LEADING THE FUTURE OF ONLINE GAMING

—

888 HOLDINGS PLC

—

ANNUAL REPORT
& ACCOUNTS
2015

888 Holdings plc Innovation driven, customer focused

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

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

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

OVERVIEW OF 888

Overarching 888 brand

888

888's B2C offering

888 bingo

888 poker

888 casino

888 sport

888's B2B brand

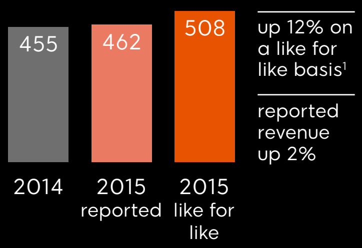
Dragonfish Total Gaming Services an 888 co.

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

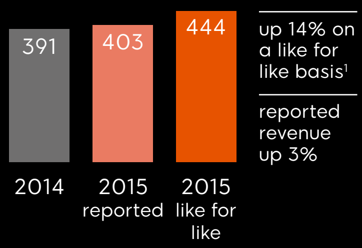
2015 AT A GLANCE

A very successful year for 888

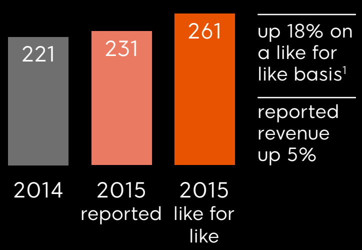
Revenue
US$ million



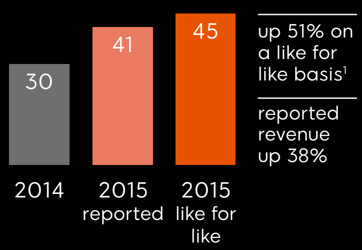
Revenue – B2C
US$ million



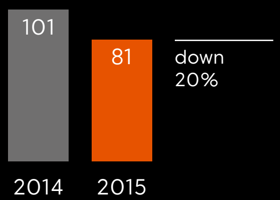
Revenue – B2C Casino
US$ million



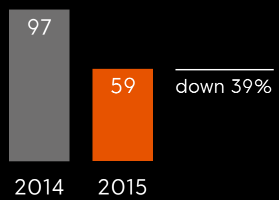
Revenue – B2C Emerging Offering
US$ million



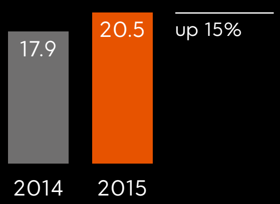
Adjusted EBITDA[2]
US$ million



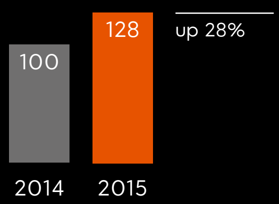
EBITDA
US$ million



Real money registered customer accounts[3]
US$ million



First Time Depositors (FTDs)
%



1 As defined in footnote on page 05.
2 As defined in table set out on page 12.
3 Casino, Poker and Sport.

STRATEGIC REPORT

888 Overview IFC
2015 at a glance 01
Global growth market 02
Chairman's statement 04
CEO's strategy report 06
Clear growth strategy 06
Focused business model 08
2015 business and financial review 12
Market review: focus on regulated markets 19
Risk management strategy 20
Regulation and general regulatory developments 24
Viability Statement 27
Corporate responsibility 28

GOVERNANCE

Board of Directors 32
Directors' report 34
Directors' statement of responsibilities 39
Corporate governance statement 40
Directors' remuneration report 46
Audit Committee report 61

FINANCIAL STATEMENTS

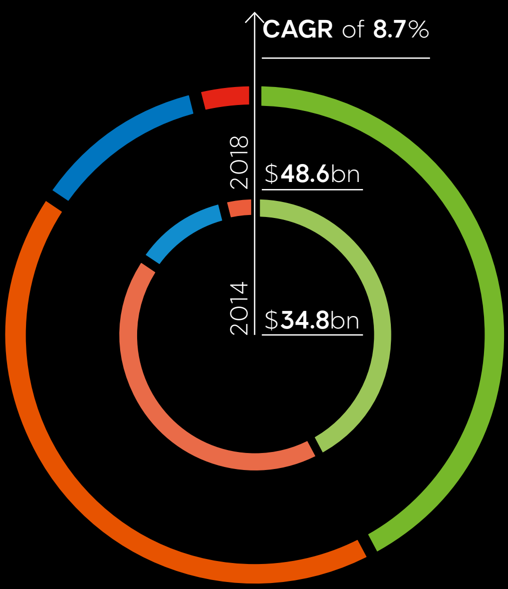
Independent auditors' report 65
Consolidated income statement 73
Consolidated statement of comprehensive income 73
Consolidated balance sheet 74
Consolidated statement of changes in equity 75
Consolidated statement of cash flows 76
Notes to the consolidated financial statements 77
Company balance sheet 108
Company statement of changes in equity 109
Company statement of cash flows 110
Notes to the Company financial statements 111
Shareholder information 113
Company information IBC

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

02

GLOBAL GROWTH MARKET

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



2014 ESTIMATED GLOBAL ONLINE GAMING MARKET*

$**34.8**bn

2018 ESTIMATED GLOBAL ONLINE GAMING MARKET*

$**48.6**bn

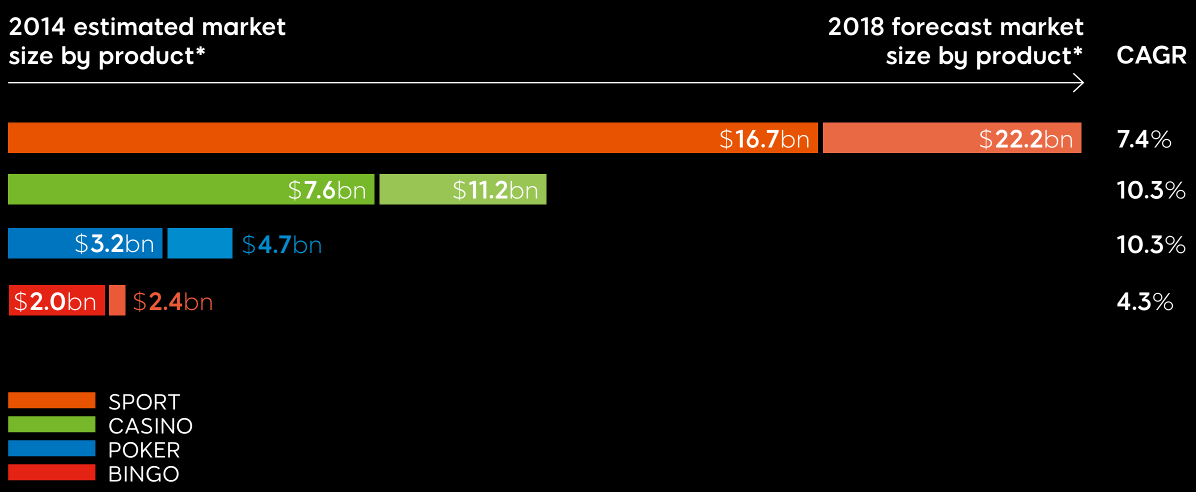
GLOBAL ONLINE MARKET FORECAST

The online gaming industry has experienced rapid growth since its inception during the mid-1990s and continues to have clear and significant growth potential. Consistent growth remains supported by product innovation, customers' ever greater access to high-speed and reliable internet connections, the spread of smart mobile devices, and government regulation.

With the growth of the online gaming market many governments have adopted and are continuing to adopt specific regulatory frameworks for the industry.

New regulation, whilst increasing duties and costs for online gaming operators, also creates opportunities for incumbent operators with strong brands and significant scale, such as 888, to access new customers in new markets and expand by exploiting marketing opportunities.

Mobile devices continue to have a transformational impact on the online gaming industry. Increasingly sophisticated devices with ever-improving displays enable customers to enjoy high-quality online gaming entertainment on the move, wherever they are.



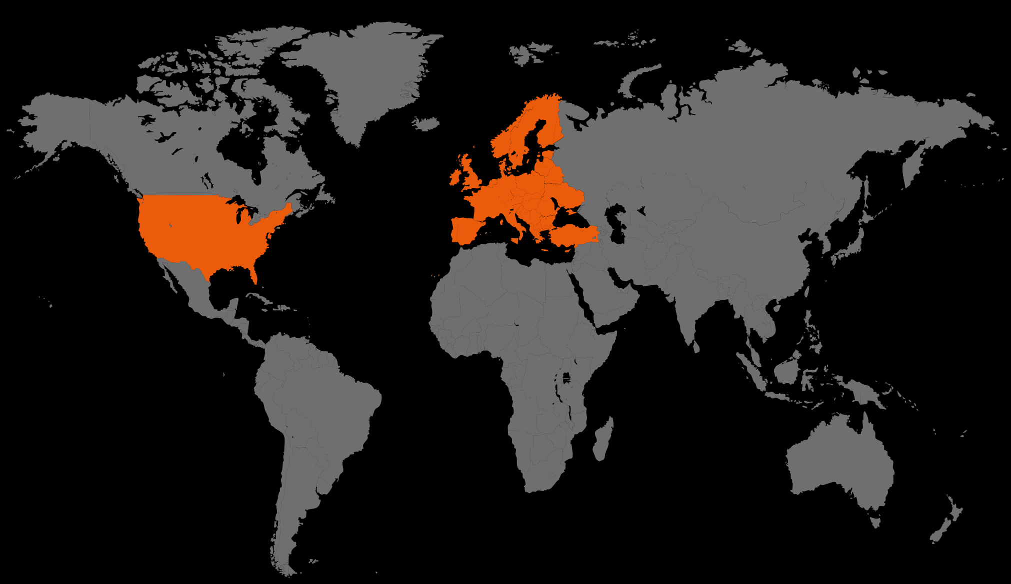
OUR MARKETS AROUND THE WORLD

UK AND EUROPE

888's strong performance continued in the core UK market as well as in key regulated markets in Spain and Italy. During 2015, 888 received a sports betting licence in Ireland as well as casino, poker and sports betting licences in both Denmark and Romania.

USA

888 is the only online gaming operator licensed in all three regulated US states of Nevada, Delaware and New Jersey. 888 continues to develop its brands in these states as well as enhancing its offering as one of the leading providers of regulated poker and casino software in the regulated US market.

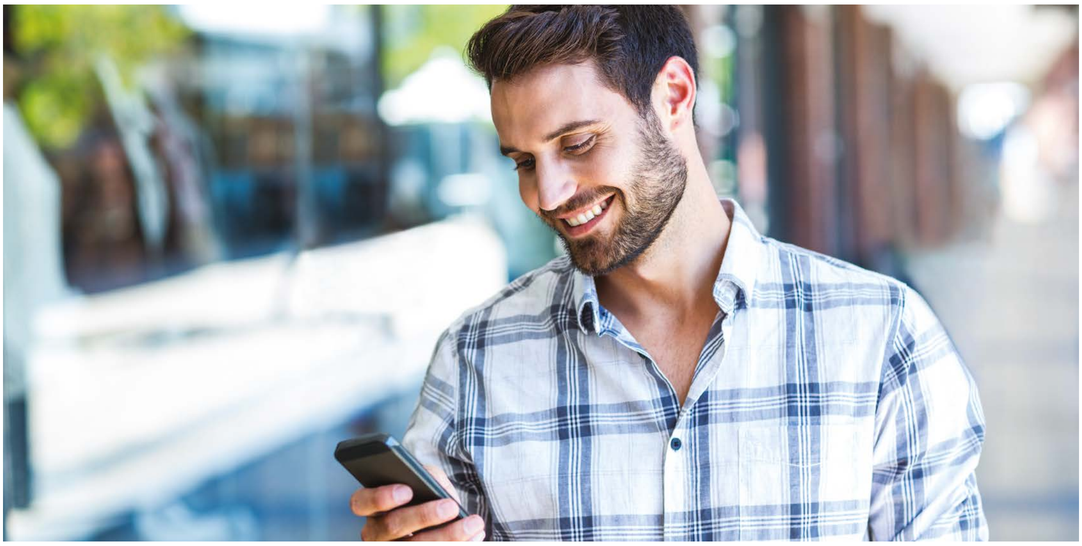


* Source: H2 Gambling Capital June 2015.
Market value based on estimated Gross Gaming Revenue.

DELIVERING LONG-TERM GROWTH

The 888 team has delivered another strong operational result in a year when we successfully confronted a number of external challenges. On behalf of the Board, I would like to thank each of my colleagues across the world for their commitment during the year.

BRIAN MATTINGLEY
Chairman



47%

OUR MOBILE OFFERING

Mobile is having a transformational impact on our business. Revenue from mobile devices continued to surge and represented 47% of B2C revenue in the UK.

See page 08 for more on our mobile offering.

In my first report as Chairman of 888, I am delighted to update you on what has been a very successful year. The 888 team has delivered another strong operational result in a year when we successfully confronted a number of external challenges which impacted profitability, including a new point of consumption gaming tax in the UK, newly introduced EU VAT charges, and currency movement headwinds. This success again demonstrates the strengths of 888's customer proposition and business model. 888's ability to continue to grow its core brands, launch its services in new regulated markets and develop exciting new ways to thrill and entertain our customers is testament to the quality of this business and, of course, 888's exceptional team.

888'S WINNING TEAM

2015 was a very busy year for 888 and at times, as shareholders will be aware, the Board and members of the senior management team devoted significant time to exploring potential M&A opportunities for 888. Clearly this could have been distracting for our business. However, I am delighted to say that throughout the year 888 continued to deliver for all our stakeholders by improving our customer offering, adapting to regulatory changes in new markets and growing the business. This speaks volumes for the strength, depth and dedication of our people throughout 888. I am confident that their passion, skill and drive will ensure that 888 remains at the forefront of the online gaming industry for years to come and, on behalf of the Board, I would like to thank each of my colleagues across the world for their commitment during the year.

I am delighted to say that throughout the year 888 continued to deliver for all our stakeholders by improving our customer offering, adapting to regulatory changes in new markets and growing the business.

STRATEGIC PROGRESS

Customer focus, technology leadership and continuous innovation are central to our continued success. Our proprietary technology and associated gaming platforms alongside leading-edge analytical expertise provide the bedrock of our business and competitive advantage. During the year we continued to leverage these skills to create new, engaging and, above all, safe and secure gaming entertainment for our customers and to drive efficient marketing. Together this helps us to add new customers to 888 in a cost efficient way and entertain them for longer.

Our core B2C business continued to grow with a 13% increase in active customers, driven primarily by exceptionally strong performances in Casino and Sport and also by our offer on mobile devices, which grew to represent 47% of B2C revenue in the UK (2014: 33%). Sport continues to grow rapidly for 888 and represents a clear opportunity for our business, both in terms of revenue and customer acquisition. We now have a premier sports betting product and we invested significantly in marketing the 888sport brand in 2015. This helped to deliver 74% growth in Sport revenue for the year (94% growth on a like for like basis*) and we plan to accelerate this efficient investment in 2016 as we continue to grow in this major e-gaming vertical. Dragonfish, our B2B business, continued to develop its proposition and added a number of new bingo 'skins' to the platform during the year.

In line with our focused growth strategy, we made strong progress in 2015 in regulated markets where we are able to leverage our full marketing expertise to grow the 888 brands. This included successful launches in the Danish market in the second half of the year where the 888 brands have performed very encouragingly to date. Revenue from regulated markets grew to account for 59% of Group revenue (2014: 55%) aided by these launches as well as notably strong performances in the UK and Spain.

REGULATION

New regulation, including the new point of consumption gaming tax in the UK, is having an impact on the shape of the global e-gaming market. In the UK, some smaller e-gaming brands are finding the new cost burden onerous and are closing. At the same time, we are witnessing consolidation in the industry on an unprecedented scale. All of this creates, alongside the additional gaming duty cost, potential opportunities for 888 as an established and large operator with proprietary and market-leading technology, customer relationship management expertise and marketing capabilities all working together.
The Board is confident that despite the financial impact that new regulation can have, 888 remains well positioned to capitalise on opportunities presented by regulatory changes across the online gaming industry.

GOVERNANCE

The Board is fully committed to complying with the principles of the UK Corporate Governance Code. The required regulatory and governance disclosures are set out in this Annual Report and in the Compliance Statement on page 40.

BOARD

A number of Board changes took place during 2015, and it is a tribute to our succession planning that the transition has been carried out smoothly and without interruption to the Board's business. Following the 2015 AGM, Richard Kilsby retired from his role as Chairman, I stepped down as CEO and took up the Executive Chairman role, our CEO (COO during 2015) Itai Frieberger joined the Board, and John Anderson retired as Non-executive Director.
The Board continues its effort to recruit additional Non-executive Directors.
On 2 March 2016, Itai Frieberger was appointed as CEO, and I consequently transitioned into the Chairman role. Itai's appointment is an exciting development and the Board is confident that this appointment reinforces our ability to continue to deliver value for all 888's stakeholders in the years to come.

In line with our focused growth strategy we made strong progress in 2015 in regulated markets where we are able to leverage our full marketing expertise to grow the 888 brands.

OUTLOOK

The online gaming market is dynamic and will continue to develop and grow globally. This will be driven primarily by marketing channels, new regulation, and the increasing adoption and sophistication of mobile devices, making our gaming entertainment ever more accessible and enjoyable.

We carefully planned ahead of the introduction of the new point of consumption gaming tax in the UK to mitigate some of the financial impact on 888 whilst ensuring that we continued to provide the most enjoyable gaming experience to our customers.
We have continued to take advantage of new opportunities created by regulatory change, such as in Denmark, Romania and Ireland. With our own gaming platforms and significant experience of launching successfully in newly regulated markets, we continue to see opportunities for 888 as more governments introduce regulatory frameworks for online gaming.

Trading during the financial year to date has been strong with average daily revenue 20% above the previous year. With strong operational momentum in the business our focus will continue to be on delivering a truly satisfying experience for our customers and delivering strong, sustainable long term earnings growth for our shareholders.

Brian Mattingley
Chairman
22 March 2016

* Like for like in this document: 888 reports its financial results in US dollars but generates the majority of its revenue from customers using other currencies. Due to the strong US dollar in 2015, reported revenue was adversely impacted. Like for like revenue has been calculated by excluding the newly introduced EU VAT in 2015 and, with the exception of Poker, by applying 2014 exchange rates to revenue generated during 2015. Poker was also adversely impacted by the strong US dollar but only a small adjustment has been made, due to the indirect impact on revenue of the reduction in the purchasing power of local currencies.

CEO'S STRATEGY REPORT

I am pleased to present 888's Strategic Report to shareholders following my recent appointment as Chief Executive Officer.

In my new role, I expect to bring to bear my operational experience from both within and outside 888, as well as my personal relationships and insights to the online gaming industry as a whole. I am entering this role at a time when 888 is at the top of its game, and I look forward to further developing the Company's strategy and business, and delivering exceptional value to shareholders.

ITAI FRIEBERGER
Chief Executive Officer

CLEAR GROWTH STRATEGY

The 888 Group has a clear strategy for long term growth across its business. 888 will continue to exploit organic growth potential as well as evaluating attractive M&A opportunities to deliver long-term value for our shareholders.

THE KEY PILLARS OF 888'S GROWTH STRATEGY

1 Development of core B2C brands

OUR STRATEGY IN ACTION

888's B2C offering remains at the core of 888 and is the foundation of our success. We will continue to innovate, invest in and develop our proposition to ensure that we deliver an unrivalled gaming experience that our customers enjoy.

888 has established leading brands in Casino, Poker and Bingo and is focused on growing these brands as well as on delivering the significant opportunities available to the fast-growing and rapidly developing 888sport brand.

WHAT WE DELIVERED – KEY HIGHLIGHTS IN 2015:

- Like for like B2C revenue growth of 14% to US$444.2 million (2014: US$390.8 million) and reported revenue* of US$412.5 million (2014: US$390.8 million)
- Active B2C customers up 13%
- Like for like Casino revenue up 18% to US$261.4 million (2014: US$220.6 million) and reported Casino revenue* of US$238.7 million (2014: US$220.6 million) aided by development of new games and functionalities across mobile and desktop devices
- Launch of new Casino brand, 777.com, in the second half of the year
- Poker maintained second position in the global poker liquidity rankings according to Pokerscout
- Exceptionally strong Sport revenue growth of 74% (94% like for like) supported by increased marketing investment and intensified Sport presence across 888's brands, which will accelerate in 2016 as 888 seeks to capitalise on clear and significant growth opportunities in this vertical
- Leading mobile proposition and efficient marketing helping to drive bingo first time depositors up by 41%
- 'Mobile first' strategy continued to reap rewards and revenue from Mobile devices in the UK rose to represent 47% of UK B2C revenue (2014: 33%)

2 Driving margin growth through operational efficiencies

OUR STRATEGY IN ACTION

Management will remain steadfastly focused on improving margins by maximising operational efficiencies, including by constantly developing our marketing approach and driving increased volumes.

WHAT WE DELIVERED – KEY HIGHLIGHTS IN 2015:

- Successful, innovative, return on investment marketing campaigns increased first time depositors by 28%
- Maintained control on costs

3 Expansion in regulated markets

We will remain focused on growing our business in locally regulated markets where we are able to exploit marketing opportunities for our brands. 888 has the agility and proven skills to successfully and efficiently launch and grow in attractive regulated markets.

- Strong performance in core UK market driven primarily by Casino and Sport
- Maintained leading position in Spain supported by launch of 888sport.es in H2 2014 and slot games during 2015
- New licences acquired in regulated markets in Denmark, Romania and Ireland
- Successful launch of shared poker player liquidity across the states of Delaware and Nevada, creating a key advantage for both 888 and our B2B operating partners

4 B2B partner of choice through Dragonfish

We will continue to invest in and innovate our B2B offer to establish ourselves as the partner of choice in both regulated and newly regulating markets.

- 33 new bingo 'skin' arrangements added to the Dragonfish Bingo network
- Continued innovation on the Dragonfish platform with further product development including enhanced bonus management features and shared progressive jackpots across Bingo brands

5 Continue to protect our customers and act responsibly

In operating in the online gaming industry, 888 is always mindful of the complex regulatory environment as well as 888's social responsibilities, which includes protecting our customers. 888 will continue to invest time and resources in caring for our customers, protecting the vulnerable, and ensuring that we continue to entertain and delight those who choose to play with 888.

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

* Before deduction of EU VAT.

08

FOCUSED BUSINESS MODEL

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

B2C

888's core B2C line of business succeeds by efficiently recruiting customers and providing them with engaging online gaming entertainment services. The drivers behind the success of our B2C business are:

1. increasing the number of new players (first time depositors) enjoying 888's gaming entertainment products;
2. reducing the cost per acquisition of those new players to 888; and
3. maximising the lifetime value (measured as net gaming revenue less cost of sales) to 888 of each customer.

