12 March 2019

888 Holdings Public Limited Company
(“888” or the “Group”)

Audited annual financial results for the year ended 31 December 2018

Continued strategic progress and resilient financial performance resulting in record EBITDA

888, one of the world's most popular online gaming entertainment and solutions providers, announces its audited annual financial results for the year ended 31 December 2018 (“the period”).

Financial Highlights

- Group revenue[1] decreased by 2% to US$529.9 million (2017: US$541.8 million)
- Revenue from regulated and taxed markets continue to represent the significant majority of Group revenue at 70% (2017: 70%)
- B2C Casino revenue increased by 8% to US$317.6 million (2017: US$293.9 million); B2C Casino revenue excluding UK increased by 17%
- B2C Sport revenue increased by 6% to US$80.3 million (2017: US$75.5 million); B2C Sport revenue excluding UK increased by 18%
- B2C Poker revenue decreased by 37% to US$49.0 million (2017: US$77.9 million) reflecting challenging competitive environment
- B2C Bingo revenue decreased by 17% to US$32.4 million (2017: US$39.3 million) reflecting heightened regulatory scrutiny in the UK
- Resolution of a legacy VAT matter in Germany and subsequent release of an exceptional provision of US$22.4 million
- Adjusted EBITDA[2] increased by 6% to US$107.1 million (2017: US$100.7 million); EBITDA for the period was US$129.1 million (2017: US$41.2 million)
- Adjusted EBITDA margin increased by 160bp to 20.2% (2017: 18.6%); EBITDA margin increased to 24.4% (2017: 7.6%)
- Adjusted Profit before tax[2] increased by 11% to US$86.7 million (2017: US$78.3 million); Profit before tax was US$108.7 million (2017: US$18.8 million)
- Adjusted basic earnings per share increased to 20.2¢ (2017: 20.1¢); basic earnings per share increased to 26.3¢ (2017: 3.5¢)
- Final dividend of 6.0¢ per share (2017: 5.9¢ per share), plus an additional one-off 2.0¢ per share (2017: 5.6¢ per share) bring the total dividends for the year to 12.2¢ per share (2017: 15.5¢)

Operational Highlights

- Continued growth across several regulated markets, primarily in Continental Europe, underpinned by momentum in Casino and Sport, resulting in revenue from regulated markets (excluding the UK) increasing by 14%
- Improving trends in the UK B2C business towards the end of the year following the prudent and proactive customer protection measures taken by 888 over the past 18 months; positive trends in the UK market have continued in Q1 2019 with UK B2C revenue up more than 10% year-on-year at constant currency
- Continued product innovation with the successful gradual launch in May of *Orbit*, 888’s most exciting Casino product innovation during recent years, delivering encouraging results
- 16% year on year increase in active Casino players
- 888Sport first time depositors increased by 21% and deposits increased by 10%

- Further investment in 888's poker proposition including the launch of 888Poker.it (Italy) at the beginning of 2018 and the development of the Group's new *Poker 8* platform during the year
- Progress in the developing US market with highlights including:
    - The strategic acquisition of the remaining 53% interest in the All American Poker Network for US$28.5 million
    - The launch of 888Sport in New Jersey in September and subsequent sponsorship of the New York Jets by 888.com
    - Enhanced casino content in New Jersey
- New licences obtained in Sweden and Malta at the end of the year and in Portugal post the period end

Post period-end highlights

- Appointment of Itai Pazner, previously Chief Operating Officer, as 888's new Chief Executive Officer replacing Itai Frieberger who stood down as CEO after more than 14 years with the business
- Acquisition of a number of bingo brands, including Costa Bingo, for £18m strengthening 888's position in the UK online bingo market
- Strategic acquisition of high-quality and scalable sportsbook technology alongside associated risk management, product and trading capabilities from Dedsert Limited and Dedsert (Ireland) Limited and its affiliates for £15 million
- Positive current trading with average daily revenue up more than 10% in Q1 so far when compared to Q4 2018 and Group trading during the financial year to date 5%* higher at constant currency year-on-year

Itai Pazner, CEO of 888, commented:

"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. Amongst other initiatives, we have continued our geographic expansion by obtaining important new licenses; launched our most significant product innovation in recent years in the form of Orbit, a new Casino platform; and announced three acquisitions including delivering on our long-stated ambition to add proprietary sports betting technology to 888.

Despite headwinds in some areas of the business, the financial performance in 2018 was resilient and we achieved a record EBITDA outcome for the year. The Group achieved continued growth across several regulated markets, primarily in Continental Europe, underpinned by good momentum in Casino and Sport.

The positive momentum at the end of 2018 has continued into the first quarter of 2019 with average daily revenue in 2019 to date up 10% compared to Q4 2018 reflecting improvements across 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. Average daily revenue at constant currency in our UK B2C business up by more than 10% year-on-year in Q1 so far. Overall Group trading during the financial year to date is 5% higher at constant currency year on-year.*

The Group continues to base its success on its unique technology-edge, fantastic team and diversification across products and markets. Underpinned by the strength of 888's technology and the significant strategic progress made by the Group over recent months, the Board continues to see a number of significant growth opportunities for 888 in both new and existing markets. We look forward to another exciting year of progress in 2019."

** Adjusted for the migration of Cashcade Bingo.*

[1] Revenue in this document is before VAT accrual release.
[2] As defined in the financial summary below.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF REGULATION (EU) NO 596 /2014.

