2018 and 2017, the Group's equity investment is measured at fair value (level 2). For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

There were no changes in valuation techniques or transfers between categories in the period.

27 Provisions, contingent liabilities and regulatory issues

(a) The Group operates in numerous jurisdictions. Accordingly, the Group files tax returns, provides for and pays all taxes and duties it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is also periodically subject to audits and assessments by local taxing authorities. Other than as provided in the Group financial statements, the Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments and considers it unlikely that any further liability will arise.

(b) In 2017, in response to an inquiry from the tax authorities in Germany relating to a legacy VAT matter, the Group disclosed a contingent liability of US$18.5 million, relating to issues on which the Group considered that it has strong arguments but regarding which it remained possible that there would be a cash outflow. During 2018 following further discussions with tax authorities in Germany culminating in the issuance of tax assessments, the Board, supported by their updated legal advice, considered that the risk of cash outflow in respect of these services is remote, and therefore the contingent liability no longer exists. The Board has reserved its position and all legal rights, based on the legal advice received. The foregoing is in addition to a provision of US$45.3 million (39.6 million Euro) recorded in the 2017 consolidated income statement, on account of which the Group paid US$24.6 million and released US$22.4 million during the year.

(c) 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.

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 the outflow of funds that may result, if any. For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements within Provisions. Except for the regulatory matters described in notes 5 and 19, these amounts are not material at 31 December 2018,

28 Events after the reporting period

Acquisitions after the reporting period

On 19 February 2019, the Group announced the signing of an agreement for the acquisition of certain assets of Jet Management Group Limited and Jet Media Limited (together, "Jet") for consideration of £18.0 million. Jet is part of the group of companies headed by JPJ Group plc, which owns the Jackpotjoy brands. The consideration of £18.0 million will be satisfied all in cash, with £12.0 million being paid to Jet upon closing of the acquisition and the remainder of £6.0 million to be paid in September 2019.

Jet has been a partner of Dragonfish, the Group's B2B Bingo division, since 2009 with brands including Costa Bingo, City Bingo and Sing Bingo. The acquisition will give the Group full control of these successful brands from a marketing perspective to support and further strengthen the Group's position in the UK online bingo market.

On 4 March 2019, the Group announced the acquisition of BetBright's sports betting platform for £15.0 million. The acquisition strengthens 888's product and technology capabilities and will support the long-term development strategy for 888sport.

The Directors are still in the process of performing a fair valuation of the acquisitions.

Revolving credit facility

During 2019, 888 has finalised a revolving credit facility with Barclays Bank plc of up to US$50.0 million in order to finance its M&A activities in the short term.

Company Balance Sheet
At 31 December 2018

	Note	2018 US$ million	2017 US$ million
Assets			
Non-current assets			
Investments in subsidiaries	2	**48.3**	40.5
Deferred tax assets	10	**0.7**	0.6
		49.0	41.1
Current assets			
Trade and other receivables	3	**78.9**	27.9
Income tax receivable		**—**	1.0
Cash and cash equivalents		**—**	0.1
		78.9	29.0
Total assets		**127.9**	70.1
Equity and liabilities			
Equity			
Share capital	4	**3.3**	3.3
Share premium	4	**3.6**	3.5
Treasury shares	4	**(1.2)**	(0.7)
Retained earnings[1]		**61.8**	45.6
Total equity		**67.5**	51.7
Liabilities			
Current liabilities			
Trade and other payables	5	**19.5**	13.4
Income tax payable		**10.5**	5.0
		30.0	18.4
Non-current liabilities			
Loan payable to subsidiaries	9	**30.4**	—
Total liabilities		**60.4**	18.4
Total equity and liabilities		**127.9**	70.1

1 Includes net profit of the Company for the year ended 31 December 2018 of US$64.2 million (31 December 2017: US$22.2 million).

The financial statements on pages 129 to 133 were approved and authorised for issue by the Board of Directors on 12 March 2019 and were signed on its behalf by:

Itai Pazner
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 132 and 133 form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital US$ million	Share premium US$ million	Treasury shares US$ million	Retained earnings US$ million	Total U $ million
Balance at 1 January 2017	3.2	3.3	—	85.4	91.9
Profit and total comprehensive income for the year	—	—	—	22.2	22.2
Dividend paid (note 9)	—	—	—	(70.5)	(70.5)
Issue of shares (note 4)	0.1	0.2	—	—	0.3
Acquisition of treasury shares (note 4)	—	—	(0.7)	—	(0.7)
Equity settled share benefit charges (note 8)	—	—	—	8.5	8.5
Balance at 31 December 2017	3.3	3.5	(0.7)	45.6	51.7
Profit and total comprehensive income for the year	—	—	—	64.2	64.2
Dividend paid (note 9)	—	—	—	(56.6)	(56.6)
Issue of shares (note 4)	—	0.1	—	—	0.1
Acquisition of treasury shares (note 4)	—	—	(0.8)	—	(0.8)
Exercise of deferred share bonus plan	—	—	0.3	(0.3)	—
Equity settled share benefit charges (note 8)	—	—	—	8.9	8.9
Balance at 31 December 2018	**3.3**	**3.6**	**(1.2)**	**61.8**	**67.5**

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.
Treasury shares – represent reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.
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 132 and 133 form part of these financial statements.