Underpinning 888's ability to deliver these three drivers are 888's proprietary gaming technology and leading-edge business analytics expertise. 888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals who have been analysing and learning from customer behaviour since 888's foundation in 1997. By leveraging this extensive and continually evolving data and by applying robust statistical models, teams across 888 from product development to marketing to customer support are able to successfully influence the above three drivers of 888's success. Influencing factors include, but are not limited to, the following:

» Maintaining our strong and trusted brand

A strong brand is a key advantage in what is a competitive global online gaming market. 888's consistently innovative and engaging customer offer, focused customer support and heritage in pure online gaming have meant that the 888 brand is amongst the most trusted and recognised in the industry. 888's focus on product development, customer service and marketing continue to support the strength and appeal to customers of the 888 brand.

» Innovative, driven marketing

888 is resolutely focused on return on investment driven marketing campaigns. The business continually develops innovative marketing techniques and channels, both online (including online advertising, affiliate programmes, search engine optimisation) and offline (including TV and print media advertising, sponsorships) to support its brands and increase customer loyalty. The return on investment of all marketing campaigns are rigorously tested against 888's strict criteria before being rolled out to their target markets. This ensure that 888's marketing spend is both cost efficient and highly effective.

» Product innovation and leadership

The ability to successfully develop "in-house" proprietary and innovative games on mobile and desktop platforms that customers are excited to play as well as fresh new features that enhance the enjoyment of existing games are key competitive advantages for 888 and help to differentiate 888 from competitors in the eyes of the customer. 888 combines exclusive content with third party games and branded content to ensure that we constantly offer a fresh and enjoyable customer proposition in the online gaming market.

» A seamless customer experience

888 delivers its gaming entertainment products seamlessly and responsively across mobile and desktop platforms. On mobile devices, 888's brands are available on free-to-download IOS and Android 'apps'. The flexibility and consistent experience of the 888 offer across platforms and devices means that customers are able to enjoy unrivalled gaming entertainment however and wherever they choose.

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

» **Cross-selling**
888 has market-leading customer propositions in four major online gaming verticals: Casino, Poker, Sport and Bingo. Leveraging the strength of the 888 brand and customer proposition in each of these verticals and by using proven predictive modelling, 888 is able to enhance customer lifetime value by promoting each relevant product to existing customers in a targeted and attractive way.

» **Excellent customer support**
As part of our mission to supply the most enjoyable online gaming entertainment experience, we pride ourselves on the strength of our customer relationships and are committed to providing a cost-effective and efficient customer service. First class customer support is offered for each of our brands and white labels through telephone, email and online chat functions to customers around the world in nine different languages.

» **Customer protection**
We take our duty as a responsible operator very seriously and take comprehensive steps to minimise fraud, problem gaming and eliminate minors from using our services. Through rigorous and timely customer checks as well as ongoing real-time tracking of customer activity, 888 continually monitors for irregular activity that may be an indication of fraud or compulsive gaming. 888's fraud and prevention and customer service teams are highly trained and have developed efficient and proactive methods to identify issues and notify and protect our customers.

» **Payment processing**
888's leading proprietary payment processing capabilities support a wide variety of languages and currencies with more than 40 payment methods. It is vital that we are able to offer fast, efficient and easy to use payment processing, both to ensure a positive customer experience but also to maximise revenue and convert browsers into players. 888's payment options include a cashier interface available in 18 languages, both for desktop and on mobile/tablet devices, with the most relevant payment methods identified and emphasised for different customers according to their market.

» **Dedicated VIP Support**
Across 888's B2C brands there is dedicated VIP Support. The role of the VIP Support teams is to provide first class support to "high roller" players and increase their loyalty to 888. 888's sophisticated analytics and predictive modelling enables 888 to effectively identify high value customers early in their lifecycle enabling the VIP Support teams to proactively engage with those customers and ensure they have the most enjoyable gaming experience possible with 888.

B2B – DRAGONFISH

Under the Dragonfish brand, 888 offers B2B gaming partners comprehensive and flexible Total Gaming Services solutions that are tested vigorously to meet the regulatory requirements of the different jurisdictions where they are involved. Dragonfish's platform offers to its partners a comprehensive end-to-end service spanning the use of technology, software, operations and advanced marketing tools.

888's B2B revenue is primarily an agreed share of the net gaming revenue generated by its B2B gaming partners.

Dragonfish has an ongoing focus on developing rich content and entertaining games across mobile and desktop platforms. The division is one of the largest providers of bingo software, powering major brands such as Wink Bingo, Cheeky Bingo and Foxy Bingo. Through the Casinoflex brand, the division also offers its partners a leading range of more than 300 Casino games to choose from, including video slots, classic slots, progressives, jackpots, Live Dealer, video poker, table games and leading branded games. Dragonfish is also a leading provider of regulated poker and casino software in the regulated US market.

Dragonfish remains focused on developing and innovating its customer offering and service, leveraging 888's continuous investment in developing leading gaming platforms. This means that 888 remains positioned as the e-gaming partner of choice in both regulated and newly regulating markets.

Itai Frieberger
Chief Executive Officer
22 March 2016

KEY DRIVERS OF B2C SUCCESS

Maintaining our strong and trusted brand

Product innovation and leadership across platforms

Customer protection

Innovative, return on investment driven marketing

Payment processing

Entering new markets

Customer relationship management leadership

Excellent customer support

Dedicated VIP support

Cross-selling

Proprietary gaming technology

Leading-edge business analytics

OUR CORE GAMING PRODUCTS

PRODUCT	OUR OFFER	HOW WE GENERATE REVENUE*
CASINO	888casino aims to provide the most enjoyable online experience available by offering exclusive in-house developed games alongside branded video slots and "Live" Casino games, which offer exceptional high-quality video streamed casino games with a range of professional dealers.	Online casinos replicate the real-life casino experience with players playing against "the house" across online versions of classic casino table games such as roulette and blackjack as well as slot and video games. In these games, the house has a statistical advantage or "edge". Casino gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.
POKER	888poker offers a leading-edge poker platform enabling players to enjoy a variety of innovative features. 888poker offers Texas Hold'em, Omaha Hi'Lo, 7 Card Stud, Razz and other poker variations in Pot Limit, Fixed Limit and No Limit formats.	In online poker, the operator acts as the host for the game and provides a platform that enables customers to play various forms of poker against each other. Poker online gaming revenue represents the commission (or "rake") charged from each poker hand in ring games, and entry fees for participation in Poker tournaments.
BINGO	888's leading bingo brands each have engaging themes, a variety of games and a strong sense of community, replicating the experience of traditional bingo halls. The Group's bingo brands also benefit from an extensive range of 888-developed slot games, casino games and scratch cards that are offered alongside traditional bingo formats.	As with traditional bingo halls, online bingo rooms offer customers the chance of winning prizes by purchasing tickets and playing their bingo format of choice. Bingo online gaming revenue is represented by the difference between the amounts of tickets purchased by customers less amounts won.
SPORT	888sport provides live sports betting odds for scores of events as they happen every day, allowing players to bet on the outcomes as they unfold.	Sportsbook online gaming revenue comprises bets placed less pay-outs to customers. 888 pays a share of net gaming revenue to its third party sports betting platform provider. 888's sports betting revenue is reported under Emerging Offering.

* Revenue as defined on page 79 in the financial statements.

2015 BUSINESS AND FINANCIAL REVIEW

888's financial performance in 2015 reflects its success in attracting new customers, retaining them and increasing their overall spend. 888's underlying financial results for the year were strong despite being adversely impacted by several external factors.

AVIAD KOBRINE
Chief Financial Officer

Financial Summary

	2015[1] US$ million	2014[1] US$ million	Change
Revenue (including EU VAT) – B2C			
Casino	238.7	220.6	8%
Poker	88.5	93.7	(6%)
Bingo	44.0	46.6	(6%)
Emerging Offerings	41.3	29.9	38%
Total B2C	412.5	390.8	6%
B2B	59.8	63.9	(7%)
Revenue (including EU VAT)	472.3	454.7	4%
EU VAT[2]	(10.2)	—	
Revenue	462.1	454.7	2%
Operating expenses[3]	(127.4)	(130.3)	(2%)
Gaming duties[4]	(50.0)	(15.8)	216%
Research and Development expenses	(36.8)	(40.7)	(10%)
Selling and Marketing expenses	(138.9)	(133.8)	4%
Administrative expenses[5]	(28.4)	(33.4)	(15%)
Adjusted EBITDA[3,4,5]	80.6	100.7	(20%)
Depreciation, amortisation and impairment charges	(18.6)	(19.0)	
Share benefit charges, finance and other	(6.4)	(6.1)	
Share of Joint Venture and associates loss	(0.1)	(7.7)	
Adjusted profit before tax	55.5	67.9	(18%)
Exceptional acquisition costs:			
Legal and professional costs	(17.5)	—	
Reimbursement of acquisition costs	8.8	—	
Exceptional acquisition finance costs	(5.9)	—	
	(14.6)	—	
Exceptional retroactive duties and associated charges	(8.4)	—	
Profit before tax	32.5	67.9	(52%)
Adjusted basic earnings per share[6]	15.9¢	19.2¢	(17%)
Basic earnings per share	8.3¢	16.1¢	(49%)

Reconciliation of Operating Profit to Adjusted EBITDA

	2015[1] US$ million	2014[1] US$ million
Operating profit	40.8	80.0
Depreciation	8.9	9.0
Amortisation	9.7	8.3
EBITDA	59.4	97.3
Exceptional legal and professional costs	17.5	—
Exceptional reimbursement of acquisition costs	(8.8)	—
Exceptional retroactive duties and associated charges	8.4	—
Impairment charges	—	1.7
Share benefit charges	4.1	1.7
Adjusted EBITDA	80.6	100.7

1 Totals may not sum due to rounding.
2 From 1 January 2015, 888 is liable to VAT in respect of some of its electronically supplied gaming services in certain EU Member States (EU VAT). This VAT, which is a deduction from revenue, has been presented separately to allow for a like for like comparison with 2014.
3 Excluding depreciation of US$8.9 million (2014: US$9.0 million), amortisation of US$9.7 million (2014: US$8.3 million) and impairment charges of nil (2014: US$1.7 million).
4 Excluding exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania.
5 Excluding share benefit charges of US$4.1 million (2014: US$1.7 million).
6 As defined in note 9 to the financial statements.

INTRODUCTION

888's success is built on its technological strength in combination with the efficient utilisation of this technology, directed by extensive data analytics. The goals of 888's business analytics are simple: to maximise customer recruitment, increase customer lifetime value and minimise the cost per customer acquisition, thereby optimising return on marketing investment.

888's financial performance in 2015 reflects its success in attracting new customers, retaining them and increasing their overall spend.

Financial results and dividend

888's underlying financial results for the year were strong despite being adversely impacted by several external factors including the full year impact of point of consumption gaming duty in the UK, new gaming duties in respect of operations in Austria and Denmark as well as Romania and Ireland, newly introduced EU VAT, currency movements, costs associated with an aborted acquisition, and retroactive exceptional gaming duties. Like for like revenue increased by 12% to US$507.7 million (2014: US$454.7 million) driven by the continued strong performance of our core B2C business, in particular in Casino and Sport. Reported revenue increased 2% to US$462.1 million (2014: US$454.7 million) despite being adversely impacted by EU VAT of US$10.2 million (2014: nil), which is deducted from revenue generated in certain European markets, as well as weaker currencies against the US dollar when compared to the prior year.

Like for like revenue increased by 12% to US$507.7 million driven by the continued strong performance of our core B2C business.

Adjusted EBITDA for the year was US$80.6 million (2014: US$100.7 million) and Adjusted EBITDA margin decreased to 17.4% (2014: 22.1%). This is a resilient outcome given that during the year we incurred incremental costs of US$27.6 million (2014: US$2.1 million) related to UK point of consumption gaming duty, newly introduced gaming duties in Denmark, Austria, Romania and Ireland of US$4.6 million, as well as the EU VAT deduction of US$10.2 million (2014: nil) and incurred adverse currency movements. As a result of these factors, adjusted profit before tax decreased by 18% to US$55.5 million (2014: US$67.9 million). In addition we incurred net exceptional legal, professional and finance acquisition costs related to the aborted acquisition of bwin.party digital entertainment plc of US$14.6 million (2014: nil) and exceptional retroactive gaming duties and associated charges of US$8.4 million (2014: nil). As a result profit before tax was US$32.5 million (2014: US$67.9 million). Adjusted basic earnings per share was 15.9¢ (2014: 19.2¢) and basic earnings per share was 8.3¢ (2014: 16.1¢).

888 continued to be strongly cash generative with net cash generated from operating activities at US$85.0 million in 2015 (2014: US$111.9 million). As at 31 December 2015, 888's financial position remains strong with cash and cash equivalents of US$178.6 million (2014: US$163.1 million) and US$82.4 million of customer deposits (2014: US$67.5 million).

Given 888's strong performance and the Board's continued confidence in the outlook, the Board is recommending a final dividend of 4¢ per share in accordance with 888's dividend policy plus an additional one-off 8¢ per share, which together with the interim dividend of 3.5¢ equals 15.5¢ (2014: 15.0¢) per share for the year, an increase of 3.3%.

B2C OVERVIEW

Like for like B2C revenue during the year was US$444.2 million, representing a 14% increase on the prior year (2014: US$390.8 million) and 87% of total revenue (2014: 86%). This growth was driven primarily by very strong performances in Casino and Sport.

On a reported basis (before deduction of EU VAT), revenue was 6% higher year on year at US$412.5 million, reflecting the adverse currency movements.

74%

Sport revenue up 74%, reflecting 888sport's increasing recognition as a leading sports betting destination.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

Active B2C players and first time depositors, two of the core metrics of our B2C business, increased by 13% and 28% respectively, driven in particular by strong performances in Casino and impressive growth in Sport. This strong operational momentum reflects the quality of our B2C brands as well as the success of our customer relationship management activity and innovative, return on investment driven marketing coupled with the introduction of Sport in Spain during the third quarter of 2014 and re-launch in Denmark during the third quarter of 2015.

Mobile devices continue to be a key driver of growth in our B2C business in terms of both revenue and customer acquisition across product verticals. B2C revenue from Mobile devices in the UK increased to 47% (2014: 33%). Continuous innovation is central to 888's progress and our 'mobile first' approach to product development is reaping rewards. 888 previously fully embedded a mobile product offering across all product verticals and took the strategic decision to develop our own proprietary mobile solution and games. This approach has given 888 full control over innovation and developing our offer ahead of competitors, allowing 888 to create ever richer and more engaging content for our customers. In 2015, we continued to add new games across platforms as well as new features to our product offering, ensuring we remain differentiated in our customers' eyes.

Management's strategic focus has been on growing the Group's presence in regulated jurisdictions, which has been demonstrated by growth of 6% and 5% in the UK and Europe (excluding UK), respectively. Other regions continue to represent a smaller comparative proportion of the Group and as such fewer resources have been dedicated to them, which has seen a consequent decline in revenues.

B2C – Product segmentation

	2015 US$ million	2014 US$ million	Change
Revenue – B2C			
Casino	**238.7**	220.6	8%
Poker	**88.5**	93.7	(6%)
Bingo	**44.0**	46.6	(6%)
Emerging Offerings	**41.3**	29.9	38%
Total B2C	**412.5**	390.8	6%
B2B	**59.8**	63.9	(7%)
Total revenue (including EU VAT)	**472.3**	454.7	4%
EU VAT	**(10.2)**	—	—
Revenue	**462.1**	454.7	2%

Revenue by geographic market

	2015 US$ million	2014 US$ million	Growth (decline) from previous year	% from Total Revenue
UK	**212.7**	201.6	6%	46%
Europe (excluding UK)	**178.4**	170.1	5%	39%
Americas	**48.5**	55.2	(12%)	10%
Rest of world	**22.5**	27.8	(19%)	5%
Revenue	**462.1**	454.7	2%	100%

37%

37% increase in active casino players compared to the prior year.

CASINO

Results overview

888casino continued its excellent momentum in 2015, building on a record year in 2014, with like for like revenue growth of 18% to US$261.4 million (2014: US$220.6 million) and a 37% increase in active players compared to the prior year. Casino revenue on a reported basis (before deduction of EU VAT) was US$238.7 million (2014: US$220.6 million). The strong Casino performance reflects further progress in our core UK market as well as in Spain, where the 888 brand continues to gain traction supported by the introduction of slot games to that market halfway through the year.

Product overview

888 aims to provide the most entertaining and engaging online casino experience available across both desktop and mobile platforms. 888casino offers classic table games, such as blackjack and roulette, alongside exclusive in-house developed proprietary games, such as the hugely successful Millionaire Genie and Snack Time Jackpot slot games, as well as branded video slots and innovative 'Live Casino' games.

The success of 888casino remains underpinned by our heritage as an online casino operator and innovative customer proposition alongside effective customer relationship management and marketing. In 2015, 888casino continued to develop its offer with a total of more than 40 new games introduced across

mobile and desktop platforms alongside new features and product upgrades to improve established favourites and make them ever more intuitive and engaging for our customers. This included the debut of a new Immersive Roulette feature that enhances the player experience on this classic table game by offering multiple high definition camera angles of the roulette wheel and slow motion views of the ball landing in the pockets.
In the second half of the year, we were also pleased to introduce a new brand to our Casino offer with the launch of the retro themed 777.com. 777.com has a unique theme based on the swing, sophistication and nostalgia of 1950s Americana and we are confident this new brand will support our offer by helping to appealing to new customer demographics.

POKER

Results overview

888poker continued to outperform what remains a highly competitive online poker market, with active players increasing by 1% against the prior year. Poker revenue was US$90.1 million (2014: US$93.7 million) on a like for like basis and on a reported basis (before deduction of EU VAT) US$88.5 million (2014: US$93.7 million).

Product overview

888's Poker remained relatively resilient in 2015 against a backdrop of the negative trends witnessed across the wider online poker industry and cemented 888's position at number two in the global poker rankings, as reported by PokerScout.

888poker prides itself on delivering an incomparable gaming experience with the widest possible range of games and tournaments. We continued to develop our leading-edge poker platform in 2015 and enable players to enjoy a variety of innovative features. Successful developments to our Poker offer include PokerCam, which allows players to enjoy secure poker games that are available in real time via 888's streaming webcam technology, and TeamsPoker tournaments, whereby players can set up their own personal poker games and invite their friends to play at scheduled times.

888poker has established a reputation as the destination of choice for recreational poker players and offers a broad range of poker variations such as Texas Hold'em, Omaha Hi/Lo, 7 Card Stud and Razz in Pot Limit, Fixed Limit and No Limit formats to ensure that the brand has universal appeal. 888's Poker also continues to benefit from a fully integrated casino gaming suite, enabling poker players to enjoy 888's range of casino games and supporting its ability to cross-sell effectively.

NUMBER
2

888poker's position in the PokerScout global poker liquidity rankings.

BINGO

Results overview

An increase in B2C Bingo revenue on a like for like basis of 2% was a pleasing outcome and was driven by strong growth in customer activity on mobile devices. Revenue on a like for like basis was US$47.6 million and, on a reported basis, revenue was 6% lower year on year at US$44.0 million (2014: US$46.6 million) as a result of adverse currency impact with the vast majority of Bingo revenue denominated in GBP.

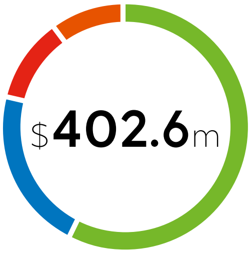
Product overview

B2C Bingo first time depositors significantly increased by 41% against the previous year reflecting both 888's efficient marketing as well as the impact of UK point of consumption gaming duty on the highly fragmented UK bingo market that has led to some smaller brands reducing marketing activity and, in some cases, closing.

888 offers online bingo entertainment across a wide range of branded bingo sites, each with its own engaging theme and rich content. All of 888's bingo brands offer classic 90-ball and 75-ball bingo games in their own unique format and theme. These are supported by our exciting online slot machine games and scratch cards and, during the year, 888's bingo brands continued to benefit from the constant flow of fresh new content including exclusive 'in-house' developed games.

41%

Bingo first time depositors significantly increased by 41%.



B2C revenue by product

Casino	$230.6m
Poker	$86.7m
Bingo	$44.0m
Emerging Offerings	$41.3m

EMERGING OFFERINGS

Results overview

Revenue from our Emerging Offerings was 38% higher year on year at US$41.3 million (2014: US$29.9 million).

This was a result of continued exceptional growth from Sport, which increased revenue by 74% against very strong comparatives in the prior year.

Product overview

On the back of a transformational year for 888sport in the prior year, during 2015 we delivered outstanding continued progress in our fastest growing product vertical. This was again driven by highly effective marketing efforts, the increasing quality of our offer with ever more markets and live bets for customers to enjoy, and increasing penetration on mobile devices, including in Spain where we launched on mobile in the second half of 2014, and Denmark, where we launched in the second half of 2015.

The 888sport brand is increasingly recognised by customers as a compelling sports betting destination. The site is consistently adding new functionality, such as Cash-In, which puts betting in the hands of the player, and TipsNewsViews, which is 888sport's content microsite that provides insightful betting previews, news and opinion for our customers. During the year we increased marketing investment to support the development of the 888sport brand and attract new customers. This acceleration of marketing increased in Q4 of the year and we anticipate this trend of marketing investment to continue into 2016 as we see clear further growth opportunities for 888sport both in terms of revenue and customer acquisition. There remains a significant growth opportunity in this major e-gaming vertical for 888 and further developing Sport will be a major driver of 888's overall strategy in the coming years.

B2B REVIEW

Results overview

Revenue from Dragonfish, 888's B2B offering, was stable at US$63.5 million on a like for like basis (2014: US$63.9 million) whilst reported revenue (before deduction of EU VAT) decreased by 7% to US$59.8 million (2014: US$63.9 million). This was in part driven by the weaker GBP impacting the reported revenue from our UK bingo partners. B2B revenue from our US business was also lower when compared to the prior year as we implemented operational changes in our US operations in the first half of the year aimed at increasing the long term sustainability of the business.

Operational overview

In 2015 our B2B bingo platform expanded further with 33 new skins added to the Dragonfish Bingo network. Our partners continue to benefit from ongoing innovation on the platform including the further enhancements to bonus management functionality and the development of shared progressive jackpots across bingo brands on the platform. Dragonfish launched the Casinoflex brand towards the end of the year, clearly positioning 888's B2C Casino offering in the market, and more than 200 new games were added to the B2B platform during the year. In the US, our operating partners in the states of Delaware and New Jersey benefited from the launch in February of our unique platform enabling the pooling of poker players across the two regulated states.