The person responsible for making this announcement is Itai Pazner, Chief Executive Officer of the Group

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 understanding 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.

Sell-side analyst presentation and live audio webcast

Itai Pazner, Chief Executive Officer and Aviad Kobrine, Chief Financial Officer will host a presentation for sell-side analysts today at 10:00 (BST) at the offices of Hudson Sandler, 25 Charterhouse Square, London EC1M 6AE. To express interest in attending please contact 888@hudsonsandler.com or call +44 (0)207 796 4133.

The presentation will be webcast live and will be available via the following link:
https://www.investis-live.com/888/5c810398ff46a80a00ff5e76/pnnp

Replays will be available on the 888 website (http://corporate.888.com/investor-relations) later today.

Enquiries and further information:

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement reflect 888's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules or the Disclosure Guidance and Transparency Rules of the UK Listing Authority, 888 undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this annou

CHAIRMAN'S STATEMENT

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.

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*. 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.

** Source: H2 Gambling February 2019*

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 below, 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

** Adjusted for the migration of Cashcade Bingo.*

CEO'S STRATEGIC REPORT

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.

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 set out in the 2018 Annual Report. 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:

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:

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	As with traditional bingo halls, online bingo rooms offer customers the chance of

	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.	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

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.	o 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% . o Successful gradual launch of Orbit from May, 888's most exciting Casino product innovation in recent years, delivering encouraging results. o Sport revenue increased 6% to US$80.3 million (2017: US$75.5 million); excluding the UK, Sport revenues increased 18%. o Sport first time depositors increased by 21% (28% outside of UK) and deposits increased by 10% (18% excluding UK). o In March 2019, post the year end, the Group was delighted to announce the exciting and

[1] All comparisons are against the same data for 2017.

	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. o 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). o 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.
Enhancing efficiencies Management remain steadfastly focused on maximising operational efficiencies, including by constantly developing and refining marketing approaches and driving increased volumes.	o 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. o 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.	o 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%. o The Group's diversification strategy continues with the UK now representing 32% of Group revenue, down from 37%. o 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
	○ 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

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.	vulnerable or potentially vulnerable customers. o 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.

Itai Pazner

Chief Executive Officer

2018 Business & Financial review*

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¢**	

* 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.

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 understanding 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 Reported
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%)***

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

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.

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.

Revenue by geographic market

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%.

[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).

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.

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.

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.

* *As defined in the table set out above*

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).

* As defined in the table set out above.

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 financial summary table.

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 set out in the 2018 Annual Report 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.

[1] *As defined in note 9 of the financial statements*

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.

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

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 refer to the 2018 Annual Report 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.

888 faces the following significant risks:

Regulatory risk ➔ increased during 2018

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.

Brexit-related risks ➔ increased during 2018-19

The risk: The status of Gibraltar as a result of "Brexit" remains unclear. If 888 were to remain registered, licenced 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 ➔ increased during 2018

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.

Taxation risk ➔ increased during 2018

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.

Data Protection risk ➔ remained stable during 2018

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.

Reputational risk➔ remained stable during 2018

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 risk ➔ decreased during 2018

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.

Acquisition risks ➔ increased during 2018-19

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 risk ➔ increased during 2018-19

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.

Regulation and general regulatory developments

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.

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 channeling 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.

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 capitalizing 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 Argentinean 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 materialize in 2019.

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

Directors' statement of responsibilities

We confirm, to the best of our knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of 888 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 888 and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Itai Pazner

Chief Executive Officer

12 March 2019

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 below 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 notes below 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 below 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 below form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2018 or the year ended 31 December 2017, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. Statutory accounts for the year ended 31 December 2018 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2018 and 2017 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act.

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 below.

2 Significant accounting policies (continued)

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.

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.
(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.

2 Significant accounting policies (continued)

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.

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).

2 Significant accounting policies (continued)

Critical accounting estimates and judgments

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

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

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 Consolidated financial statements (continued)

2 Significant accounting policies (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.

2 Significant accounting policies (continued)

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.

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.

2 Significant accounting policies (continued)

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.

2 Significant accounting policies (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.

2 Significant accounting policies (continued)

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.

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.

2 Significant accounting policies (continued)

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.

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 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
	Casino	Poker	Sport	Bingo	Total B2C		
2018				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.

3 Segment information (continued)

2017	B2C Casino	B2C Poker	B2C Sport	B2C Bingo	Total B2C	B2B	Consolidated
	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
							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.

3 Segment information (continued)

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).

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.

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).

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.

6 Employee benefits (continued)

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).

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 US $ million	Change from disclosed 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

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	**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¢

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.

12 Goodwill and other intangible assets (continued)

Analysis of goodwill by cash generating units:

	B2C			B2B	Consolodated
	Bingo	AAPN	Other	Bingo	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 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.

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 cashflows 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 cashflows 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).

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:

	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	**-**

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.

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

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 set out in the 2018 Annual Report.

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 Weighted average exercise price	**Number**	**2017 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

22 Share benefit charges (Cont.)

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 set out in the 2018 Annual Report. 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 (Cont.)

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 set out in the 2018 Annual Report.

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).

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 investment (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.

25 Financial risk management (continued)

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.

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.

25 Financial risk management (continued)

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).

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.

25 Financial risk management (continued)

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.

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

			2018			
	GBP	EUR	ILS	USD	Other	Total
	US $ million	US $ million	US $ million	US $ million	US $ million	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**

25 Financial risk management (continued)

	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 revolving credit facility (“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.

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.