Company Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018 US $ million	2017 US $ million
Cash flows from operating activities:			
Profit before tax		**71.3**	24.9
Adjustments for:			
Share benefit charges	8	**0.8**	0.6
Interest costs		**0.4**	—
Decrease (increase) in net amounts owed by subsidiaries	3, 5	**(42.8)**	46.4
Decrease (increase) in other receivables	3	**0.2**	(0.1)
Decrease in trade and other payables	5	**(2.0)**	(0.8)
Cash generated from operations		**27.9**	71.0
Income tax paid		**(0.7)**	—
Net cash generated from operating activities		**27.2**	71.0
Cash flows from financing activities:			
Issue of shares	4	**0.1**	0.3
Acquisition of treasury shares	4	**(0.8)**	(0.7)
Loan received from subsidiaries	9	**30.0**	—
Dividends paid	9	**(56.6)**	(70.5)
Net cash used in financing activities		**(27.3)**	(70.9)
Net decrease in cash and cash equivalents		**(0.1)**	0.1
Cash and cash equivalents at the beginning of the year		**0.1**	—
Cash and cash equivalents at the end of the year		**—**	0.1

The notes on pages 132 and 133 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 cost 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.

Under Section 288 of the Gibraltar Companies Act 2014, the Company is exempt from the requirement to present its own income statement.

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.

2 Investments in subsidiaries

The Company's principal subsidiaries are listed in note 21 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 net movement in investment in subsidiaries during the year was US$7.8 million (2017: US$2.6 million) included within this were share-based payment charges of US$7.8 million in 2017 (2017: US$2.3 million), which is net of US$0.3 million intragroup recharges related to share based payment schemes (2017: US$5.5 million). No capital contribution during the year (2017: US$0.3m) in respect of incorporation of a new subsidiary.

3 Trade and other receivables

	2018 US$ million	2017 US$ million
Amounts due from subsidiaries	**78.7**	27.5
Other receivables and prepayments	**0.2**	0.4
	78.9	27.9

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 18 to the consolidated financial statements are consistent with those for the Company, including capital management in note 25 to the consolidated financial statements.

5 Trade and other payables

	2018 US$ million	2017 US$ million
Trade payables	**0.6**	0.1
Amounts due to subsidiaries	**16.3**	8.2
Other payables and accrued expenses	**2.6**	5.1
	19.5	13.4

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.

6 Financial risk management

To the extent relevant to Company's financial assets and liabilities (see notes 2, 3 and 5), the Company's financial risk management objectives and policies are consistent with those of the Group as disclosed in note 25 to the consolidated financial statements.

7 Contingent liabilities

The disclosures in note 27 to the consolidated financial statements are consistent with those for the Company.

Loan payable to subsidiaries are made on terms equivalent to those that prevail in arm's length transactions.

8 Share benefit charges

The disclosures in note 22 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 23 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$72.2 million (2017: US$22.2 million) and paid to its shareholders dividends totalling US$56.6 million (2017: US$70.5 million). See note 10 to the consolidated financial statements.

Share benefit charges in respect of options and shares of the Company awarded to employees of subsidiaries totalled US$8.1 million (2017: US$7.9 million). During the year the Company charged its subsidiary for cost of awards for US$0.3 million (2017: US$5.5 million).

During the year the Company borrowed a US$30.0 million from its subsidiaries and recorded a US$0.4 million interest expenses in respect of the loan. During 2017 subsidiaries of the company supported it in funding US$2.9 million of the Company's costs. At 31 December 2018, the net amounts owed by subsidiaries to the Company were US$62.4 million (2017: US$19.3 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:

	2018 US$ million	2017 US$ million
Deferred tax assets (liabilities)		
Property, plant and equipment	**1.0**	1.0
Intangible assets	**(0.3)**	(0.4)
	0.7	0.6

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, live casino and Costacasino:

- 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
- www.costagames.com
- www.slotcrazy.com
- www.fantasticspins.com
- www.skyhighslots.com
- www.slotsforce.com
- www.costagames.com
- www.slotcrazy.com
- www.fantasticspins.com
- www.skyhighslots.com
- www.slotsforce.com

Poker

888's Poker offering is through 888poker

- www.888poker.com
- www.PacificPoker.com

Bingo

888's Bingo offering is through 888ladies, Wink and Costabingo and others:

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.bigbrotherbingo.com
- www.jammyduck.com
- www.daisybingo.com
- www.888bingo.com
- www.deepseabingo.com
- www.sweetshopbingo.com
- www.costabingo.com
- www.realdealbingo.com
- www.singbingo.com
- www.citybingo.com
- www.riobingo.com
- www.wishbingo.com
- www.angrybingo.com
- www.treasurebingo.com
- www.monkeybingo.com
- www.giantbingo.com
- www.dinobingo.com
- www.sparklybingo.com
- www.frozenbingo.com
- www.farmyardbingo.com
- www.seasonbingo.com
- www.crocodilebingo.com
- www.kingdomofbingo.com
- www.rewindbingo.com
- www.bringobingo.com
- www.fancybingo.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

Responsible gaming:

The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

Notes

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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34 Beckenham Road
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www.signalshares.com

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