EXPENSES OVERVIEW

Gaming duties increased considerably reflecting the full year impact of point of consumption gaming duty in the UK, first time recognition of gaming taxes in Austria, Denmark, Romania and Ireland and increased gaming duties driven by growth in revenue from Italy and Spain as a result of our new slots games offering. Overall operating expenses, research and development and administrative expenses decreased due to more favourable exchange rates and a one-off special cash bonus to employees in 2014.

Operating expenses

Operating expenses*, which mainly comprise employee related costs, commissions and royalties payable to third parties, chargebacks, payment service providers' (PSP) commissions and costs related to operational risk management services, totalled US$127.4 million (2014: US$130.3 million). This represented a decreased proportion of revenues (before deduction of EU VAT) at 27.0% (2014: 28.7%) as a result of continued operating efficiencies, strict cost control and the effect of weaker currencies against the US dollar, partially offset by increased costs associated with Sport content and higher commissions and royalties required to support 888's improved Sport performance and Live

* As defined in the table set out on page 12.

Casino offering. Operating expenses amounted to US$146.0 million (2014: US$149.3 million).

Staff costs as a percentage of revenues was 12%, a slightly lower ratio compared to 2014, mainly as a result of currency differences and the effect of a one-off special cash bonus to employees in 2014.

The chargebacks ratio slightly increased to 0.7% (2014: 0.6%) of revenue during the year affected by higher deposit volumes. 2015 saw continued use of 888's risk management and fraud detection mechanisms which enhance internal monitoring systems alert processes and reporting including the continued use of 3DSecure verification systems. These all resulted in an optimised balance between maintaining revenues and increased deposits inflow whilst reducing transactions with high risk profiles.

Gaming taxes and duties

Gaming duties* levied in regulated markets increased considerably to US$50.0 million (2014: US$15.8 million). This reflected the full year impact of point of consumption gaming duty in the UK of US$29.7 million (2014: US$2.1 million, commencing December 2014), increased gaming duties driven by greater revenues in Spain, primarily due to the launch of slots in 2015, and Italy, primarily due to the launch of mobile in late 2014 as well as gaming duty in new regulated markets which commenced activity during the second half of 2015, namely Denmark, Romania and Ireland, in addition to recognition for the first time of gaming taxes in Austria. Gaming taxes and duties amounted to US$58.4 million (2014: US$15.8 million).

> Our partners continue to benefit from our ongoing innovation.

Research and development expenses

The research and development expenses to revenue ratio decreased slightly to 8% (2014: 9%). This year's expense totalled US$36.8 million (2014: US$40.7 million), the decrease being mainly attributed to the effect of weaker currencies against the US dollar and the effect of a one-off special cash bonus to employees in 2014, whilst continuing with the investment in highly skilled development teams in order to sustain the Group's leading position in the market. Additionally, during 2015 significant efforts were invested associated with introduction to new regulated markets and improved offering.

Research and development expenses do not include capitalised in-house development costs which totalled US$5.3 million (2014: US$6.4 million). The decrease is attributed mainly to the launch of licensed regulated gaming in the UK late in 2014 as the majority of the investment took place during that year.

Selling and marketing expenses

Selling and marketing expenses during the year reached US$138.9 million (2014: US$133.8 million) reflecting 888's investments in the European markets led by 888casino boosted by the newly offered 777 Brand and Sport which continue to be a significant growth engine with the launch of Sport offering in Spain in the second half of 2014 and Denmark in the second half of 2015. The marketing to revenue (before deduction of EU VAT) ratio remained stable at 29% (2014: 29%).

Administrative expenses

Administrative expenses* decreased 15% to US$28.4 million (2014: US$33.4 million) representing 6% of revenue before deduction of EU VAT (2014: 7%). The decrease compared to the previous year is mainly attributed to foreign exchange movement impact on salaries, reduced level of expenses associated with professional costs arising from the UK gaming licence, a one-off bonus to employees in 2014 and expenses related to employers' national insurance obligations incurred in 2014. Administrative expenses amounted to US$32.5 million (2014: US$35.1 million).

Share benefit charges

Equity settled share benefit charges were US$2.4 million (2014: US$1.3 million). This year's charges are mainly attributed to long-term incentive equity awards granted to eligible employees.

33 NEW SKINS ADDED

Our B2B bingo platform continues to grow with 33 new skins added to the Dragonfish Bingo network during the period.

Our partners continue to benefit from our ongoing innovation on the platform – such as the pooling of player liquidity across bingo skins – that makes Dragonfish the B2B partner of choice.

* As defined in the table set out on page 12.

Cash settled share benefit charges increased to US$1.7 million (2014: US$0.4 million) due to the increased fair value of the long term incentive plan which was settled during the year. Further details are given in the Director's remuneration report on page 46.

Finance income and expenses

Finance income of US$0.3 million (2014: US$0.3 million) less finance expenses of US$2.6 million (2014: US$4.8 million), excluding exceptional items, resulted in an expense of US$2.3 million (2014: expense of US$4.5 million). The change compared to the previous year is attributable to the fair value of operational hedging instruments.

888 continually monitors foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This has resulted in an expense of US$0.1 million in respect of the ILS/US$ forward hedge. An additional expense of US$2.3 million is attributable to the valuation of assets and liabilities denominated in currencies other than 888's functional currency.

Adjusted EBITDA

Adjusted EBITDA for the year was US$80.6 million (2014: US$100.7 million) impacted by a combination of external factors including newly introduced gaming duties during 2015 of US$32.2 million*, US$10.2 million EU VAT and adverse currency movements. This is a very resilient outcome that was achieved as a result of the strong revenue increase coupled with strict costs control. The Adjusted EBITDA margin was 17.4% (2014: 22.1%). EBITDA for the year was US$59.4 million (2014: US$97.3 million).

Equity accounted joint ventures and associates

888's investment in the US joint ventures had reduced to nil as at 31 December 2014 due to the US joint ventures' cumulative losses exceeding 888's investment. In 2015, the US joint ventures incurred further losses and, as a result, these losses were not included in 888's income statement and 888's investment remained at nil.

* Excluding US$2.1 million UK POC incurred in December 2014.

Exceptional costs

During 2015, 888 incurred exceptional legal and professional costs of US$17.5 million associated with the proposed acquisition of bwin.party digital entertainment plc. Following the termination of the proposed acquisition, 888 received reimbursement income of US$8.8 million from bwin.party digital entertainment plc, in line with its contractual agreement and exceptional finance costs of US$5.9 million were incurred in connection with the proposed acquisition. The costs represent fair value movements on derivatives entered into to hedge the currency exposure associated with the transaction. Exceptional costs associated with the proposed acquisition of bwin.party digital entertainment plc totalled at net US$14.6 million.

Separately, 888 incurred exceptional retroactive duties and associated charges relating to prior years of US$8.4 million in respect of gaming taxes in Austria and Romania.

In total, 888 recorded during the year US$23.0 million (2014: nil) of exceptional costs and charges.

Adjusted profit before tax

Adjusted profit before tax for the year was US$55.5 million (2014: US$67.9 million). Profit before tax for the year was US$32.5 million (2014: US$67.9 million) impacted by exceptional costs and charges of US$23.0 million (2014: nil).

Taxation

The tax charge for 2015 was US$3.0 million (2014: US$11.0 million). The lower rate was mainly attributed to tax adjustments in respect of prior years as well as the decrease in 888's profit before tax.

Earnings per share

Basic earnings per share was 8.3¢ (2014: 16.1¢). Adjusted basic earnings per share was 15.9¢ (2014: 19.2¢). The Board believes that adjusted basic earnings per share - excluding exceptional items (as described in note 5 to the financial statements), share benefit charges, movement in contingent consideration, impairment charges and share of joint venture and associates loss – better reflects the underlying business and assists in providing a clearer view of 888's performance.

Dividend

Given the strong cash generation during the year the Board of Directors declared an interim dividend of 3.5¢ per share that was paid on 30 September 2015. Taking into account the strong performance the Board is recommending a final dividend of 4¢ per share plus an additional one-off 8¢ per share (which together with the interim dividend equals 15.5¢ per share for the year in accordance with 888's dividend policy).

Cash flow

The Group's outstanding performance and operating efficiency led to substantial free cash with net cash generated from operating activities of US$85.0 million (2014: US$111.9 million). The net increase in cash and cash equivalents in 2015 was US$16.8 million (2014: US$48.0 million), after cash dividend payments during the year of US$53.5 million (2014: US$51.2 million).

Balance sheet

888's balance sheet remains strong, with no debt and ample liquid resources. 888's cash position as at 31 December 2015 was US$178.6 million (2014: US$163.1 million). Balances owed to customers were US$82.4 million (2014: US$67.5 million).

MARKET REVIEW: FOCUS ON REGULATED MARKETS

COUNTRY SPECIFIC HIGHLIGHTS

SPAIN

Market share increased in Spain driven by positive response to newly introduced slots following successful launch of Sport in H2 2014.

ITALY

Continued progress in Italy driven by fresh Casino content and introduction of mobile in H2 2014.

USA

Further progress in regulated US market with launch of Multistate Poker Network across Nevada and Delaware.

DENMARK

Casino, poker and sport betting licences obtained in Denmark.

IRELAND

Sport betting licence obtained in Ireland.

UK

888 continued to enjoy a strong performance in our core UK market in 2015 with revenue increasing by 6% year on year to US$212.7 million (2014: US$201.6 million), representing 46% of Group revenue (2014: 44%). This was supported by innovative multi-channel marketing initiatives as well as our customer relationship management capabilities that together helped to drive particularly impressive performances in both Casino and Sport. The performance of Bingo in the UK improved against the prior year as our established portfolio of brands capitalised on the impact of the new point of consumption gaming tax in the UK on the fragmented UK bingo market. The success of our offer on mobile devices continued in the UK market across product verticals, with the share of overall B2C revenue generated on mobile devices rising to 47% (2014: 33%).

The UK witnessed a new regulatory environment in 2015, following the introduction of the new point of consumption gaming tax in the UK in December 2014. During the year we saw the cost burden of this new tax on some smaller e-gaming brands that were, in some cases, were forced to exit the market. At the same time, the industry has seen an unprecedented period of consolidation with a number of high-profile mergers and acquisitions. Amidst these changes we continue to see strong opportunities for 888 as a large, established operator with our own technology and proven marketing expertise to win new customers and grow our market share.

EUROPE (EXCLUDING UK)

Europe (excluding UK) revenue increased 5% to US$178.4 million (2014: US$170.1 million), representing 39% of Group revenue (2014: 37%). We continued our strong performance in Spain where we grew market share in part thanks to the launch of 888sport.es in the second half of 2014 as well as the launch of slot games towards the end of the first half of 2015. Now with a full product suite in Spain across mobile and desktop platforms we are better able to capitalise on cross-sell opportunities and with the 888 brand increasing in popularity in that market, we are confident of further growth.

Revenue from our Italian regulated offering, which is Casino as well as Sport, which launched post the period end in January 2016 and which we believe will be an important development in 888's progress in this market, increased by 13% despite currency headwinds. We continue to see growth opportunities in the Italian market driven by the growing penetration of mobile, which was launched in the second half of 2014, as well as our flow of new casino content and games that helps to keep our proposition fresh and differentiated.

In Q3, 888 received a sports betting licence in Ireland as well as casino, poker and sports betting licences in Denmark, and casino, poker and sports betting temporary permits in Romania. Performances in these markets to date have been encouraging, particularly in Denmark, further demonstrating 888's ability to successfully capitalise on opportunities created by regulatory developments.

We maintain a close eye on the regulatory environment across Europe and are monitoring developments in a number of countries that are considering or are in the process of reforming their regulatory landscapes.

UNITED STATES

Trading in the US market during 2015 was in line with the Board's expectations. We are continuing to develop our understanding of the US market and, as the only operator with a presence in all three regulated states, the opportunities in the US for 888 remain potentially vast. Our approach to addressing this market has provided us with the flexibility and resources to gain unique experience and develop key relationships to strengthen our position in the US market as further regulation occurs.

In February, we successfully launched shared poker player liquidity across the states of Delaware and Nevada, creating a key advantage for both 888 and our B2B operating partners. This interstate launch represented a key milestone in the development of the regulated US online gaming market and we are confident that pooled liquidity arrangements will become a major feature for future states as and when they regulate online gaming.

RISK MANAGEMENT STRATEGY

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

In 2015, the Board and senior management re-focused 888's risk management strategy, explicitly identifying and evaluating key risks underlying its core business strategy. A Risk Management Policy is being developed which the Board expects to be fully implemented in 2016, which serves to standardise the approach to risk prioritisation and management across 888's operations, and which in turn means that effective controls can be put in place to ensure 888 is able to manage its operations effectively now and into the future. A risk register was developed which served as a springboard for discussion at Board and management level of the role of risk in 888's business. The risk register is a living document which will be regularly reviewed on an ongoing basis, will serve as a record of the high-level challenges faced by the business over time, and will also serve as an action plan. The Board furthermore discussed its approach and response to 888's various risks with a view to setting a clear boundary between acceptable and unacceptable types and levels of risk.

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

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

» it is responsible for 888's risk management systems and for reviewing their effectiveness;

» there is an on-going process for identifying, evaluating and managing the principal risks faced by 888;

» the systems have been in place during 2015 and up to the date of approval of the annual report and accounts; and

» they are regularly reviewed by the Board (please see page 43 for further details of the review conducted in 2015).

KEY OF CHANGE

Increased

Decreased

Remained stable

888 faces the following significant risks:

REGULATORY RISK

The risk

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

Relevance to strategy

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

How the risk is managed

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

What happened in 2015

Consistent with its growth strategy in regulated markets, 888 obtained additional licences in Denmark, Romania and Ireland (sports betting).

INFORMATION TECHNOLOGY AND CYBER RISKS

The risk

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

Relevance to strategy

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

How the risk is managed

Cutting-edge technologies and procedures are implemented throughout 888's technology operations and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS devices and Anti-Virus protection from leading vendors. Physical and logical network segmentation is also used to isolate and protect 888's networks and restrict malicious activities. The IT environment is audited by independent auditors, such as PCI DSS security audit and eCOGRA audit. These audits form part of 888's approach to ensuring proper IT procedures and a high level of security. In order to ensure systems are protected properly and effectively, external security scans and assessments are carried out on a regular basis. 888 has a disaster recovery site to ensure full recovery in the event of disaster. All critical data is replicated to the disaster recovery site and stored off-site on a daily basis. In the event of loss of functionality of 888's critical services, the business can be fully recovered through the resources available at the disaster recovery site. In order to minimise dependence

INFORMATION TECHNOLOGY AND CYBER RISKS CONTINUED

on telecommunication service providers, 888 invests in network infrastructure redundancies whilst regularly reviewing its service providers. 888 has two Internet service providers in Gibraltar in order to minimise reliance on one provider. As a part of its monitoring system, 888 deploys set user experience tests which measure performance from different locations around the world. Network-related performance issues are addressed by rerouting traffic using different routes or providers. 888 operates a 24/7 Network Operations Centre (NOC). The NOC's role is to conduct real time monitoring of production activities using state-of-the-art systems. These systems are designed to identify and provide alerts regarding problems related to systems, key business indicators and issues surrounding customer usability experience. The IT environment tracks changes, incidents and SLA KPIs in order to ensure that client experience is consistent and well managed. As part of these procedures, capacity planning takes place and infrastructure is built accordingly. System-wide availability and business-level availability is measured and logged in the IT information systems.

What happened in 2015

Several high profile cyber attacks brought the issue of IT security into the headlines in 2015. At 888, IT security is deeply embedded within the organisation, and security projects are implemented on a constant ongoing basis. Awareness training is carried out for Group personnel at all office locations by the CISO. Software development personnel are trained in IT security and computerised systems monitor coding vulnerabilities in real time and provide timely notifications to management. Various IT security projects were implemented by 888's IT Department under the guidance of its IT Security Committee. 888 continued to undergo regular IT security audits, including reviews by the internal IT compliance team, internal audit by 888's internal auditor and external audit by gaming regulators.

TAXATION RISK

The risk

Heightened attention to matters of cross-border taxation, including through the G20/OECD Base Erosion and Profit Shifting (BEPS) project, as well as in other public forums and the media, has increased the likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions. A finding of taxable presence of the 888 Group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as considered in the BEPS reports), a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), or the revision of VAT rules regarding marketing costs incurred in major customer markets, may have a substantial impact on the amount of income tax or VAT paid by 888. The introduction of the UK Diverted Profits Tax also gives rise to a risk that, whilst 888 carries out its operations from Gibraltar and has a considerable presence there, elements of its business carried out from the UK may be found to consistute an "avoided PE" giving rise to tax at a rate of 25% of the profit attributed to such avoided PE. Uncertainties with regard to the application of EU VAT to certain of 888's offerings and the tax base to be applied thereto also gives rise to the risk of disputes with tax authorities, as do the imposition of gaming taxes in jurisdictions in which 888 has customers but does not hold a local licence. Furthermore, the imposition in certain jurisdictions of taxation of player winnings and/or imposition of a withholding obligation on foreign operators may make 888's offerings less attractive to players in relevant jurisdictions.

Relevance to strategy

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

How the risk is managed

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

What happened in 2015

888 entered into discussions with relevant tax authorities in order to regularise its tax position and mitigate exposures. In addition, it reviewed its structure in light of the BEPS recommendations and consulted with tax and legal advisers to determine the manner and timing of their implementation in relevant jurisdictions, in order to ensure compliance with increased

TAXATION RISK CONTINUED

tax reporting obligations. 888 furthermore took advice with regard to VAT and gaming duty obligations and registered for such taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis in the appropriate jurisdictions, whilst reserving its position concerning contesting its liability in appropriate cases.

REPUTATIONAL RISK

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

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

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

What happened in 2015
888 continued to invest in staff training and procedures to identify instances of problem gambling and fraudulent behaviour, as well as reviewing and optimising responsible gaming tools such as self-limits, take a break and self-exclusion, continuing to monitor the effectiveness of responsible gaming measures, and continuing its close partnerships with major helping agencies and support centers. 888 furthermore updated its business practices in order to comply with specific new regulatory requirements imposed in its major regulated markets, including responsible gaming measures required under the UK Gambling Commission's Licensing Conditions and Codes of Practice.

PARTNERSHIP RISK

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

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

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

What happened in 2015
During the year, 888 maintained its ongoing dialogue with major B2B partners, with a view to continued renewal of contracts aligned with 888's strategy, and mitigation of the risk of termination of contracts due to changes in partner circumstances.

REGULATION AND GENERAL REGULATORY DEVELOPMENTS

The regulatory framework for the online gambling industry continues to evolve, with many jurisdictions developing regulatory regimes specifically designed to address online gambling. We monitor the regulatory environment closely as countries adapt their approaches. 888's significant regulatory experience and operational scale means we are able to manage the impact of these developments and to take advantage of opportunities that regulatory change opens up.

Like most of the preceding years, 2015 saw further changes in the dynamic legal and regulatory landscape pertaining to online gambling. 888 has continued to adapt to these changes (some of which were rapid or unexpected) and continues to seek out ways to capitalise on the opportunities presented by regulation. In tandem, and with a growing portfolio of online gaming licences (which saw the addition of Denmark, Ireland and Romania in 2015 alone), 888 has continued to build on its capacity for growth in locally regulated markets. We continue to believe that the development of robust regulatory regimes has strengthened the industry and that it continues to generate significant value for leading, responsible and compliant operators such as 888.

We continue to believe that the development of robust regulatory regimes has strengthened the industry.

As an inevitable response to its growing list of regulatory and compliance obligations, 888 has also strengthened its internal compliance and control mechanisms to ensure that it adheres to the various requirements applicable under its many licences. This is a growing challenge, given the disparity between the various regulatory regimes under which 888 operates. 888's ability to weather this challenge successfully is a test and a testament to 888's adeptness at living up to the highest standards of regulatory excellence.

Various member states of the European Union continued the trend of adopting local regulatory regimes based on place-of-consumption. Some of the regimes adopted have reflected ECJ jurisprudence regarding compliance with the principles of EU law, while others have ignored these principles (with the result being regulatory regimes that are non-compliant with EU law and may therefore be impossible to implement or unenforceable). During the course of 2015, the 888 Group was granted an Irish remote bookmaker's licence, as well as a Romanian interim licence (888's application for a permanent licence is pending) – both jurisdictions whose regulatory regime changed in 2015. 888 also returned to the Danish market in 2015, having renewed its licence in that jurisdiction (where it had previously been licensed until voluntarily relinquishing its licence for commercial reasons).

2015 saw a licensing regime adopted in Portugal (though its implementation has not yet been fully realised). A licensing regime was also adopted in Lithuania during 2015, coming into force on 1 January 2016.

As expected, the UK's move to a place-of-consumption based regulatory regime continued to have a dramatic impact on 888, given the prominence of 888's UK-facing operations. 888's adaptation to the new metrics of the UK market and to its array of regulatory requirements necessitated significant efforts and the implementation of changes in a very broad spectrum of areas.

POINT OF CONSUMPTION TAX

The UK witnessed a new regulatory environment in 2015 following the introduction of a new point of consumption tax in December 2014. During the year, the industry saw some smaller e-gaming brands exit the market as well as an unprecedented period of consolidation.

888's prominence in the UK market speaks to the overall success of that process, however we continue to work to adapt our operations and working modalities to ensure our full adherence with the various requirements applicable to our UK operations.

The debate over regulation of internet gambling continued in the US in 2015, though it focused more prominently on the regulation of "Fantasy Sports" in the latter part of the year. Whilst it is unlikely that 2016 will see dramatic developments in this regard, on either the state or federal level (given that 2016 is an election year), 888 continues to follow closely the possible developments in this area, so as to position itself to capitalise on opportunities as they emerge.
Naturally, with regulation playing an increasingly dominant role in defining and framing our business, 888 continues to monitor closely legal and regulatory developments worldwide and to assess their impact on 888's operations. We continue to support regulation of the industry and to work with our partners in the industry and with our regulators towards shaping a regulatory landscape that is business-friendly while safeguarding the objectives of regulation.

The following paragraphs summarise the main relevant regulatory developments of 2015 and our expectations regarding changes that will impact 888 in 2016.

EUROPE

The Group continues to closely monitor regulatory developments.

The European Commission's involvement in the regulation of online gaming continued to be fairly low key in 2015. Other than minimal action with respect to member states whose gaming laws are considered to infringe EU law, the European Commission took very little action directly related to the regulation online gambling.

Notwithstanding, developments in EU law did have an impact on the online gambling industry. For example, changes with respect to data protection and privacy, as well as changes related to consumer dispute resolution, impacted online gambling companies (as they did other European businesses). As a business incorporated and licensed in various EU member jurisdictions, 888 is directly impacted by these changes and will continue to be impacted by future changes (such as the entry into force of the 4th AML Directive).

Late in 2015, twenty European Economic Area (EEA) countries signed an agreement establishing a voluntary framework of exchange of information related to illegal cross-border online gambling. Some major EU member states (including Germany and France) have not yet signed the agreement, which is not per se linked to EU legislative action.

Several European jurisdictions implemented regulatory reforms in 2015:

» Poland amended its online sports betting regime in an attempt to bring it more in line with EU law.

» Ireland, Portugal, Romania and Lithuania adopted regimes for the regulation and licensing of online gambling.

» Having passed gaming legislation severely restricting its online gambling market in late 2014, Hungary took various enforcement actions against the online industry during 2015 (issuing fines and fighting online gambling operators in courts). Early in 2016, the country issued regulations for the very limited licensing of online gambling activities available to two land-based casinos in the country.

» Switzerland published a draft bill that would allow the country's three casinos to offer online gaming. The bill now under public consultation and legislative process is likely to be lengthy.

» The Greek Government has announced plans to put in place a licensing regime as a revenue-generating measure. Options include auctioning a limited number of licences or an open tender process. No concrete bill has been published however.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

EUROPE CONTINUED

The regulatory landscape in Germany continued to be mired by uncertainty in 2015 with courts in various German states issuing conflicting rulings with respect to the validity and interpretation of the German Inter-State Gambling Treaty. The issuance of 20 federal sports-betting licences did not progress due to orders by various courts calling the process into question. In fact, it seems unlikely that such licences will ever be issued. Early in 2016, the European Court of Justice (in its judgment on the INCE matter) effectively struck down the German regime regulating online sports betting, finding that it is not compliant with EU law. The impact of this ruling more broadly with respect to the validity of the entire German regulatory regime, is likely to become clearer during 2016.

Regulatory reform has still not occurred in The Netherlands, though debate on the matter continued to take place during 2015. 888 continued to conduct its operations in The Netherlands in accordance with interim guidelines issued by the local authorities and awaits developments in this important market.

THE UNITED STATES

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

Despite debates in the legislatures of various states regarding online gaming (in some cases – online poker) during 2015, no significant legislative changes occurred. During the latter half of the year, regulatory and legislative focus seemed to shift to the contentious issue of "daily fantasy sports", a multi-billion dollar industry whose legality has been called into question.

It is not unlikely that this debate will lead to a broader debate regarding the regulation of online sports betting, however changes in this regard (or, more generally with respect to internet gambling) are less likely in an election year. 888 continues to closely monitor discussions and initiatives in the various jurisdictions, with the knowledge that positive developments in these large-scale markets could present tremendous opportunities for 888.

Simultaneously, the opponents of internet gaming continued to promote federal legislation to ban internet gaming. The "Reform of the American Wire Act" Bill (RAWA) was the subject of various hearings during the 2015 sessions of both houses of Congress, but it was not advanced by either chamber.

> Positive developments in these large scale markets could present tremendous opportunities for 888.

FURTHER AFIELD

2016 could see regulatory reform coming to various jurisdictions around the world, particularly in Latin America. Examples there may include Mexico, Brazil and Colombia. The Canadian province of Quebec may also take steps towards introducing a centralised online gambling offering under the auspices of the Lotto Quebec. 888 continues to follow these developments to assess their impact on 888 and to identify potential opportunities for growth.

VIABILITY STATEMENT

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

» The Directors are mindful that the Company operates in the online gaming sector which, whilst having matured substantially since the early days of the internet, remains a fast-moving industry subject to ongoing change in the global regulatory and competitive landscape; and

» Management currently prepares a detailed bottom-up forecast on an annual basis, long range plans of up to three years are prepared using a top-down approach, and capital investment projects are planned over a period of three to five years.

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

» 888's resilience to threats to its viability in severe but plausible scenarios;

» Both qualitative and quantitative analyses, including the combined impact of the crystallisation of multiple risks simultaneously, as well as stress testing, reverse stress testing and sensitivity analyses, which the Directors consider sufficiently robust to make a sound statement; and

» A broad range of relevant matters that may threaten 888's viability.

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

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

Details of 888's risk management strategy and how it manages and mitigates its risks are set out in the Risk Management Strategy on page 20.

CORPORATE RESPONSIBILITY

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

ENVIRONMENTAL IMPACT

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

» Energy consumption: We continuously monitor our energy consumption to help us ensure we are being as energy efficient as possible.

» Water: We use only ecological detergents in our offices and use water saving devices in most of our locations.

» Travel: To minimise the impact of travel on the environment we encourage employees to either cycle to work and, in certain locations, provide buses for commuters. We also continue to invest in the state-of-the-art technology to help meetings occur remotely.

888 commissioned a study by AVIV AMCG regarding FY 2015 to provide quantitative information regarding its environmental impact, as reflected through 888's Greenhouse Gas emissions for the period 1 January to 31 December 2015, and to assist it in finding ways to further reduce its Greenhouse Gas emissions.

Whilst 888 is committed to complying with UK disclosure requirements and appropriately managing its Greenhouse Gas emissions, given 888 has low emissions and in light of the costs involved in monitoring and measuring such emissions, the Board has concluded that a review will be carried out once every several years rather than annually; figures are therefore not provided regarding FY 2014. The Board acknowledges its overall responsibility for environmental issues and monitors 888's environmental performance in light of internal targets.

To minimise the impact of travel on the environment we encourage employees to cycle to work.

GLOBAL GREENHOUSE GAS EMISSIONS FOR PERIOD 1 JANUARY TO 31 DECEMBER 2015

Scope	Emission sub category	GHG emission (metric ton CO2 eq)	Contribution to scope (%)
1	Direct GHG emissions	367	5
2	Indirect GHG emissions associated with energy	6,121	83.5
3	Other indirect GHG emissions	843	11.5
Total		7,331	100
Corporate metric	Corporate Performance Indicator (per scope 1 and scope 2)		

Although not legally required to do so, as 888 is incorporated in Although not legally required to do so as 888 is incorporated in Gibraltar, we have reported on all the emissions sources stipulated under the UK Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These emissions sources fall within our consolidated financial statements. We do not have responsibility for any emissions sources that are not included in our consolidated financial statements.

We have used the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories (2006) and data gathered from our own operations.

The reported emissions come from our offices, data centre and servers owned by us, but co-located at third party data centres. 888 has adopted the "operational control" approach, limited to sites where all equipment and activities are controlled by the subsidiaries of the Company, and the associated emissions therefore must be consolidated.

Direct GHG emissions come from fuels consumed, use of passenger vehicles in operational control of the Company and replacement or refill of cooling agents in air conditioning units. Indirect emissions, come mainly from office energy consumption for lighting, heating and cooling. Other indirect emissions are from air travel and leased assets.

EMPLOYEES

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

Some highlights from 2015 include the following:

» It has been the third year of our "Excellence Club", our employee development program which sent a group of employees selected by their divisions for excellence in a number of fields, to an exciting adventure trip in China. We hope to continue this program in years to come with trips to other locations planned.

> We must always invest in developing our employees so that they can achieve their personal aspirations.

» We ran a number of management skills programs for both senior managers and team leaders from all divisions.

» During the year we had team building activities intended to create better connections among team members and managers, including a fun day for each department, overnight event combining engagement activities and professional lectures, as well as holiday celebrations on all Company sites.

» We have continued our annual evaluation process which is based on the principle that giving and getting feedback is key to each employee's growth and development and that regularly evaluating on the job performance helps achieve success and is essential for the well-being of all employees.

» We continued our efforts to extend our recruitment channels, including "refer a friend", social networks and internet channels.

» We believe that employees should share part of 888's success. This year, due to our great achievements and business success, we granted various performance bonuses to some employees of 888.

» 888 employees were involved in various charity initiatives according to office location.

» Specific retention efforts were carried out with respect to key employees.

EXCELLENCE CLUB

Our "Excellence Club" is an employee development program which sent a group of employees selected by their divisions for excellence in a number of fields to an exciting adventure trip in China.

888 takes its employees' health and safety seriously and has written policies in place with regard to occupational health and safety issues in its major offices. The Board will consider setting targets with regard to occupational health and safety issues in order to monitor performance. The Board acknowledges its overall responsibility for human resources issues, including for human resources and labour standards, implementing management structures and systems to monitor and evaluate employee performance and satisfaction, promoting diversity at all levels of 888 and within 888's supplier base, providing employees with the opportunity to have formal input into matters that affect them, oversee and allocate resources to employee training, and to monitor key health and safety performance goals and indicators. During 2015, there were no material labour disputes, litigation, or health and safety related fines or sanctions imposed on 888. 888 does not have a written policy for the employment, training, career development and promotion of disabled persons, but in certain of its locations is subject to statutory requirements in this respect. During 2015, steps were taken to maintain and develop arrangements to provide information to employees regarding financial and economic factors affecting 888's performance, including divisional and company-wide seminars, email communications and publication of pertinent public financial information on the 888 internal portal.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

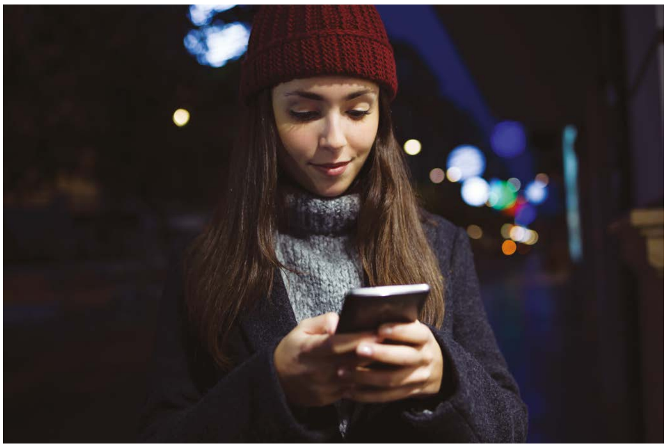
Our values

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

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

PROTECTING MINORS

We encourage responsible gaming practices to avoid the dangers of problem gambling, and we have taken rigorous steps at all our online sites to prevent underage gambling.



Responsible gaming

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

Protecting customers

- As a responsible, regulated gaming group we comply with the eCOGRA guidelines. eCOGRA ensures that approved online casinos are properly and transparently monitored to provide player protection.
- Our sites include links to professional help agencies and we have placed many safeguards for those who need help with controlling their gaming.
- Self-assessment test: For players who are worried about their gaming habits and want to know more about the signs of compulsive gambling.

Our values place the community and the customer at the centre of all our endeavours.

Our dedicated website is available at:
888responsible.com

- Controlling deposit limits: Should clients feel the need to, they can control their play pattern by self limiting the amounts they deposit per day, per week or per month.

- Self exclusion: A player can request to be self excluded for a chosen period, due to different concerns. Based on internal studies we decided to increase time periods available for clients to "cool off". Customers can choose from six different exclusion periods from one day to six months or more. During this period, 888 blocks the account and no promotional emails are sent to the customer.

Protecting minors

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

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

888RESPONSIBLE

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

COMMUNITY

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

HUMAN RIGHTS

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

♀

43%

43% of 888 employees are female. We actively seek to recruit and advance women into our top management.

DIVERSITY

Diversity is important to us as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers. We actively seek to recruit and advance women into our top management. A summary of the breakdown of men and women across 888 as of 31 December 2015, is as follows:

BREAKDOWN OF MEN AND WOMEN ACROSS THE GROUP AS OF 31 DECEMBER 2015

	Men		Women	
	Percentage	Number	Percentage	Number
Board of Directors	5	100%	0	0%
Senior Vice Presidents	5	71%	2	29%
Vice Presidents	18	72%	7	28%
All Employees	755	57%	563	43%

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

On behalf of the Board:

Brian Mattingley
Chairman
22 March 2016

BOARD OF DIRECTORS

NAME
Brian Mattingley
POSITION
Chairman
AGE 64

EXPERIENCE

Brian Mattingley was Executive Chairman from 13 May 2015 until 2 March 2015, when he was appointed Chairman. Previously, he was Chief Executive Officer since March 2012, and Deputy Chairman of 888 and Senior Independent Non-executive Director since March 2006. He joined the Board in August 2005. He was previously Chief Executive of Gala Regional Developments Limited until 2005. From 1997 to 2003 he was Group Finance and Strategy Director of Gala Group Plc, prior to which he was Chief Executive of Ritz Bingo Limited. He has held senior executive positions with Kingfisher Plc and Dee Corporation Plc.

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

NAME
Itai Frieberger
POSITION
Chief Executive Officer
AGE 45

EXPERIENCE

Itai Frieberger was appointed Chief Executive Officer of 888 on 2 March 2016. He was previously Chief Operating Officer since April 2011, and was appointed to the Board as an Executive Director on 13 May 2015. He also serves as Managing Director of 888's Israeli subsidiary, Random Logic Ltd. He has worked for the 888 Group since 2003, and previously served as Senior Vice President of Product Technologies, as well as leading various parts of the business such as marketing, product and business development. Prior to joining the 888 Group, he held several management positions at Orange, one of the world's leading telecommunications operators.

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

NAME
Aviad Kobrine
POSITION
Chief Financial Officer
AGE 52

EXPERIENCE

Aviad Kobrine has been Chief Financial Officer of 888 since June 2005, and was appointed to the Board in August 2005. From October 2004 he was a consultant to 888. Previously, he was a banker with the Media Telecoms Investment Banking Group of Lehman Brothers and prior to that, he was a senior associate with Slaughter and May. He holds a Masters in Finance from the London Business School (Distinction), a BA in Economics and an LLB from Tel Aviv University.

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

NAME
Ron McMillan
POSITION
Independent Non-executive Director
AGE 63

EXPERIENCE
Ron McMillan was the PricewaterhouseCoopers Global Finance Partner, Northern Regional Chairman of the UK firm and Deputy Chairman and Head of Assurance for the Middle East firm, in addition to serving as audit engagement leader on a number of major listed companies. He is the Senior Independent Director and Chairman of the Audit Committee of N Brown Group Plc and SCS Plc, Chairman of the Audit Committee of B&M European Value Retail SA and Chairman of Welcome to Yorkshire. Ron is the Chairman of 888's Audit Committee and a member of the Remuneration Committee, Nominations Committee and Gaming Compliance Committee.

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

COMMITTEES
A R N G

NAME
Amos Pickel
POSITION
Independent Non-executive Director
AGE 49

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

Amos' experience as a CEO of multinational companies enables him to provide challenge, support and advice to executives on strategy and decision making.

COMMITTEES
A R N G

COMMITTEE KEY

A Audit Committee

R Remuneration Committee

N Nominations Committee

G Gaming Compliance Committee

Chairman of Commitee

Member of Commitee

DIRECTORS' REPORT

The Directors submit to the members their Annual Report and Accounts of 888 for the year ended 31 December 2015. The Strategic Report, Corporate Governance Statement and Directors' Remuneration Report on pages 6, 40 and 46 respectively, form part of this Directors' Report.

Results

888's profit after tax for the financial year of US$29.5 million (2014: US$56.9 million) is reported in the consolidated income statement on page 73. The Board is recommending a final dividend of 4¢ per share plus an additional one-off 8¢ per share (which together with the interim dividend equals 15.5¢ per share for the year (2014: 15.0¢ per share) in accordance with 888's dividend policy).

Directors and their interests

Biographical details of the current Board of Directors, setting out their relevant skills and experience and their professional commitments, are shown on page 32. The Directors who served during the year are shown below. All Directors retire at each Annual General Meeting and, being eligible, offer themselves for re-election on an annual basis.

Brian Mattingley (first appointed 30 August 2005).

Itai Frieberger (first appointed 13 May 2015).

Aviad Kobrine (first appointed 30 August 2005).

Ron McMillan (first appointed 15 May 2014).

Amos Pickel (first appointed 14 March 2006).

Richard Kilsby (first appointed 30 August 2005). Mr Kilsby retired from the Board as of the 2015 Annual General Meeting.

John Anderson (first appointed 30 August 2005). Mr Anderson retired from Board as of the 2015 Annual General Meeting.

The beneficial and non-beneficial interests of the Directors in shares of 888 are set out in the Directors' Remuneration Report on pages 46 to 60. There has been no change in the interests of Directors in shares of 888 between 31 December 2015 and the date of this Report.

Except as noted above, none of the Directors had any interests in the shares of 888 or in any material contract or arrangement with 888 or any of its subsidiaries.

Share capital

Changes in share capital of 888 Holdings plc during the financial year are given in the Consolidated Statement of Changes in Equity. As at 31 December 2015, the issued share capital of 888 Holdings plc comprised 357,081,283 Ordinary Shares of GBP £0.005 each (Ordinary Shares).

At the Annual General Meeting held in May 2015, the Board was empowered to allot equity securities of 888 for cash without application of pre-emptive rights under 888's Articles, provided that such power is limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them;

(b) to the allotment (otherwise than pursuant to sub-paragraphs (a) above and (c) below) of equity securities up to an aggregate nominal value of £88,644.65 (approximately 5% of 888's Ordinary Share capital in issue as at 31 March 2015); and

(c) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities in connection with an acquisition or specified capital investment up to an aggregate nominal value of £88,644.65. This authority expires at the conclusion of the next Annual General Meeting of 888.

In 2015, 888 did not exercise any of the foregoing powers and authorities.

The Directors do not have any power in relation to the buy back by 888 Holdings plc of its own Ordinary Shares. In 2015, 888 did not seek authority to and did not purchase any of its own shares.

Rights attaching to Ordinary Shares in 888

The rights and obligations attaching to Ordinary Shares are set out in the Memorandum & Articles of Association of 888 Holdings plc.

Holders of Ordinary Shares are entitled to attend and speak at general meetings, to appoint one or more proxies and to exercise voting rights. Holders of Ordinary Shares may receive a dividend and on liquidation may share in 888's assets. Holders of Ordinary Shares are entitled to receive the Annual Report. Subject to meeting certain thresholds, holders of Ordinary Shares may requisition a general meeting or the proposal of resolutions at general meetings.

Memorandum & Articles of Association

The Memorandum & Articles of Association of 888 can only be amended by a special resolution at a general meeting of shareholders.

888 adopted a new memorandum & articles of association at its Extraordinary General Meeting held on 29 September 2015 (the Memorandum & Articles of Association). The previous memorandum & articles of association of 888, adopted pursuant to a special resolution of 888 passed on 14 September 2005 and amended pursuant to special resolutions of 888 passed on 24 May 2011 and 14 May 2014, respectively, were constructed under the provisions of the Gibraltar Companies Act 1930. A new Gibraltar Companies Act came into force on 1 November 2014 and replaced the Gibraltar Companies Act 1930 almost in its entirety.

The substantive changes contained in the Memorandum and Articles of Association were primarily to update the constitutional documents of 888 and bring them in line with the current law, including updating certain provisions to refer to the new sections in the new Gibraltar Companies Act as relevant.

Under the Gibraltar Companies Act, there is no longer a requirement for a summary of the objects of a company to be included in its memorandum of association as, pursuant to section 16(3) and (4) of the Gibraltar Companies Act, a company is deemed capable of exercising all and any functions unless these are restricted in any manner (and such restrictions would be contained in 888's articles of association); and 888's new Memorandum and Articles reflects this change, as well as the increase in the authorised share capital of 888 from its previous limit of £2,131,937.50 divided into 426,387,500 Ordinary Shares of £0.005 each to the new figure of £5,131,937.50 divided into 1,026,387,500 Ordinary Shares of £0.005 each by the creation of 600,000,000 new Ordinary Shares of £0.005 each beyond the registered capital of 888, which was also approved at 888's Extraordinary General Meeting held on 29 September 2015.

Additional changes appearing in the Memorandum and Articles of Association included the following: (a) the 888 Board is able to refuse to register a transfer of share(s): (i) which are not fully paid up, but in the case of a class of shares which has been admitted to the Official List, not so as to prevent dealings in those shares from taking place on an open and proper basis; or (ii) on which 888 has a lien, in which case the 888 Board will have to give reasons for refusing to register such transfer; (b) in order to ensure compliance with LR9.2.2AR(2)(b), the appointment of an independent Director of 888 will be subject to the approval of both the 888 shareholders as a whole and the "independent shareholders" (i.e. shareholders that are not "Controlling Shareholders" in accordance with the UK Listing Rules). If the required resolutions are not passed, 888 may propose a further resolution to elect or re-elect the proposed independent Director. Any such further resolution: (i) must not be voted on within a period of 90 days from the date of the original vote; (ii) must be voted on within a period of 30 days from the end of the period set out in (i); and (iii) may be passed by an ordinary resolution without the need for any separate resolution of the Independent Shareholders; (c) the right of the Chairman of a general meeting of 888 to have a casting vote has been removed; (d) the requirement that the 888 Board notify any general meeting of 888 of a Director's age if such Director has attained 70 years of age and is to be proposed for election or re-election to the 888 Board at such general meeting has been removed; (e) the acquisition of non-cash assets by 888 requires the approval of the 888 shareholders where those assets are valued at a particular amount and the thresholds for obtaining such shareholder approval have been lowered; (f) the provisions relating to the making of loans or quasi-loans to any Director has been amended to require more details of the proposed arrangement to be provided to the 888 shareholders for their consideration and approval prior to the loan or quasi-loan being made; and (g) the provisions relating to the passing of written resolutions by 888 shareholders has been removed.

Deadlines for exercising voting rights

Electronic and paper proxy appointment and voting instructions must be received by 888's registrars not later than 48 hours before a general meeting. Forms of Direction from persons holding 888 depository interests in uncertificated form through CREST must be received by 888's registrars not later than 72 hours before a general meeting.

Restrictions on transfer of shares and limitations on holdings

There are no restrictions on transfer or limitations on the holding of Ordinary Shares other than under restrictions imposed by law or regulation (for example, insider trading laws) or pursuant to 888's share dealing code.

888 has adopted a code of securities dealings in relation to its Ordinary Shares which is based on, and is at least as rigorous as, the model code published in the UK Listing Rules.

Requirements of gaming regulations

Amongst others, 888:

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

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

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

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

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

Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage (typically five percent) of 888's securities, to report the acquisition to the gaming authorities and apply for a finding of suitability. Many gaming authorities allow an "institutional investor" to apply for a waiver that allows such institutional investor to acquire up to a certain percentage of securities without applying for a finding of suitability, subject to the fulfillment of certain conditions. In some jurisdictions, suitability investigations may require extensive personal and financial disclosure. The failure of any such individuals or entities to submit to such background checks and provide the required disclosure could jeopardise 888's eligibility for a required licence or approval.

DIRECTORS' REPORT

continued

Any person who is found unsuitable by a relevant gaming authority may be prohibited by applicable gaming laws or regulations from holding, directly or indirectly, the beneficial ownership of any of 888's securities.

888's new Memorandum and Articles of Association include provisions to ensure that 888 has the required powers to continue to comply with applicable gaming regulations.

These provisions include providing 888, in the event of a Shareholder Regulatory Event (as defined in the Articles), with the right to:

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

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

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

888 considers that these rights are required in order to mitigate the risk that an interest in Ordinary Shares held by a particular person could lead to action being taken by a relevant Regulatory Authority which in turn could lead to the withdrawal of existing licences held by 888 or the exclusion of being awarded further licences in other jurisdictions that 888 seeks to pursue. This potential Regulatory Authority action could therefore cause substantial damage to 888's business or prospects.

Entities holding company shares on behalf of group employees

At 31 December 2015, Virtual Share Services Limited held 3,333,240 Ordinary Shares, and the 888 Holdings plc Share Plan Trust held 46,432 Ordinary Shares in 888, all on behalf of various group personnel who have received equity grants under the 888 All-Employee Share Plan and under the 888 Holdings plc Long Term Incentive Plan 2015. Full details are set out on page 50.

Substantial shareholdings

As at 31 December 2015, 888 had been notified of the following interests in 5% or more of its share capital under DTR Rule 5 of the UK Listing Authority:

Principal shareholders	Number of shares	% issued share capital
Sinitus Nominees Limited in trust on behalf of Dalia Shaked	86,283,534	24.2%
O Shaked Shares Trust	86,283,534	24.2%
Ben-Yitzhak Family Shares Trust	37,122,358	10.4%
Majedie Asset Management Limited	26,249,148	7.4%

No notifications pursuant to DTR Rule 5 have been received by 888 between 31 December 2015 and the date of this Annual Report. Information provided to 888 pursuant to the DTRs is publicly available via the regulatory information services and 888's corporate website corporate.888.com.

Shareholder agreements and consent requirements

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

Relationship Agreement

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company is known as a "Controlling Shareholder" for the purposes of the UK Listing Rules. The UK Listing Rules require companies with Controlling Shareholders to enter into an agreement which is intended to ensure that the Controlling Shareholders comply with certain independence provisions in the UK Listing Rules. Sinitus Nominees Limited in trust on behalf of Dalia Shaked, O Shaked Shares Trust and Ben-Yitzhak Family Shares Trust (together, the Principal Shareholder Trusts) are "Controlling Shareholders" of 888.

888 Holdings plc entered into a relationship agreement with the Principal Shareholder Trusts on 14 September 2005 which was amended on 28 August 2015 (the Amended Relationship Agreement).

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

» will conduct all transactions and relationships with 888 Holdings plc and any member of the 888 Group on an arm's length basis and on a normal commercial basis;

» will not take any action which precludes or inhibits 888 Holdings plc, or any member of the 888 Group, from carrying on its business independently of them;

» will not take any action that would have the effect of preventing 888 Holdings plc, or any member of the 888 Group, from complying with its obligations under the UK Listing Rules; and

» will not propose or procure the proposal of any shareholder resolution which is intended, or appears to be intended, to circumvent any proper application of the UK Listing Rules.

It further provides that each of the Principal Shareholder Trusts will not solicit 888 Group employees without consent, that only Independent Directors can vote on proposals to amend the Relationship Agreement, that the Principal Shareholder Trusts will consult the Group prior to disposing of a significant number of shares in order to maintain an orderly market and shall not disclose confidential information unless required to do so by law or relevant regulation or having first received 888's consent.

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

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

Such restrictions and obligations apply in respect of the O Shaked Shares Trust and Sinitus Nominees Limited in trust on behalf of Dalia Shaked whilst they collectively hold not less than 7.5% of the issued share capital of 888, and in respect of the Ben-Yitzhak Family Shares Trust whilst it individually holds not less than 7.5% of the issued share capital of 888.

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

Confirmation of independence

As required pursuant to LR 9.8.4(14)R, the Board confirms that during the financial year 2015:

- 888 acted independently of the Principal Shareholder Trusts and did not enter into any transactions or arrangements with the Principal Shareholder Trusts or any of their associates;
- as far as it is aware, none of the Principal Shareholder Trusts or any of their respective associates took any action which prevented 888 from complying with its obligations under the UK Listing Rules;
- as far as it is aware, none of the Principal Shareholder Trusts or any of their respective associates proposed or procured the proposal of any shareholder resolution which circumvented the proper application of the UK Listing Rules.

There were no instances in which an Independent Director of 888 did not support the Board's statements regarding compliance with the aforementioned independence criteria.

Historical non-compliance

The UK Listing Rules were updated with effect from 16 May 2014 to include certain provisions in respect of the independence of 888 from its "Controlling Shareholders".

The Amended Relationship Agreement entered into between 888 Holdings plc and the Principal Shareholder Trusts on 28 August 2015 included provisions in order to comply with the updates made to LR9.2.2AR(2), and removed certain historic shareholders as parties to the original relationship agreement.

From 16 May 2014 (when the updated rules came into force) until 28 August 2015, being the date of the Amended Relationship Agreement, 888 was not in compliance with LR9.2.2AR(2). 888 did not disclose this non-compliance in its Annual Report 2014, which it was required to do pursuant to LR 9.8.4R(14)(b).

Since 16 May 2014 (when the UK Listing Rules were updated), 888 has not entered into any transactions with any shareholder who would be deemed to be a "Controlling Shareholder" and which would have required the approval of 888's shareholders pursuant to the UK Listing Rules.

Amendment to Relationship Agreement

On 22 November 2015, in connection with the transfer of the entire shareholding in 888 Holdings plc held by E Shaked Shares Trust to Sinitus Nominees Limited in trust on behalf of Dalia Shaked, a deed of novation was executed pursuant to which E Shaked Shares Trust was released and discharged from the Amended Relationship Agreement and O Shaked Shares Trust, Ben-Yitzhak Family Shares Trust and Sinitus Nominees Limited in trust on behalf of Dalia Shaked continued to be bound by its provisions.

Shareholders' Agreement

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

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

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

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

On 22 November 2015, in connection with the transfer of the entire shareholding in 888 Holdings plc held by E Shaked Shares Trust to Sinitus Nominees Limited in trust on behalf of Dalia Shaked, a deed of adherence was executed pursuant to which Sinitus Nominees Limited in trust on behalf of Dalia Shaked undertook to observe, be bound by and comply in all respects with the provisions applicable to it as a shareholder pursuant to the Shareholders' Agreement, and to assume the benefits of the Shareholders' Agreement, as if it had executed the Shareholders' Agreement and was named as a party to it.

Change of control

A change of control in 888 may, in the event of failure to fulfill any applicable consent requirement, give rise to certain revocation or termination rights under 888's gaming licences or certain contracts to which 888 is a party.

DIRECTORS' REPORT

continued

Donations

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

Financial instruments

888 considers its exposure to financial risks, including and exposure to specific countries and trading counterparties, to be low. During 2015, hedging of 888's foreign currency risks was carried out solely with leading banks including Barclays plc. Further information on 888's use of financial instruments is set out in Note 24 to the annual accounts on page 103.

Directors' indemnities

888's Articles of Association permit 888 to indemnify its Directors in certain circumstances, as well as to provide insurance for the benefit of its Directors. 888 has undertaken to indemnify certain of its Non-executive Directors: (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of such Non-executive Director or in which such Non-executive Director is acquitted; or (b) in connection with any application under Section 378 (now Section 477) of the Gibraltar Companies Act (pursuant to which the court may provide relief to such Non-executive Director in any proceedings for negligence, default, breach of duty or breach of trust on grounds that such Non-executive Director has acted honestly and reasonably, and that, having regard to all circumstances of the case, including those connected with his appointment, he ought fairly to be excused from liability on such terms as the court thinks fit). 888 also undertook in favour of Aviad Kobrine to indemnify him to the fullest extent permitted by applicable law and 888's Articles of Association in connection with the execution of his duties and/or exercise of his powers, authorities and discretions pursuant to his employment agreement. In addition, certain special indemnities were provided to the Executive Directors in connection with the compliance and licensing procedures relating to 888's business in the United States, details of which were provided in 888's 2011 Annual Report.

Corporate governance

The corporate governance statement is on pages 40 to 45 and is incorporated in this Directors' Report by reference.

Going concern and viability statements

The going concern and viability statements required to be included in the annual pursuant to the UK Corporate Governance Code are on pages 27 and 45 and are incorporated in this Directors' Report by reference.

Principal subsidiary undertakings

The principal subsidiary undertakings are listed on page 99.

Research and development activities

In 2015, 888 maintained its focus on delivery of its offerings to regulated markets, expansion of its mobile platform strategy and expansion of the capabilities of its gaming platform and offerings.

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

» Launch of shared liquidity of our Poker offering between Nevada and Delaware customer bases;

» Further development of our slots and sports offerings in Spain, which delivered impressive growth;

» Launch of attractive Casino, Poker and Sport propositions over Mobile and PC in Denmark;

» Optimisation of our gaming systems aimed at mitigating the effect of the UK point of consumption gaming tax and EU VAT on electronically supplied services;

» Development of customer relationship management and communication tools allowing us to react to customer behaviour in real time, as well as developing these tools over our Mobile platform;

» Improvement of user experience, including with regard to the Cashier and through our Bingo offering;

» Launch of the 777 Casino brand and client;

» Development of our CasinoFlex offering, raising the profile of side games on our Bingo platform as fully functional Casino games;

» Simplification of our infrastructure and source code, improving our systems' ability to cope with higher levels of user traffic and supporting real-time communications with customers; and

» Addition of dozens of new games to our offering, both internally developed and licensed.

Greenhouse gas emissions

Details of 888's greenhouse gas emissions are set out in the Corporate Responsibility section of the Business Review on page 28.

Auditors

A resolution for the reappointment of Ernst and Young LLP and EY Limited, Gibraltar, (together, EY), as auditors of 888 will be proposed at the 2016 Annual General Meeting.

During the year ended 31 December 2015, Ernst and Young LLP were reappointed auditors for the purposes of 888 preparing financial statements as required pursuant to the UK Listing Rules. EY Limited, Gibraltar, which is approved as a registered auditor under the Gibraltar Financial Services (Auditors) Act 2009, is the statutory auditor of 888 including for the purposes of issuing an audit report pursuant to the Gibraltar Companies Act 2014.

During 2015, EY charged 888 US$0.4 million in audit fees and US$3.4 million in non-audit fees (out of which US$3.3 million was associated with the proposed acquisition of bwin.party digital entertainment plc), and during 2014, EY charged 888 US$0.4 million in audit fees and US$0.1 million in non-audit fees.

Directors' statement of responsibilities

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

International Accounting Standard 1 requires that financial statements present fairly for each financial year 888 and Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

» consistently select and apply appropriate accounting policies;

» present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

» provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable members to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 888, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Gibraltar Companies Act 2014.

Financial statements are published on 888's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of 888's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors are responsible for preparing the annual report and the financial statements. The Directors are required to prepare financial statements for 888 in accordance with International Financial Reporting Standards (IFRSs) and have also chosen to prepare financial statements for 888 in accordance with IFRSs.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess 888's performance, business model and strategy.

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

(a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of 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.

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

On behalf of the Board:

Itai Frieberger
Chief Executive Officer
22 March 2016

CORPORATE GOVERNANCE STATEMENT

888 Holdings plc is admitted to the UK Official List and its shares are traded on the London Stock Exchange under a Premium Listing. As such, despite being incorporated in Gibraltar, the UK Corporate Governance Code as published in September 2014 (the "Code") applies to 888 pursuant to the UK Listing Rules and is available at www.frc.org.uk.

The Board remains committed to the principles of corporate governance in the UK Corporate Governance Code which it considers to be central to the effective management of the business and to maintaining the confidence of investors. This report explains how 888 has applied the main principles of the UK Corporate Governance Code.

The statement contained in this section explains the key features of the Company's governance structure and compliance with the UK Corporate Governance Code. Where 888 has not complied with UK Corporate Governance Code, explanations are given below.

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

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

Statement of compliance with the UK Corporate Governance Code

During 2015, the Company was in material compliance with the UK Corporate Governance Code, other than as regards the following:

- The roles of Chairman and Chief Executive have been exercised by the same individual, Brian Mattingley, from 13 May 2015 until the appointment of Itai Frieberger as Chief Executive Officer of the Company and Brian Mattingley as Chairman, on 2 March 2016. As Brian acted as Executive Chairman for part of the year, he did not meet the independence criteria for chairmen as set out in the UK Corporate Governance Code.
- Less than half of the Directors of 888 Holdings plc, excluding the Chairman, were Non-executive Directors who were determined by the Board to be independent for the purposes of the UK Corporate Governance Code following the retirement of John Anderson as a Non-Executive Director on 13 May 2015.
- The Company did not have a Senior Independent Director serving on the Board of Directors during 2015. The functions of a Senior Independent Director were fulfilled during 2015 by the Non-executive Directors.
- As there are only two Independent Non-executive Directors serving on the Board, it has not been possible for the Board to appoint three Independent Non-executive Directors to the Audit and Remuneration Committees.
- Board evaluations were conducted internally by facilitation of the Chairman in coordination with the Company's legal adviser, Herzog Fox & Neeman, who may not be considered an external facilitator.

Leadership

The Directors consider it essential that 888 should be both led and controlled by an effective Board.

Board responsibilities and procedures

The Board focuses upon 888's long term objectives, strategic and policy issues and formally and transparently considers the management of key risks facing 888, as well as determining the nature and extent of significant risks it will take in achieving its strategic objectives, maintaining sound risk management and internal control systems and reviewing annually the effectiveness of 888's risk management and internal control systems. The Board is responsible for acquisitions and divestments, major capital expenditure projects and considering 888's budgets and dividend policy. The Board also determines key appointments. The Board receives regular updates on shareholders' views.

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

The Board has an established calendar of business. This covers the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar forms the basis for effective integration of business activities as between the Board and its principal committees (see pages 40 to 45), which individually consider their own operating frameworks against the Board's business programme.

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

Reserved powers and delegation

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

Chairman and Chief Executive Officer

Brian Mattingley transitioned from the role of Chief Executive Officer to Executive Chairman on 13 May 2015, and continued to fulfil such role during an interim period until the appointment of Itai Frieberger as Chief Executive Officer on 2 March 2016, at which time Brian Mattingley was appointed as Chairman. As Brian acted as Executive Chairman for part of the year, he did not meet the independence criteria for chairmen as set out in the UK Corporate Governance Code. The Board consulted with 888's major shareholders in 2015 with regard to these succession planning matters.

Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016. Brian and Itai have a close working relationship to ensure the integrity of the decision making process of the Board and the successful delivery of 888's strategy. The Board has taken note of the division of responsibilities between the Chairman and CEO and considers this clear separation an important part of its corporate governance.

Non-executive Director independence

Amos Pickel has served as a Non-executive Director of 888 since March 2006. The Board has carefully considered whether Amos' length of service has compromised his independence and concluded that he remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement. Moreover, from the rigorous review carried out by the Board of its members' performance, it has concluded that Amos continues to bring invaluable experience and insight to the Board and to contribute positively to Board and committee deliberations. The Board is therefore entirely satisfied as to Amos' performance and continued independence and believes that 888's business will continue to benefit from his experience and knowledge.

Directors' insurance cover

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

Diversity policy

Details of the Company's diversity policy and involvement of women in management of the Group are set out in the Corporate Responsibility section of the Business Review on pages 28 to 31.

EFFECTIVENESS

Board composition

From 13 May 2015 and following the resignation of John Anderson, the Board consisted of five Directors (prior thereto, six Directors), as follows: two Independent Non-executive Directors (being Amos Pickel and Ron McMillan), a Chairman (being Brian Mattingley who was Executive Chairman during 2015), and two Executive Directors (being Itai Frieberger as the Chief Executive Officer (Chief Operating Officer during 2015) and Aviad Kobrine as the Chief Financial Officer).

The biographical details of all of the Directors, setting out their relevant skills and experience and their professional commitments, are given on page 32.

Independent Directors

Less than half of the Directors, excluding the Chairman, were Non-executive Directors determined by the Board to be independent for the purposes of the UK Corporate Governance Code following the retirement of John Anderson as a Non-executive Director on 13 May 2015.

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

At present, there is no Senior Independent Director on the Board. During 2015, the Board continued to seek to identify candidates for appointment as new Non-executive Directors. As yet, no suitable candidates had been appointed. During 2015, the Non-executive Directors fulfilled the functions of a Senior Independent Director.

Going forward, the Board are hopeful that appropriate candidates can be identified and appointed to act as Independent Directors, including a Senior Independent Director.

Appointments to the Board

The Board considers succession planning matters on an ongoing basis, with particular focus on succession planning for the CEO role as well as for senior management. At Board level, the Board has prioritised the recruitment of experienced Non-executive Directors.

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

During the year, the Nominations Committee comprised two Independent Non-executive Directors: Amos Pickel (Chair) and Ron McMillan.

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

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

The Nominations Committee and the Board will continue its efforts in 2016 to recruit suitable and experienced Independent Non-executive Directors, including a Senior Independent Director.

The Nominations Committee is also responsible for implementing the Board's policy on diversity within the scope of its mandate, including setting measurable objectives and monitoring progress on achieving such objectives. In considering new Board appointments, diversity (including gender diversity) is one of the criteria considered by the Nominations Committee. The Company's statement regarding diversity is set out in the Corporate Responsibility section of the Business Review on pages 28 to 31.

During 2015, the Nominations Committee did not engage any executive search consultants in connection with new Board appointments.

CORPORATE GOVERNANCE STATEMENT

continued

Re-election and appointment of Directors

The Board has established a Nominations Committee to lead the process for Board appointments and to make recommendations to the Board, further details of which are set out at page 41 of this report.

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

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

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

Commitment

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

The Chairman has disclosed details of his other significant commitments to the Board during 2015 and these are detailed in his biography on page 32.

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

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

Meetings and attendance

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

During 2015, the Board met ten times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2015. Certain additional meetings of the Board were arranged at short notice and some of the Directors were not able to physically attend.

Itai Frieberger was appointed to the Board on 13 May 2015, and attended all Board meetings subsequent to that date.

The Chairman has responsibility for ensuring that agendas for Board meetings are set in advance. Board papers are issued to Directors sufficiently in advance of meetings to facilitate both informed debate and timely decisions.

None of the Directors (including John Anderson who stepped down as a Non-executive Director of the Company on 13 May 2015) have raised any concerns about the running of the Company or a proposed action which needed to be recorded in the Board minutes of the Company or in a statement to the Chairman for circulation to the Board.

Meetings with Non-executive Directors

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

The Non-executive Directors meet once per year without the Chairman present in order to appraise the performance of the Chairman and take into account the views of the Executive Directors. Under the UK Corporate Governance Code, it is part of the role of the Senior Independent Director to lead this process and, as noted above, the Board is currently in the process of identifying and appointing a new Senior Independent Director. During 2015, the Non-executive Directors fulfilled the functions of a Senior Independent Director.

Non-executive review and performance appraisal

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

Total number of meetings held during the year ended December 2015 and the number of meetings attended by each Director

	Board	Audit committee	Remuneration committee	Nominations committee
Total held in year	10	5	3	—
Brian Mattingley	10	N/A	N/A	N/A
Itai Frieberger	7	N/A	N/A	N/A
Aviad Kobrine	8	N/A	N/A	N/A
Ron McMillan	8	5	3	—
Amos Pickel	10	5	3	—

The internal evaluation of the Board and its Committees relating to performance in 2015 was carried out in March 2016, and included evaluation of the performance of the Board and each Committee as a whole as well as evaluation of individual Directors and the Chairman against criteria and minimum requirements set by the Board. The Chairman in coordination with the Company's external legal adviser, Herzog Fox & Neeman, facilitated the evaluation process. Herzog Fox & Neeman may not be considered as an external facilitator for the purposes of the UK Corporate Governance Code.

A detailed questionnaire was used covering various aspects of the Board's functions, and particular focus was given to the overall quality of decision-making and performance of the Chairman.

Following analysis of the questionnaire responses, a detailed discussion was held by the Board, led by the Non-Executive Directors who were performing the role of the Senior Independent Director, of the results, taking into account the views of the Executive Directors. The Company's legal adviser, Herzog Fox & Neeman, provided external feedback. The key action item from the evaluation was the need to appoint a Senior Independent Director which the Board intends to do in the near future.

Following the evaluation, the Board was satisfied that each of the Non-executive Directors continue to be effective and to demonstrate commitment to their respective roles and therefore proposes them for re-election to the Board.

Development and advice

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

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

Itai Frieberger received a full induction on joining the Board as an Executive Director on 13 May 2015, including in respect of the role of a Director, his duties and responsibilities and Board procedures. No new Non-Executive Directors were appointed during 2015.

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

Information and support

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

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

Conflicts of interest

Conflicts of interest of the Directors are dealt with in accordance with the procedures set out in the Company's Memorandum & Articles of Association and are monitored by the Chairman. Specifically, a Director does not vote on Board or Committee resolutions in which he or persons connected with him have an interest (other than by virtue of a shareholding in 888 Holdings plc) which is to his knowledge material, except in specific limited circumstances. Such procedures operated effectively during the year.

ACCOUNTABILITY

Risk management and internal control

The Directors acknowledge that they are responsible for 888's system of internal control, for setting policy on internal control and risk management, and for reviewing the effectiveness of internal control and risk management.

The Directors monitor 888's systems of internal control and risk management on an ongoing basis, including identifying, evaluating and managing the significant risks faced by the Company. The Board believes that its risk management process accords with the 2014 UK Corporate Governance Code and carries out carries out an annual review of its effectiveness covering all material controls, including financial, operational and compliance controls.

The annual review considers individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. Such a review was carried out in respect of the processes that were in place throughout 2015 up until the date of approval of the Annual Report and Accounts. No significant failings or weaknesses were identified in the review.

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

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

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

» Identification of significant risk and control areas of relevance to group-wide accounting processes;

» Controls to monitor the consolidated accounting process and its results at the level of the Board and at the level of the companies included in the consolidated financial statements;

» Preventative control measures in the finance and accounting systems of the 888 Group and of the companies included in the consolidated financial statements and in the operative, performance-oriented processes that generate significant information for the preparation of the consolidated financial statements including the management report, including a separation of functions and pre-defined approval processes in relevant areas;

CORPORATE GOVERNANCE STATEMENT

continued

- Measures that safeguard proper IT-based processing of matters and data relevant to accounting;
- Reporting information of companies around the 888 Group which enable 888 Holdings plc to prepare consolidated financial statements including management accounts.

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

Audit Committee and auditors

The Board has established an Audit Committee. Details of the Audit Committee's functions, together with its specific activities in 2015, are set out in the Audit Committee Report on page 61.

During 2015, Deloitte carried out the Company's internal audit function, reporting to the Audit Committee; during 2015, the internal auditor provided seven reports to the Audit Committee and discussed the internal audit working plan for 2016.

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

Details of the Company's risk management strategy and the Board's assessment of the Company's viability in light of its risks are set out on pages 20 and 27 respectively.

Remuneration Committee

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

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

The Remuneration Committee determines the Chairman's and Executive Directors' fees, whilst the Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. Further details are provided on page 53.

The Remuneration Committee is advised by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc. Further details are provided on page 60.

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

The Directors' Remuneration Report, which outlines the Remuneration Committee's work and details of Directors' remuneration, is on pages 46 to 60. The Remuneration Committee's terms of reference are available on the Company's website, corporate.888.com.

Gaming Compliance Committee

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

The Gaming Compliance Committee is entrusted with making sure that the 888 Group's licensed gaming activity is carried out with honesty and integrity, in accordance with high moral, legal and ethical standards, and free from criminal and corruptive elements. As such, the committee is responsible and has the power to identify and evaluate situations arising in the course of the Company's and its Affiliates' business that may adversely affect the objectives of gaming control.

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

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

Whistle-blowing policy

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

No reports of incidents under the whistle-blowing policy were received in 2015.

Relations with shareholders and key financial audiences

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

The outcome of this dialogue and meetings is reported to the Board. The programme includes formal presentations of full year and interim results, analysts' conference calls and periodic roadshows and discussion of the Company's strategy and governance. Discussions were held with shareholder advisory bodies in 2015, in particular to discuss Directors' remuneration and matters relating to the remuneration policy.

The Company did not have a Senior Independent Director during 2015 and the Non-Executive Directors are performing this role. The Non-Executive Directors are available to talk to shareholders if they have any issues or concerns or if there are any matters where contact with the Chairman, Chief Executive Officer and Chief Financial Officer is inappropriate or where such contact has failed to resolve the issue.

All shareholders are welcome to attend the 2016 Annual General Meeting (scheduled to be held on 10 May 2016) and private investors are encouraged to take advantage of the opportunity given to ask questions. The Chairmen (or nominated members) of the Audit, Remuneration and Nominations Committees will attend the meeting and be available to answer questions.

Compliance with statutory provisions

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

Going concern

After careful review of the Group's budget for 2015, its medium-term plans, liquid resources and all relevant matters, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the approval of this Annual Report. They have therefore continued to adopt the going concern basis in preparing the financial statements.

The principal risks and uncertainties faced by the Group are disclosed in the Risk Management Strategy report on page 20.

The Company's Viability Statement is set out on page 27.

Corporate Social Responsibility Statement

The Group's Chief Executive Officer (where appointed, and otherwise senior management) is the Director responsible for monitoring corporate social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer. Further details are set out in the Corporate Responsibility section on pages 28 to 31.

Other Disclosures

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

Applicable sub-paragraph within LR 9.8.4		Disclosure provided
(1)	Interest capitalised by the Group	N/A
(2)	Publication of unaudited financial information	N/A
(3)	Details of long-term incentive schemes only involving a Director	N/A
(4)	Waiver of emoluments by a Director	N/A
(5)	Waiver of future emoluments by a Director	N/A
(6)	Non pro-rata allotments for cash (issuer)	N/A
(7)	Non pro-rata allotments for cash	N/A
(8)	Non pro-rata allotments for cash by major subsidiaries	N/A
(9)	Parent participation in a placing by a listed subsidiary	N/A
(10)	Contracts of significance	N/A
(11)	Provision of services by a controlling shareholder	N/A
(12)	Shareholder waivers of dividends	N/A
(13)	Shareholder waivers of future dividends	N/A
(14)	Agreements with controlling shareholders	Page 36

On behalf of the Board:

Brian Mattingley
Chairman
22 March 2016

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT

Dear Shareholder,

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

As a company incorporated in Gibraltar, 888 Holdings plc is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of 888's Premium Listing on the London Stock Exchange and reflecting the Committee's approach to good governance, we have adopted in full the disclosure requirements of a UK incorporated company and shareholders will be given the opportunity to approve both our remuneration policy and our Annual Report on Remuneration at the 2016 Annual General Meeting, each being subject to an advisory vote. The Committee has given considerable thought to the policy for 888 going forward (outlined on pages 48 to 51) and we believe that this new policy is capable of lasting the full three year period before the next policy vote is required by UK Law.

Remuneration and strategy

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

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

Our incentive plans are closely aligned to this strategy.

Pay outcomes for 2015

The annual bonus was focused on the achievement of stretching like-for-like EBITDA growth targets. Like-for-like EBITDA growth in 2015 was 21.3%, resulting in bonuses to the Directors of the maximum amount of 150% of salary. In exercising its discretion to grant this bonus level, the Committee was mindful that 888 management had faced exceptional challenges in 2015, including in the fields of regulation and taxation, as well as development of 888's offering in regulated markets and currency headwinds. For full details of Executive Directors' bonuses and the associated performance delivered see page 55.

In relation to long-term incentives, the awards granted in 2012 under the All Employee Share Plan were half based on absolute EPS growth targets and half on relative TSR. EPS growth performance was measured over the three year period to 31 December 2014. Our EPS growth performance over this period was 2,582% against a target range of 15.76% (5% p.a. compounded) to 72.80% (20% p.a. compounded). TSR performance was measured over three years to 31 December 2014 and our TSR performance was 261% compared to a stretch target of 59.9% (10% p.a. above the median). Overall, this resulted in 100% of the 2012 award vesting in April 2015.

The 2013 All Employee Share Plan award is due to vest in April 2016. The EPS performance period (which accounts for 50% of the award) ended on 31 December 2015. We achieved 96% EPS growth over the three year performance period compared to a target range of 15.76% to 72.80% (5% to 20% p.a. compound), resulting in 100% of this part of the award becoming due to vest. TSR performance was measured over three years to 31 December 2015 and our TSR performance was 79% compared to a stretch target of 39.9% (10% p.a. above the median). Overall, this resulted in 100% of the 2013 award being due to vest in April 2016.

Finally, the Phantom Share Award granted to Brian Mattingley (during his time as Chief Executive) vested during the year. Following share price growth of 149% over the performance period, the value of the award on vesting was £3.3 million. Mr Mattingley did not receive any awards under the 888 All Employee Share Plan.

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

Remuneration policy for 2016

Various changes have been made to the remuneration policy for 2016 following a full review of the remuneration policy, in order to reflect the strategic repositioning of the business and to take account of the changes to the Executive Board structure, notably the promotion of Itai Frieberger to the position of Chief Executive which took place on 2 March 2016. The changes have been designed to ensure that we are paying the right level of pay for 888 recognising the criticality of the Executive Directors to the business and the extremely competitive marketplace.

We have introduced a new 888 Holdings plc 2015 Long Term Incentive Plan (the 2015 LTIP). This replaced the previous share plans which expired in August 2015 and was approved by shareholders at the EGM held on 29 September 2015. The maximum award level under the 2015 LTIP is 200% of salary and the first awards to Executive Directors will be made under this new plan in 2016 (at a maximum of 200% of salary for the Chief Executive and a maximum of 150% of salary for the Chief Financial Officer). The vesting of the awards will be based 50% on relative TSR performance (against a peer group of gaming and leisure companies) and 50% on challenging EPS growth targets. Performance will be measured over three financial years. Details of the performance targets are described on page 53.

In addition, the following changes are being made for 2016:

» Salaries for the Chief Executive and Chief Financial Officer have been set at ILS 3,024,495 (effective from 2 March 2016) and £416,000 respectively. The increase in Itai Frieberger's salary from the salary he received as Chief Operating Officer (ILS 2,571,433) reflects the increased responsibilities involved in the CEO role.

» Annual bonus will continue to be based on challenging EBITDA growth targets. The maximum bonus opportunity remains unchanged at 150% of salary and objective performance targets will now be set for the entire award (previously up to 50% of the salary could be awarded at the discretion of the Committee). Payment of the full bonus will require significant increase over the previous year's EBITDA as well as out-performance of budget, and any bonus above 100% of salary will now be deferred into shares. The EBITDA targets will be disclosed in full on a retrospective basis.

» Shareholding guidelines have been introduced requiring the Executive Directors to build and maintain a shareholding of 200% of salary.

» Robust recovery and withholding provisions have now been incorporated into both the annual bonus and LTIP (applying to 2016 awards onwards).

The revised remuneration policy has been carefully considered by the Committee and has been designed to support the business strategy and reflect UK corporate governance best practice. 888 has consulted with its major shareholders about the changes to the remuneration policy.

The final section of this report is the Annual Report on Remuneration which provides detailed disclosure on how the new policy will be implemented for 2016 and how Directors have been paid in relation to 2015. The disclosures provide shareholders with the information necessary to form a judgment as to the link between Company performance and how the Executive Directors were paid. This Annual Statement together with the Annual Report on Remuneration will be subject to an advisory vote and I hope that you will be able to support the resolution at the forthcoming AGM.

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

Amos Pickel
Chairman of the Remuneration Committee
22 March 2016

DIRECTORS' REMUNERATION REPORT

continued

DIRECTORS' REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the Remuneration Policy for 888. The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders. The policy will be voted into effect from the date of the 2016 AGM and is currently intended to operate until the AGM in 2019.

The Remuneration Committee applies a remuneration policy which has at its core the following objectives:

- To align the incentives of executives with the interests of shareholders, including being mindful of employee costs in light of 888's capital needs and return to shareholders;
- To focus on top-line growth and margin improvement;
- To link a significant proportion of remuneration to financial performance, as well as shareholder return, both in the short term and long term;
- To provide strong linkage between remuneration, performance and delivery of Company strategy;
- To ensure total remuneration is market-competitive in the industry and helps attract and retain executives of the highest calibre; and
- To promote the long-term success of 888, and for performance-related elements thereof to be transparent, stretching and rigorously applied.

The Committee has conducted an extensive review of the remuneration policy, taking into account the needs and the future strategy of the combined business.

How the views of shareholders are taken into account

888 engages with significant investors regarding remuneration issues and intends to continue doing so. Views of shareholders and their representative bodies expressed at the AGM and feedback received at other times will be considered by the Committee. As part of the remuneration review, 888 discussed the proposed changes with its major shareholders.

How the views of employees are taken into account

Whilst 888 does not formally consult employees on remuneration, in determining the remuneration policy for Executive Directors, the Committee takes account of the policy for employees across the workforce. In particular, when setting base salaries for executives, the Committee takes into account the salary increases being offered to the workforce as a whole. The overall structure of the remuneration policy for Executive Directors is broadly consistent with that for other senior employees, but reflects the additional risks and responsibilities borne by the Executive Directors. Executive remuneration and remuneration of senior employees is weighted towards performance-related pay. Our Senior Vice Presidents all participate in the same annual bonus and long-term incentive arrangements as the Executive Directors (at varying levels of quantum) and our Business Leadership Forum also participate in a long-term equity plan.

Remuneration policy table

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

Remuneration policy table continued

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

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

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

DIRECTORS' REMUNERATION REPORT

continued

Remuneration policy table continued

Long Term Incentives (LTIP)	
Purpose and link to strategy	Rewards Executive Directors for achieving superior returns for shareholders over a longer-term timeframe. Enables Executive Directors to build a meaningful shareholding over time and align goals with shareholders.
Operation	888 sought shareholder approval for the 2015 LTIP at the EGM held on 30 September 2015. This replaced the previous share plans which expired in August 2015. LTIP awards are made annually in the form of nil cost options or conditional awards with vesting dependent on the achievement of performance conditions over at least three financial years, commencing with the year of grant. Awards are subject to a recovery and withholding provision if there is a material misstatement in 888's financial statements, an error in the calculation of any performance conditions or if the Executive Director ceases to be a Director or employee due to gross misconduct. A dividend equivalent provision operates enabling dividends to be accrued (in cash or shares) on LTIP awards to the extent they vest.
Opportunity	Award levels are determined primarily by seniority. A maximum individual grant limit of 200% of salary applies, based on the face value of shares at the date of grant. The current award level is 200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer.
Performance metrics	Awards vest at the end of a three year performance period based on performance measures reflecting the outputs of the long-term strategy of the business at the time of grant. Awards are currently based 50% on adjusted EPS and 50% on relative total shareholder return (TSR), but the choice and weightings of metrics may differ for future award cycles. Where possible TSR will be compared to a basket of 888's peers, but recognising the level of consolidation in the sector the selection criteria may be broadened to the Leisure Sector or listed companies more generally. The Committee will review the weightings between measures and the target ranges prior to each LTIP grant to ensure that the overall balance and level of stretch remains appropriate. A sliding scale of targets applies for financial metrics with no more than 25% of the award vesting at threshold performance. For TSR, none of this part of the award will vest below median ranking and awards will vest on a sliding scale for performance between the threshold and stretch targets. Details of the measures and targets to be applied to the 2016 awards are set out in the Annual Report on Remuneration on page 53.

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

Remuneration policy table continued

Chairman and Non-Executive Directors' (NEDs) fees	
Purpose and link to strategy	To recruit, motivate and retain a Chairman and Non-Executive Directors of a high calibre by offering a market competitive fee level and which takes account of the specific circumstances of 888.
Operation	The Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. The Chairman's fees are determined by the Remuneration Committee with reference to prevailing fee rates amongst other gaming companies. Fees paid to the Non-executive Directors are set by reference to an assessment of the time commitment and responsibility associated with each role, and the Chairman and Executive Directors have reference in this respect to prevailing fee rates amongst other gaming companies. Levels take account of additional demands placed upon individual Non-executive Directors by virtue of their holding particular offices, such as Committee Chairman and/or Senior Independent Director, and travel time to Board meetings (which are held outside the UK). Additional fees may be paid as appropriate to reflect increased time commitments of the role. Details of the current fee policy are shown in the Annual Report on Remuneration on page 53. The Chairman and the Non-executive Directors are not eligible to participate in any bonus plan, pension plan, share plan, or long term incentive plan of 888. The Chairman and Non-executive Directors are entitled to be reimbursed for any reasonable travel and accommodation expenses incurred in the performance of their duties (including any tax incurred thereon).
Opportunity	No maximum.

Determination of performance measures

The performance measures adopted by 888 in determining the remuneration of its Executive Directors acknowledge that the performance of the Executive Directors is best measured in accordance with the performance of 888 as a whole. For this reason, the Remuneration Policy has regard to various financial measures, including both internal measures such as like-for-like Adjusted EBITDA growth and cumulative growth in Earnings Per Share (adjusted to compare like for like), as well as relative Total Shareholder Return compared to a peer group median, which 888 believes best reflects the interests of shareholders. Robust and demanding targets are set for each award cycle taking into account the operating environment and priorities, market expectations and the business plan for the year(s) ahead. In relation to financial metrics, adjustments may be made to take into account exceptional items relating to the changing regulatory environment to arrive at like-for-like figures. Further details on the performance measures and weightings to be used for the forthcoming year are set out in the Annual Report on Remuneration.

Remuneration Committee discretion

The Committee will operate all incentive plans according to the rules of each respective plan and the discretions contained therein. The discretions cover aspects such as the timing of grant and vesting of awards, determining the size of the award (subject to the policy limits), the treatment of leavers (see the Policy on Terminations on pages 52 and 53), retrospective adjustment of awards (e.g. for a rights issue, a corporate restructuring or for special dividends) and, in exceptional circumstances, the discretion to adjust previously set targets for an incentive award if events happen which cause the Committee to determine that it would be appropriate to do so. In exercising such discretions, the Committee will take into account generally accepted market practice, best practice guidelines, the provisions of the UK Listing Rules and 888's approved remuneration policy.

Historical awards

All historical awards that were granted under any previously approved share schemes operated by 888 which remain outstanding are eligible to vest based on their original award terms and this provision forms part of the policy. This includes awards granted under the 888 All Employee Plan and the 888 Long Term Incentive Plan (which were approved by shareholders in 2005). No further awards will be granted under any of these plans. Details of the outstanding awards under these plans are set out in the Annual Report on Remuneration on page 58.

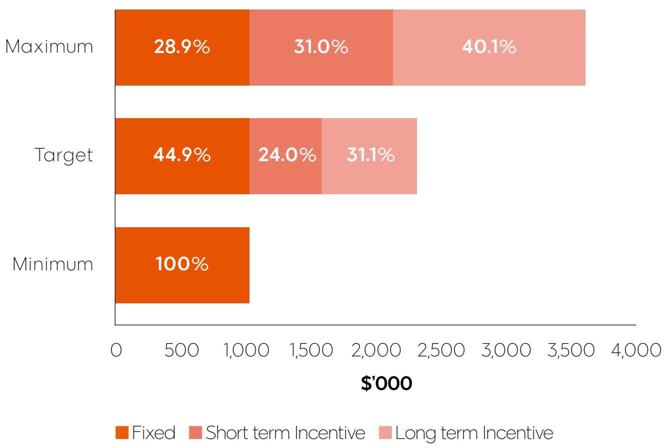
DIRECTORS' REMUNERATION REPORT

continued

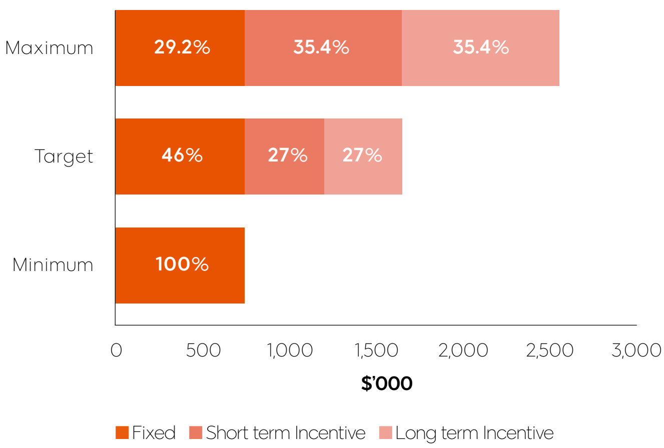
Illustrations of annual application of remuneration policy

The charts below show the potential total remuneration opportunities for the Executive Directors in 2016 at different levels of performance under the policy.

Itai Frieberger, Chief Executive Officer



Aviad Kobrine, Chief Financial Officer



Minimum = Fixed Pay

Target = Fixed Pay + Target Bonus (being half the Maximum Bonus Opportunity) + Target Value of 2016 LTIP grant (assuming 50% vesting with face values of 200% of salary for the CEO and 150% of salary for the CFO).

Maximum = Fixed Pay + Maximum Bonus Opportunity + Maximum Value of 2016 LTIP grant (assuming 100% vesting).

Fixed Pay includes 2016 salary, actual value of 2015 taxable benefits and 2016 pension contributions or payment in lieu. No account has been taken of any share price growth or dividend accrual.

Approach to recruitment remuneration

The remuneration package for a new Executive Director would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as is required to attract the most appropriate candidate. The annual bonus and LTIP potential would be in line with the Policy. In addition, the Committee may offer additional cash and/or share based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would ensure that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, or adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

The Committee may agree that 888 will meet relocation expenses as appropriate.

Service contracts and loss of office payment policy for Executive Directors

Executive Directors have service contracts with up to 12 month notice periods. In the event of termination, the Executive Directors' contracts provide for compensation up to a maximum of base salary plus the value of any benefits (including pension), and in the case of the Chief Financial Officer, annual bonus for the unexpired portion of the notice period. 888 seeks to apply the principle of mitigation in the payment of compensation on the termination of the service contract of any Executive Director. There are no special provisions in the service contracts for payments to Executive Directors on a change of control of 888.

In the event of an exit of an Executive Director, the overriding principle will be to honour contractual remuneration entitlements and determine on an equitable basis the appropriate treatment of deferred and performance linked elements of the package, taking account of the circumstances. Failure will not be rewarded.

If an Executive Director resigns or is summarily dismissed, salary, pension and benefits will cease on the last day of employment and there will be no further payments.

There are no other obligations to pay remuneration, or which could impact remuneration, contained in any service contract other than the terms of the Executive Directors' service agreements described herein.

Directors' service agreements are available for inspection at 888's registered office and at each AGM.

Leaver on arranged terms or good leaver

If an Executive Director leaves on agreed terms, including compassionate circumstances, there may be payments after cessation of employment. Salary, pension and benefits will be paid up to the length of the agreed notice period or agreed period of gardening leave.

Subject to performance, a bonus may be payable at the discretion of the Committee pro-rata for the portion of the financial year worked.

Unvested deferred bonus shares will ordinarily vest in full at the end of the normal vesting period. All such vested awards must be exercised within 12 months of the vesting date. The Committee has discretion to permit such unvested awards to vest early rather than continue on the normal vesting timetable.

Unvested LTIP awards under the 888 All-Employee Plan will generally automatically lapse, unless the Committee in its discretion determines otherwise. Unvested awards under the 2015 LTIP would normally vest on the normal vesting date unless the Committee determines that such awards shall instead vest at the time of cessation. Unvested awards will only vest to the extent that the performance conditions have been satisfied (over the full or curtailed period as relevant). A pro-rata reduction in the size of awards would normally apply, based upon the period of time after the grant date and ending on the date of cessation of employment relative to the normal vesting period.

Depending upon circumstances, the Committee may consider other payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees.

Terms of appointment for Non-executive Directors

The Non-Executive Directors serve subject to letters of appointment and are appointed subject to re-election at the AGM. The Non-Executive Directors are typically expected to serve for three years, although the Board may invite a Non-Executive Director to serve for an additional period. The Board has considered the continued service of Amos Pickel and, notwithstanding that he has served as a Non-Executive Director for ten years, is of the opinion that he is independent. Their letters of appointment are available for inspection at 888's registered office and at each AGM.

In accordance with best practice under the UK Corporate Governance Code, the Board proposes to submit the Directors individually for re-election by the shareholders at the 2016 AGM.

Annual report on remuneration

This Annual Report on Remuneration together with the Chairman's Annual Statement, as detailed on page 46 will be subject to an advisory vote at the 2016 AGM. The information on page 54 with respect to Directors' Emoluments and onwards through page 60 has been audited.

Implementation of Remuneration Policy for 2016

In relation to the Policy described in the previous section, the expected application of the Policy for 2016 is set out below.

Base salary and fees

Executive Directors

Salaries for 2016 are set out below:

- CEO – Itai Frieberger ILS 3,024,495 (effective from 2 March 2016).
- CFO – Aviad Kobrine £416,000 (effective from 1 January 2016).

The salary for Itai Frieberger reflects his promotion to Chief Executive on 2 March 2016. The salary increase for Aviad Kobrine (5%) is in line with the average for other employees. The Committee has considered the rest of the package in the round, when arriving at these salary levels.

Chairman

The Chairman's fee is £290,000.

Non-executive Directors

The Non-Executive Director fee is £85,000.

Annual bonus

For 2016, the CEO and CFO will have a bonus opportunity of 150% of salary.

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

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

Long-term incentive plan

Award levels

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

Performance conditions

2016 LTIP awards are subject to EPS and relative TSR performance conditions, each with a 50% weighting. These metrics were chosen as EPS provides a focus on 888's underlying financial performance, and relative TSR provides an objective reward for stock market performance against 888's peers.

Detail and target ranges

EPS target range for 2016 awards:

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

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

TSR target for 2016 awards:
888's TSR is compared against a comparator group comprising five peer companies as follows: GVC Holdings plc, Ladbrokes plc, Playtech plc, Paddy Power Betfair plc, William Hill plc.

- 0% will vest if 888's TSR below the TSR of the median company in 888;
- 25% will vest if 888's TSR is equal to the TSR of the median company in 888;
- 100% will vest if 888's TSR is 33% or more above the TSR of the median company; and
- Vesting will be on a proportionate basis for performance between median and stretch.

DIRECTORS' REMUNERATION REPORT

continued

Remuneration paid to Executive Directors for service in 2015

The following table presents the Executive Directors' emoluments in respect of the year ended 31 December 2015.

Executive Directors[1]		Salary[3] US$ 000	Taxable Benefits[4] US$ 000	Annual Bonus[5] US$ 000	Long-Term Incentives[6] US$ 000	Pension US$ 000	Other Items in the nature of remuneration[7] US$ 000	Total US$ 000
Itai Frieberger, COO[2]	**2015**	**401**	**129**	**597**	**—**	**56**	**—**	**1,183**
	2014	—	—	—	—	—	—	—
Aviad Kobrine, CFO	**2015**	**605**	**56**	**876**	**1,521**	**91**	**347**	**3,496**
	2014	621	52	879	2,556	93	—	4,201
Brian Mattingley, former CEO[8]	**2015**	**230**	**12**	**336**	**4,837**	**—**	**—**	**5,415**
	2014	653	64	923	—	—	—	1,640

1 Directors' remuneration is converted from Sterling and New Israeli Shekels into US$ at the average rate of exchange for the relevant month it was paid save for the annual cash bonus which is converted into US$ at the year end exchange rate.

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

3 Salaries for 2015 were ILS 1,547,073 for Itai Frieberger (from 13 May 2015), £396,000 for Aviad Kobrine and £152,088 for Brian Mattingley (until 13 May 2015).

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

5 A breakdown of the 2015 annual bonus targets and the extent of their achievement is set out overleaf. As regards 2014, as noted in last year's remuneration report, following approval by the shareholders of the revised Remuneration Policy at the 2015 Annual General Meeting the bonus figures for 2014 were increased to US$923,000 (£594,000) for Brian Mattingley and US$879,000 (£565,000) for Aviad Kobrine.

6 Performance-based long-term incentives are disclosed in the year in which they vest. A breakdown of the basis for the payments under long term incentives is set out on page 56. Brian Mattingley's long-term incentive relates to the phantom award granted in 2012 which vested on 27 March 2015. Aviad Kobrine's long term incentives which vested in 2014 and 2015 were governed by the 888 All-Employee Share Plan. In 2015, 625,000 nil-cost options granted to Aviad Kobrine on 27 March 2012 and due to vest on 12 April 2015 subject to fulfilment of the performance conditions set out in the Directors' Remuneration Report, vested in full.

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

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

Non-executive Directors' and Chairman's fees

Current Non-Executive Directors and Chairman		Fee US$ 000	Other[1] US$ 000	Total US$ 000
Ron McMillan[2]	**2015**	**130**	**—**	**130**
	2014	83	—	83
Amos Pickel	**2015**	**130**	**—**	**130**
	2014	127	—	127
Brian Mattingley[3]	**2015**	**283**	**18**	**301**
	2014	—	—	—

Former Non-Executive Directors		Fee US$ 000	Other US$ 000	Total US$ 000
Richard Kilsby[4]	**2015**	**128**	**—**	**128**
	2014	380	—	380
John Anderson[5]	**2015**	**47**	**—**	**47**
	2014	127	—	127

1 "Other" for Brian Mattingley reflects reimbursement of expenses connected with his role.
2 Ron McMillan joined the Board on 15 May 2014.
3 Brian Mattingley stepped down as CEO on 13 May 2015 and was appointed Executive Chairman on the same date. Only Brian Mattingley's remuneration as Executive Chairman is included in the table above.
4 Richard Kilsby stepped down as Chairman on 13 May 2015.
5 John Anderson stepped down as a Non-executive Director on 13 May 2015.

Annual bonus payments in respect of 2015 performance

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

The normal annual bonus opportunity was 100% of base salary and the bonus was determined by reference to challenging EBITDA performance conditions, with an additional bonus opportunity of 50% of base salary available at the discretion of the Committee in the event of exceptional performance.

EBITDA performance

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

Performance Measures	Threshold (25% pay-out)	Target (75% pay-out)	Max (100% pay-out)	Actual performance	Bonus awarded
Like-for-like EBITDA growth per annum	5%	10%	20%	21.3%	150% of salary [1]
					Itai Frieberger – ILS 3,673,476 Aviad Kobrine – GBP 594,000 Brian Mattingley – GBP 228,132 [2]

1 In exercising its discretion to grant this bonus level, the Committee was mindful that 888 management had faced exceptional challenges in 2015, including in the fields of regulation and taxation, as well as development of 888's offering in regulated markets and currency headwinds.
2 Pro rated until 13 May 2015 when Brian Mattingley stepped down as CEO and was appointed Chairman.

DIRECTORS' REMUNERATION REPORT
continued

Long-term incentive awards with performance periods ending in the year ended 31 December 2015
888 All Employee Share Plan

The 2013 All Employee Share Plan awards are due to vest in April 2016. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number of awards vesting (with their estimated value).

	TSR[1]		Like-for-like EPS Growth	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%[2]	0%
Threshold	Median = 30%	25%	15.76%[2]	25%
Stretch or above	33% above median[3] = 39.9%	100%	72.8% or above[2]	100%
Actual achieved	79%	100%	96%	100%

1 Relative to a comparator group of 5 gaming companies – Bwin.Party Digital Entertainment, Sportech PLC, Ladbrokes PLC, Playtech Ltd and Paddy Power PLC.
2 15.76% aggregate EPS growth is the equivalent of 5% EPS growth compounded annually. 72.8% aggregate EPS growth is the equivalent of 20% EPS growth compounded annually.
3 33% aggregate out-performance is equivalent to 10% per annum compound out-performance of the median.

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

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[2] US$	Value of awards including Dividend Accrual[1] US$
Itai Frieberger	279,407	0	279,407	0	752,129
Aviad Kobrine	213,100	0	213,100	0	573,639

1 The value of the vested awards is based on the share price on the date of vesting, being US$2.69 (based on the exchange rate of 1.475) on 31 December 2015.
2 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards.

The 2012 All Employee Share Plan awards vested on 12 April 2015. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number of awards vesting (with their estimated value).

	TSR[1]		Like-for-like EPS Growth	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%[2]	0%
Threshold	Median = 45%	25%	15.76%[2]	25%
Stretch or above	33% above median[3] = 59.9%	100%	72.8% or above[2]	100%
Actual achieved	261%	100%	2,582%	100%

1 Relative to a comparator group of 5 gaming companies – Bwin.Party Digital Entertainment, Sportech PLC, Ladbrokes PLC, Playtech Ltd and Paddy Power PLC.
2 15.76% aggregate EPS growth is the equivalent of 5% EPS growth compounded annually. 72.8% aggregate EPS growth is the equivalent of 20% EPS growth compounded annually.
3 33% aggregate out-performance is equivalent to 10% per annum compound out-performance of the median.

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

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[2] US$	Value of awards including Dividend Accrual[1] US$
Aviad Kobrine	625,000	0	625,000	93,750	1,520,956

1 The value of the vested awards is based on the share price on the date of vesting, being US$2.28 (based on the exchange rate of 1.46) on 12 April 2015.
2 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards.

Phantom share award

On 27 March 2012, Brian Mattingley (in his former capacity as CEO of 888) was granted a cash-settled share-based "phantom" award which vested on 27 March 2015. Under the terms of the award, the amount payable was calculated on an incremental basis, based on the average share price over a period of 20 dealing days prior to the vesting date (£1.56), resulting in an entitlement of £3.3 million (US$4.8 million) out of a maximum possible entitlement of £5.5 million. Details of the performance targets attaching to this award are disclosed in full on page 40 of the 2014 Annual Report & Accounts.

Scheme interests awarded during the year

The table below sets out the grants under the 888 All Employee Share Plan on 28 August 2015.

Executive	Grant date	Number of awards granted	Face value of awards granted[1]	% vesting at threshold performance
Itai Frieberger	28 August 2015	249,424[2]	$625,200	25%
Aviad Kobrine	28 August 2015	245,201[2]	$614,615	25%
Aviad Kobrine	28 August 2015	136,524[3]	$342,208	N/A

1 Face value of awards granted was calculated using share price on the date of grant, which was £1.628.

2 These awards were made over shares with a value equivalent to 100% of gross salary, and are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2017. 50% of an award is subject to an EPS performance condition and 50% is subject to a TSR performance condition versus a peer group. Details of the performance targets attaching to the awards are disclosed on page 53. The awards to Itai Frieberger were awards of Ordinary Shares, whilst the awards to Aviad Kobrine were Nil Cost Options.

3 Nil Cost Options granted to Aviad Kobrine as a like-for-like replacement for options previously granted under the 888 All-Employee Share Plan which expired on 4 October 2015. Out of the 136,524 Nil Cost Options awarded, 136,000 vested immediately upon grant, and 524 will vest on 28 August 2018 in accordance with their terms.

Loss of office payments

In 2015, no loss of office payments were made to Executive Directors, and no payments were made to past Executive Directors.

Details of all outstanding share awards

In addition to awards made during the 2015 financial year, the table below sets out details of all outstanding share based awards held by Directors.

DIRECTORS' REMUNERATION REPORT

continued

Directors' shareholdings and share interests

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

Details of the Directors' interests in shares as at 31 December 2015 (or in the case of former Directors, the date on which they retired from the Board) are shown in the table below. There were no changes in the Directors' interests in shares between 31 December 2015 and the date of this Report.

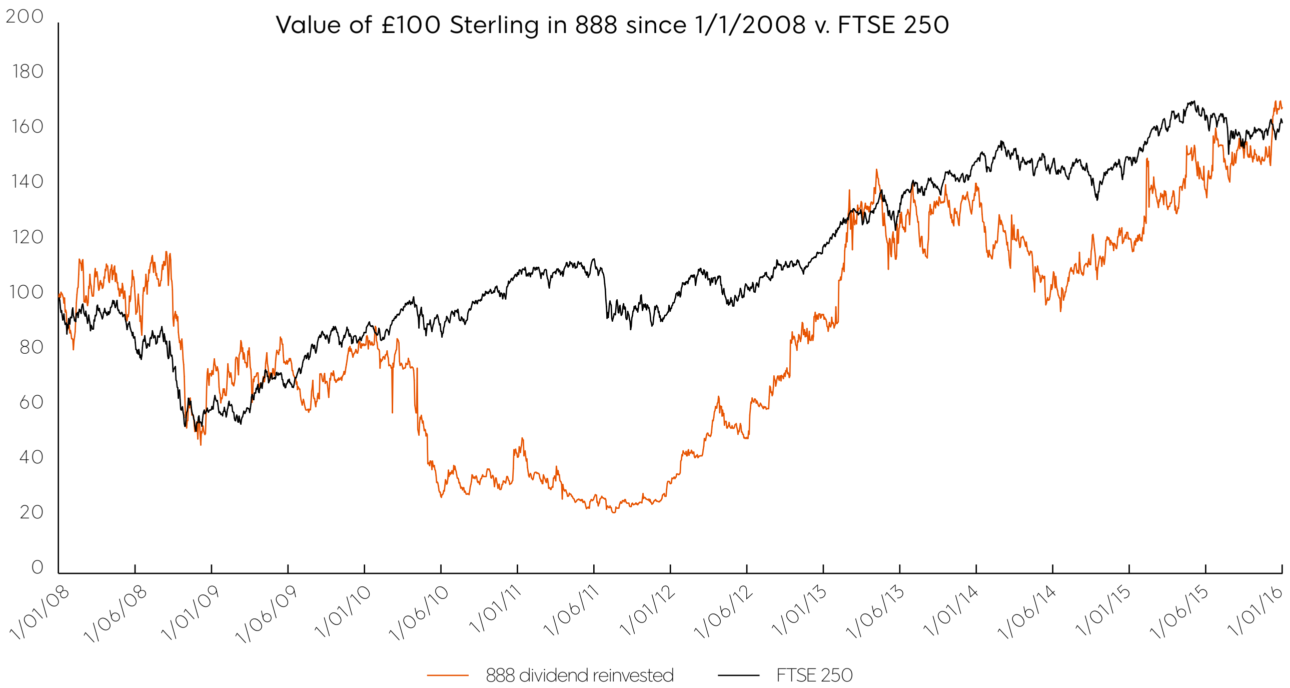
	Number of Ordinary Shares							
	At 31 December 2015							
Director	Legally owned	Unvested shares with performance conditions	Unvested shares without performance conditions	Unvested options with performance conditions[2]	Unvested options without performance conditions[2]	Vested unexercised options[2]	Total	% achievement against shareholding guideline[7]
Itai Frieberger[4]	1,057,789[6]	3,339,528	1,262,175	—	—	50,657[3]	5,710,149	452%
Aviad Kobrine[4]	—	—	—	707,146	524	3,049,783[5]	3,757,453	737%
Brian Mattingley	142,857	—	—	—	—	—	142,857	N/A
Amos Pickel	100,000	—	—	—	—	—	100,000	N/A
Ron McMillan	—	—	—	—	—	—	—	N/A
Richard Kilsby[1,4]	—	—	—	—	—	—	—	N/A
John Anderson[1]	138,869	—	—	—	—	—	138,869	N/A

1 Richard Kilsby and John Anderson retired from the Board on 13 May 2015.
2 Nil Cost Options.
3 Itai Frieberger has 15,965 options with exercise price of £1.22 and 34,692 options with exercise price of £1.49.
4 During 2015, Aviad Kobrine exercised 500,204 nil-cost options and subsequently sold the underlying shares, Itai Frieberger sold 350,000 shares and Richard Kilsby sold 114,285 shares.
5 Includes 235,075 Nil Cost Options without performance conditions granted to Aviad Kobrine in 2011 and vested during 2015, and 136,000 replacement Nil Cost Options without performance conditions granted to Aviad Kobrine and vested in 2015 (referred to in footnote 7 on page 54 and footnote 3 on page 57).
6 Includes 158,216 share awards without performance conditions granted to Itai Frieberger in 2011 and which vested during 2015.
7 The Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Shares counting towards this guideline include legally owned shares and fully vested but unexercised nil-cost options (valued on a net of tax basis). Achievement against the guideline holding is calculated using the share price at 31 December 2015.

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

Performance graph

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



Total remuneration history for CEO

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

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

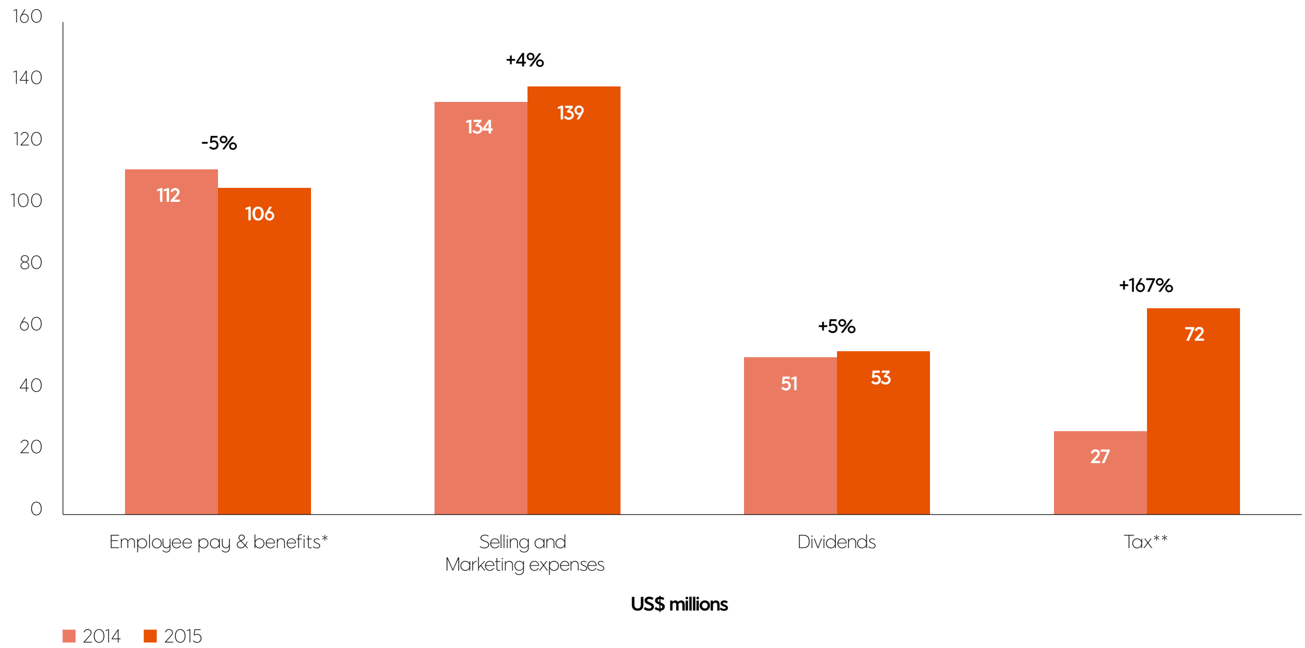
1 Gigi Levy was the CEO of 888 from 2009 to 30 April 2011. There was no CEO from 1 May 2011 to 26 March 2012.
2 Brian Mattingley was CEO from 27 March 2012 to 13 May 2015. Brian's total remuneration in 2015 included a phantom award granted to him on 27 March 2012 which vested on 27 March 2015. There was no CEO from 14 May 2015 to 1 March 2016.

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

As the Chief Executive position remained vacant for most of the year, it is not possible to provide meaningful year-on-year analysis for this disclosure requirement.

Relative importance of spend on pay

The following graph sets out the actual expenditure by 888 in financial years 2014 and 2015 on various items, including on remuneration to Group employees.



* Employee pay & benefits is calculated in accordance with Note 6 of the Financial Statements, and include share benefit charges of US$4.1 million (2014: US$1.7 million).
** Includes corporation tax of US$3.0 million (2014: US$11.0 million), EU VAT of US$10.2 million (2014: nil) and gaming duties of US$58.4 million (2014: US$15.8 million).

The comparables chosen were the following:

» The employee pay figure includes employee benefits in accordance with the financial statements (including both staff costs and share benefit charges).

» Sales and marketing expenses – This reflects the amount invested in development of the future revenue stream of 888 driven by customer acquisition.

» Dividends – This reflects amounts distributed to shareholders.

» Taxes and duties – This is a necessary cost of doing business in a regulated business environment.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

DIRECTORS' REMUNERATION REPORT

continued

Committee members, attendees and advice

The Remuneration Committee consists solely of Non-executive Directors, currently Amos Pickel (Chair), Ron McMillan and Brian Mattingley (since his appointment as Chairman of 888).John Anderson was a member of the Committee until he stepped down from the Board at the 2015 AGM. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on page 42.

The Remuneration Committee's remit includes such matters as:

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

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

Remuneration Committee adviser

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

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

The total fees paid to New Bridge Street in respect of its services to the Committee for the year ending 31 December 2015 were £57,721 (2014: £0). Fees are charged on a "time spent" basis.

Engagement with shareholders

Details of votes cast for and against the resolution to approve last year's Remuneration Report and the Remuneration Policy, as well as approval of the adoption of the 2015 LTIP at the Extraordinary General Meeting held on 29 September 2015, are shown below.

	Advisory Vote to approve Directors' Remuneration Policy		Advisory Vote to approve Annual Report on Remuneration		Vote to approve adoption of the 2015 LTIP	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	242,429,082	89.48%	251,418,195	92.8%	254,779,426	92.40%
Against	28,513,273	10.52%	19,493,445	7.2%	20,947,627	7.60%
Vote withheld	1,813	—	32,528	—	256,461	—

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

Amos Pickel
Chairman of the Remuneration Committee
22 March 2016

AUDIT COMMITTEE REPORT

LETTER TO SHAREHOLDERS

Dear Shareholders,

The Audit Committee exercises oversight of 888's financial reporting policies, monitors the integrity of the financial statements and considers the significant financial and accounting estimates and judgments applied in preparing the financial statements. It also ensures that disclosures in the financial statements are appropriate.

Amongst other things, during the year the Committee considered:

» The complex legal and regulatory environment in which 888 operates, together with changes in laws and regulations which may impact 888's business, sector and market.

» 888's exposure to corporation tax, VAT and gaming duties in various jurisdictions.

» The carrying value of goodwill and other non-current assets and related disclosures in the financial statements.

» The adequacy of 888's IT systems and controls.

» The adequacy of the systems and controls on which management relies.

» The Board's assessment of risk and the risk register prepared by management.

» The viability statement prepared by management.

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

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

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

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

I will be available at the Annual General meeting in May 2016 to answer any questions and would like to thank my colleagues on the Committee for their help and support.

Sincerely,

Ron McMillan
Chairman of the Audit Committee

AUDIT COMMITTEE REPORT
continued

Committee composition
The Committee comprises two members, both of whom are Independent Non-executive Directors.

Two members constitute a quorum. The Committee requires the inclusion of at least one financially qualified member with recent and relevant financial experience. The Committee's Chairman fulfils that requirement. Both members of the Committee are expected to have an understanding of financial reporting, 888's internal control environment, relevant corporate legislation, the functions of internal and external audit and the regulatory framework of the business.

The members of the Committee during the year were:

» Ron McMillan (Chairman)

» Amos Pickel

The Board will continue its efforts in 2016 to recruit suitable and experienced Independent Non-executive Directors.

The Chief Executive Officer, the Chief Financial Officer and representatives of the internal and external auditors are invited to attend Audit Committee meetings where appropriate.

Details of meetings of the Audit Committee are set out in the Corporate Governance Report on page 42.

In addition to scheduled meetings, the Chairman of the Committee met with the Chief Financial Officer and the internal and external auditors on a number of occasions.

Responsibilities
The committee is responsible for:

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

» In conjunction with internal audit and considering reports on its findings from external audit, reviewing internal financial controls and management's response to required corrective action;

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

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

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

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

Regulation
888 manages its regulatory risk with input from its legal advisors and seeks to balance regulatory requirements with those of the business. 888 works with its lawyers to produce regular updates so that the Board and Audit Committee understand what is happening in the regulatory landscape.

During 2015, the Audit Committee received a detailed regulatory briefing from 888's lawyers and reviewed updates on the management of regulatory risk from management, as well as reviewing the status of litigation involving 888. It furthermore refreshed 888's regulatory policy taking into account developments in Europe, the US and worldwide. In addition, 888's internal auditor reviewed 888's regulatory risk management process and reported its findings to the Audit Committee.

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

In 2015, the Board and Audit Committee considered the significant uncertainty as to whether VAT is due in respect of certain services provided by 888 to customers in certain European Union Member States prior to 2015. Based on a thorough legal assessment, the Board and Audit Committee concluded that it is unlikely that any liability will arise and decided, therefore, not to record any liability in 888 financial statements. Furthermore, given the uncertainties surrounding the quantification of any VAT which may be payable, the Board formed the view that any attempt to either estimate or quantify the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to 888's position in defending any claims for past VAT.

Furthermore, 888 was approached by an EU member state concerning potential liability to gaming duty in respect of the provision of gaming services to customers located in that jurisdiction. On the basis of legal and tax advice received, 888 filed the necessary forms and has made payments, whilst reserving its position concerning contesting its liability. For further information, see notes 5 and 26 to the financial statements.

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

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

IT systems

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

During the year, the Audit Committee has reviewed reports from management on data security and disaster recovery planning. In addition, 888 periodically commissions external testing of its systems included simulated penetration testing, in order to identify potential vulnerabilities and implement recommendations for remediation.

Internal controls

888 maintains a robust system of internal control for the purpose of safeguarding 888's assets, managing risk and, where required, complying with regulations. This covers all material risks and related controls, including financial, operational and compliance controls together with mitigating actions and responsibilities.

888's internal audit function is outsourced to Deloitte and the Audit Committee reviewed and modified the internal audit plan. It has also reviewed reports from Deloitte in relation to all internal audit work carried out during the year. The Audit Committee has also reviewed reports from EY, the external auditors, in relation to internal control matters arising from its work.

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

- » Reviewing the draft interim and annual reports and considering:
  1. The accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports
  2. The significant accounting issues, estimates and judgments of management in relation to financial reporting;
  3. Whether any significant adjustments were required arising from the audit; and
  4. Compliance with statutory tax obligations and 888's tax policy;
- » Meeting with internal and external auditors, both with and in the absence of the Executive Directors.
- » Reviewing and approving the resources of, the scope of work undertaken by and the reports prepared by internal audit. Deloitte, as internal auditor, presents its findings to the Audit Committee. In the past three years, Deloitte has reviewed various aspects of customer services and business operations, finance, B2B and B2C activities, product technologies, human resources, global operations and regulation. In 2015, Deloitte issued reports on physical security, penetration testing, B2B agreements and billing processes, regulatory affairs management, product technologies not reviewed by regulators, VIPs and employee incentive plans. Whilst no critical issues were identified, findings and recommendations were presented to the Board and senior management for implementation.
- » Reviewing the reports prepared by the external auditors on key audit findings and any significant deficiencies in the financial control environment. The Committee reviewed the recommendations made by EY to improve processes and controls together with management's responses to those recommendations. EY did not highlight any significant internal control weaknesses and management has committed to making appropriate changes to controls in areas highlighted by EY.
- » Reviewing and considering 888's systems of internal risk control, sources of assurance and exposure to fraud. During the year, management undertook a robust assessment of the principal risks facing the business. These are set out on pages 20 to 23, together with explanations as to how the risks are being mitigated. The Committee has reviewed the outputs of this risk assessment and is of the opinion that the risk disclosures are comprehensive. In carrying out this review, management has sought to define 888's risk response and has considered the effectiveness of the processes which relate to managing risk.
- » Overseeing the management of 888's whistleblowing procedures which contain procedures for the Committee to receive, in confidence, complaints and notifications on all operational matters.
- » Reviewing the performance of the external auditors, including EY's relationship with 888, the use of the external auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. Non-audit services are generally subject to tender processes and the allocations of work are done on the basis of competence, cost effectiveness, regulatory requirements, the potential for conflicts to arise and knowledge of 888's business. The Committee is satisfied that in relation to these services, EY has taken actions to ensure that any potential conflicts of interest are properly managed.
- » Reporting to the Board on how it has discharged its responsibilities.
- » Making recommendations to the Board in respect of its findings in respect of all of the above matters.
- » Reviewing the going concern position of 888 and the viability statement set out on pages 45 and 27.

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

AUDIT COMMITTEE REPORT

continued

External auditors

EY has been 888's external auditor since 2014. The partners responsible for the external audit are Jose Julio Pisharello, a partner in EY's Gibraltar office, and Cameron Cartmell, a partner in EY's London office. Jose Julio and Cameron have been responsible for the audit since EY was appointed. The Committee has formally reviewed the performance of EY, a process which involved all Board members and senior members of 888's finance function. The conclusions reached were that EY continued to perform the external audit in a very professional and efficient manner, and it was therefore the Committee's recommendation that the reappointment of EY be put to shareholders at the Annual General Meeting in May 2016. If reappointed, EY will hold office until the conclusion of the next Annual General Meeting at which accounts are laid. Given EY's short tenure to date, the Board has no present plans to consider an audit tender process.

During 2015, EY provided material non-audit services to 888 in connection with the proposed acquisition by 888 of bwin.party digital entertainment plc, which was subsequently terminated. This resulted in non-audit fees significantly exceeding audit fees in the year, presenting a threat to EY's independence as 888's external auditors. However, the Audit Committee considered and is satisfied that given their knowledge of the group, EY were best placed to undertake that work and that EY maintained its independence through various safeguards, principally by ensuring that effective separation procedures were implemented between its teams auditing 888 and advising 888, respectively, and on the basis that this level of non-audit services is not expected to recur. The Audit Committee seeks to ensure that 888's auditors are objective and independent by monitoring the appointment of the auditors for any non-audit work involving fees above US$0.1 million. In 2015, for the reasons noted above, the external auditors carried out non-audit work for 888 involving fees in the aggregate amount of US$3.4 million (2014: US$0.1 million), out of which US$3.3 million was associated with the proposed acquisition of bwin.party digital entertainment plc. In agreeing that the work could be done by EY, the Committee was mindful of the attitude investors now have to the auditors performing non-audit services and of the new guidance in this area which is operative for accounting periods starting on or after 16 June 2016. Going forward, the Committee will ensure that fees for non-audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

INDEPENDENT AUDITORS' REPORT

to the members of 888 Holdings plc

Opinion on financial statements

In our opinion:

- 888 Holdings plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Gibraltar Companies Act 2014; and
- the financial statements have been prepared in accordance with the requirements of the Gibraltar Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

888 Holdings plc's financial statements comprise:

Group	**Company**
Consolidated income statement for the year ended 31 December 2015	Company balance sheet as at 31 December 2015
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Consolidated balance sheet as at 31 December 2015	Company statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 10 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 26 to the financial statements	

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

Overview of our audit approach

Risks of material misstatement	» Regulatory and legal risks » Taxation » Revenue recognition » Classification and presentation of exceptional items within the income statement » Capitalisation of development costs
Audit scope	» We performed an audit of the complete financial information of two components, one being a subsidiary in Israel and the other being the remainder of the Group. » The components where we performed full audit procedures accounted for the entirety of the Group's revenue, profit before tax and total assets.
Materiality	» Overall Group materiality of US$2.7 million, which represents 5% of profit before tax and exceptional items.

INDEPENDENT AUDITORS' REPORT

continued

Our assessment of risk of material misstatement and response to that risk

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Regulatory and legal risks		
» Given the industry and jurisdictions in which the Group operates, as described in the Principal Risks and Uncertainties on page 21, there is a risk that the Group will operate without an appropriate licence, have an existing licence adversely affected or be subject to other regulatory sanctions. » Judgement is also applied in estimating amounts payable to regulatory authorities in certain jurisdictions. This gives rise to a risk over the accuracy of accruals and disclosure of contingent liabilities. There is also a risk that management may influence these significant estimates and judgements in order to meet market expectations or bonus targets. » Refer to the Audit Committee Report (page 62); significant accounting policies (Note 2 on page 79); and Note 26 to the Consolidated Financial Statements (page 107).	» We understood the Group's process and related controls over the identification and mitigation of regulatory and legal risks and the related accounting, and assessed whether the controls are designed effectively to achieve this. » We inquired of management and the Group's legal advisers about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals to be recorded. » Based on the Group's correspondence with regulators and any legal advice the Group has received, we understood management's interpretation and application of relevant laws and regulations. With support from our VAT experts in respect of the uncertainties over EU VAT, we challenged the appropriateness of its assumptions and estimates in relation to accruals and contingent liabilities with reference to historical payments made by the Group and the period to which any accrued liabilities relate.	Based on our audit procedures on the Group's accounting conclusions in each of its major jurisdictions, we concluded that the accruals for amounts payable to regulatory authorities are conservative, within an acceptable range and that the disclosures in the financial statements were appropriate.
Taxation		
» The Group recognised a taxation charge of US$3.0 million in 2015 (2014: US$11.0 million) and had income tax receivables of US$2.7 million (2014: nil) and payables of US$2.8 million at 31 December 2015 (2014: US$4.6 million). » The Group operates in a number of countries, resulting in complexities in the payment of and accounting for tax. The Group faces a risk that given the international nature of its operations, material tax exposures may not be appropriately provided or disclosed in the financial statements. » Refer to the Audit Committee Report (page 62); significant accounting policies (Note 2 on page 78); and Notes 8 and 14 to the Consolidated Financial Statements (pages 89 and 97).	» We discussed with management and its legal advisers, with support from our tax experts, how the Group manages and controls the companies in countries in which it operates. » We obtained and read the results of the third party tax studies obtained by the Group and reviewed its correspondence with the relevant tax authorities, in order to support the tax position of the Group. » With support from our international tax experts we understood management's interpretation and application of relevant tax law and challenged the appropriateness of its assumptions and estimates in relation to provisions and contingent liabilities. » We considered whether the Group's disclosure of changes in tax estimates in Gibraltar were in accordance with IFRS requirements.	We concluded that management's judgements in relation to the taxation charge, provisions for taxation and the related disclosures were appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Revenue recognition		
» The Group recognised revenue of US$462.1 million in 2015 (2014: US$454.7 million). » The Group makes a number of judgements in recognising revenue, principally in respect of whether the Group is acting as a principal or an agent with its B2B customers and whether certain customer bonuses are treated as a deduction from revenue or as a cost. Any inappropriate judgements could result in a material misstatement of revenue and operating expenses. There is also a risk that management may influence the significant judgements in respect of revenue recognition in order to meet market expectations. » Refer to the significant accounting policies (Note 2 on page 78); and Note 3 to the Consolidated Financial Statements (page 84).	» We understood and tested the key application and manual controls over the Group's principal gaming systems. We then applied IT-based auditing techniques to re-perform the reconciliation between the Group's gaming revenue, cash and customer accounts. » We reviewed the Group's contractual arrangements and how they operate in practice to check management's judgement as to whether the Group was operating as a principal or an agent in its B2B contracts with customers, in the context of the guidance in IAS 18. We also challenged the treatment of certain customer bonuses by considering the customer's contractual obligations in respect of these bonuses to provide marketing services. » We performed detailed substantive testing and cut-off procedures on a sample of revenue transactions.	We concluded that the revenue recognised in the year, including in respect of its B2B contracts and the treatment of certain customer bonuses, is materially correct.
Classification and presentation of exceptional items within the income statement (new for our 2015 audit)		
» The Group presented separately exceptional items of US$23.0 million (2014: nil), including exceptional acquisition costs and exceptional retroactive duties and associated charges. » The Group classifies certain items in the income statement as exceptional, in order to assist users of the financial statements in understanding its underlying performance. The presentation of items as exceptional involves significant management judgement. There is a risk that management may influence the judgements in respect of the classification of exceptional items in order to meet market expectations or bonus targets. » Refer to the significant accounting policies (Note 2 on page 80); and Note 5 to the Consolidated Financial Statements (page 86).	» We checked the appropriateness of the items classified as exceptional in the Group's income statement in the context of the Group's accounting policy and external guidance. » We considered whether the disclosures included in the Group's financial statements were consistent with our findings from our audit work. » We considered whether any other items of income and expense in the Group's consolidated income statement met the Group's definition of exceptional items in its accounting policies. » We performed detailed transaction testing on a sample of exceptional items.	Based on our audit procedures, we concluded that the Group's classification of certain acquisition costs and retroactive duties and associated charges as exceptional, together with the related disclosures, was appropriate.

INDEPENDENT AUDITORS' REPORT

continued

Risk	Our response to the risk	What we concluded to the Audit Committee
Capitalisation of development costs		
» The Group capitalised development costs of US$6.8 million in 2015 (2014: US$8.6 million) and had net capitalised development costs of US$26.5 million at 31 December 2015 (2014: US$27.6 million). » The capitalisation of costs associated with the development of the Group's systems, in accordance with the criteria set out in IFRS, involves significant management judgement and is therefore an area of focus for our audit. There is a risk that costs are capitalised inappropriately, affecting the Group's profitability. There is also a risk that management may influence the significant judgements in respect of the capitalisation of development costs in order to meet market expectations or bonus targets. » Refer to the significant accounting policies (Note 2 on page 79); and Note 11 to the Consolidated Financial Statements (page 92).	» We understood and tested the process and key controls over the Group's capitalisation of internal development costs, including its payroll and purchasing systems. » For development projects capitalised in the year, we challenged whether the Group met the conditions set out in IAS 38 for capitalisation and tested on a sample basis external supplier and internal payroll costs capitalised. » We considered the impact of the capitalisation of development costs in conjunction with our comparison of the Group's results against analysts' expectations and the Group's budgets. » We compared the useful lives of capitalised development costs to the Group's business plans for each development project and to historical experience of project lives in the online gaming industry. » We checked that where projects are not yet in use and no amortisation has been charged, they are still expected to be implemented and meet the conditions set out in IAS 38.	We concluded that the Group's capitalisation of development costs during 2015 was appropriate and in accordance with IAS 38.

The above risk areas are consistent with those in the prior year other than as described below.

» Impairment of assets was an area of focus for our 2014 audit. However, given the headroom in the Group's impairment tests in 2014, auditing this area no longer constitutes a significant proportion of audit effort or audit strategy. The Group's impairment testing is described in note 11 to the consolidated financial statements on page 92.

» The classification and presentation of exceptional items is a new area of focus for our 2015 audit. This reflects the exceptional items of US$23.0 million, including exceptional acquisition costs of US$14.6 million and exceptional retroactive duties and associated charges of US$8.4 million incurred in 2015, for which there were no comparable costs in 2014.

An overview of the scope of our audit

Tailoring the scope

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

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

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

Involvement with component teams

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

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

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

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be US$2.7 million (2014: US$3.4 million), which is approximately 5% (2014: 5%) of adjusted profit before tax.

We believe that profit before tax, adjusted for the items described below, provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the Group The reduction from the prior year predominately reflects the effects of the Group's payment of point of consumption tax in the UK from 1 December 2014 and EU VAT from 1 January 2015.

In calculating materiality, we excluded the effects of certain non-recurring items from profit before tax. For 2015, these related to the exceptional acquisition costs of US$17.5 million, exceptional acquisition income of US$8.8 million, exceptional finance expenses of US$5.9 million and exceptional retroactive duties and associated charges of US$8.4 million, as highlighted in Note 5 to the financial statements.

During the course of our audit, we reassessed initial materiality and made no changes to our assessment.

INDEPENDENT AUDITORS' REPORT

continued

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2014: 50%) of our planning materiality, namely US$1.35 million (2014: US$1.70 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a higher risk of misstatements, both corrected and uncorrected.

Audit work at the Israeli subsidiary for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for that component is based on its relative scale and risk to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to the Israeli subsidiary was US$0.6 million (2014: US$0.7 million). The audit work on the remainder of the Group was undertaken using Group materiality.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$135,000 (2014: US$145,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Statement of Responsibilities set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are also responsible for the preparation of the Directors' Remuneration Report, which they have chosen to prepare, being under no obligation to do so under Gibraltar law, and the preparation of the Corporate Governance Statement and statement on going concern under the Listing Rules. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

Opinion on other matter prescribed by the Gibraltar Companies Act 2014

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

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

In our opinion:

» the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and share capital structures is consistent with the financial statements; and

» the section of the Directors' Remuneration Report that is described as audited has been properly prepared in accordance with the basis of preparation described therein.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report and Accounts is: » materially inconsistent with the information in the audited financial statements; or » apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or » otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Gibraltar Companies Act 2014 reporting	We are required to report to you if, in our opinion: » the Company has not kept proper accounting records; or » we have not received all the information and explanations we require for our audit; or » there are material misstatements in the Directors' Report based on our knowledge and understanding of the Company and its environment obtained in the course of the audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: » the Directors' statement in relation to going concern, set out on page 38, and longer-term viability, set out on page 27; and » the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

INDEPENDENT AUDITORS' REPORT

continued

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

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

Cameron Cartmell (Non-Statutory Auditor)
Ernst & Young LLP
London
22 March 2016

Jose Julio Pisharello (Statutory Auditor)
For and on behalf of EY Limited, Registered Auditors
Gibraltar
22 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 US$ million	2014 US$ million
Revenue	3	**462.1**	454.7
Revenue (including EU VAT)	3	**472.3**	454.7
EU VAT	3	**(10.2)**	—
Operating expenses		**(146.0)**	(149.3)
Gaming duties	4	**(58.4)**	(15.8)
Research and development expenses		**(36.8)**	(40.7)
Selling and marketing expenses		**(138.9)**	(133.8)
Administrative expenses		**(32.5)**	(35.1)
Exceptional acquisition costs	5	**(17.5)**	—
Exceptional acquisition income	5	**8.8**	—
Operating profit before exceptional acquisition costs, exceptional acquisition income, exceptional retroactive duties and associated charges and share benefit charge		**62.0**	81.7
Exceptional acquisition costs	5	**(17.5)**	—
Exceptional acquisition income	5	**8.8**	—
Exceptional retroactive duties and associated charges	5	**(8.4)**	—
Share benefit charge	21	**(4.1)**	(1.7)
Operating profit	4	**40.8**	80.0
Finance income	7	**0.3**	0.3
Finance expenses	7	**(2.6)**	(4.8)
Exceptional finance expenses	5	**(5.9)**	—
Movement in contingent consideration		**—**	0.1
Share of post-tax loss of equity accounted joint ventures and associates	13	**(0.1)**	(7.7)
Profit before tax		**32.5**	67.9
Taxation	8	**(3.0)**	(11.0)
Profit after tax for the year attributable to equity holders of the parent		**29.5**	56.9
Earnings per share	9		
Basic		**8.3¢**	16.1¢
Diluted		**8.2¢**	15.9¢

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 US$ million	2014 US$ million
Profit for the year		**29.5**	56.9
Items that may be reclassified subsequently to profit or loss			
Group share of equity injections by joint venture partner in equity accounted joint ventures	13	**—**	3.8
Exchange differences on translation of foreign operations		**(1.1)**	(0.5)
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability	6	**(1.1)**	(0.3)
Total other comprehensive (expense)/income for the year		**(2.2)**	3.0
Total comprehensive income for the year attributable to equity holders of the parent		**27.3**	59.9

The notes on pages 77 to 107 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2015

	Note	**2015 US$ million**	2014 US$ million
Assets			
Non-current assets			
Goodwill and other intangible assets	11	**157.3**	157.2
Property, plant and equipment	12	**11.2**	15.5
Investments	13	**1.6**	0.2
Non-current receivables	16	**0.8**	0.7
Deferred tax assets	14	**1.2**	0.5
		172.1	174.1
Current assets			
Cash and cash equivalents	15	**178.6**	163.1
Trade and other receivables	16	**32.9**	30.0
Income tax receivable		**2.7**	—
		214.2	193.1
Total assets		**386.3**	367.2
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	**3.2**	3.2
Share premium	17	**2.2**	1.3
Retained earnings		**156.8**	180.6
Total equity attributable to equity holders of the parent		**162.2**	185.1
Liabilities			
Current liabilities			
Trade and other payables	18	**137.2**	104.1
Derivative financial instruments	24	**—**	2.5
Income tax payable		**2.8**	4.6
Customer deposits	19	**82.4**	67.5
Share benefit charges – cash settled	21	**—**	3.4
		222.4	182.1
Non-current liabilities			
Deferred tax liabilities	14	**1.7**	—
Total liabilities		**224.1**	182.1
Total equity and liabilities		**386.3**	367.2

The consolidated financial statements on pages 73 to 107 were approved and authorised for issue by the Board of Directors on 22 March 2016 and were signed on its behalf by:

Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 77 to 107 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital US$ million	Share premium US$ million	Retained earnings US$ million	Foreign currency translation reserve US$ million	Total US$ million
Balance at 1 January 2014	3.2	0.9	170.6	—	174.7
Profit after tax for the year attributable to equity holders of the parent	—	—	56.9	—	56.9
Other comprehensive income for the year	—	—	3.5	(0.5)	3.0
Total comprehensive income	—	—	60.4	(0.5)	59.9
Dividend paid (note 10)	—	—	(51.2)	—	(51.2)
Equity settled share benefit charges (note 21)	—	—	1.3	—	1.3
Issue of shares to cover employee share schemes (note 17)	—	0.4	—	—	0.4
Balance at 31 December 2014	3.2	1.3	181.1	(0.5)	185.1
Profit after tax for the year attributable to equity holders of the parent	—	—	29.5	—	29.5
Other comprehensive expense for the year	—	—	(1.1)	(1.1)	(2.2)
Total comprehensive income	—	—	28.4	(1.1)	27.3
Dividend paid (note 10)	—	—	(53.5)	—	(53.5)
Equity settled share benefit charges (note 21)	—	—	2.4	—	2.4
Issue of shares to cover employee share schemes (note 17)	—	0.9	—	—	0.9
Balance at 31 December 2015	**3.2**	**2.2**	**158.4**	**(1.6)**	**162.2**

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

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

The notes on pages 77 to 107 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 US$ million	2014 US$ million
Cash flows from operating activities			
Profit before tax		**32.5**	67.9
Adjustments for:			
Depreciation	12	**8.9**	9.0
Amortisation and impairment charges	11	**9.7**	10.0
Interest income	7	**(0.3)**	(0.3)
Interest expense	7	**0.2**	—
Share of post- tax loss of equity accounted joint ventures and associates	13	**0.1**	7.7
Movement in contingent consideration		**—**	(0.1)
Share benefit charges	21	**4.1**	1.7
		55.2	95.9
(Increase) decrease in trade receivables	16	**(0.1)**	1.6
(Increase) decrease in other accounts receivables	16	**(1.6)**	3.6
Increase in customer deposits	19	**12.9**	8.1
Decrease in foreign exchange derivatives	7	**(2.5)**	(1.7)
Increase in trade and other payables	18	**27.1**	12.5
Cash generated from operations		**91.0**	120.0
Income tax paid		**(6.0)**	(8.1)
Net cash generated from operating activities		**85.0**	111.9
Cash flows from investing activities			
Consideration paid on acquisitions		**—**	(0.3)
Acquisition of investment in equity accounted associates	13	**(1.5)**	—
Acquisition of property, plant and equipment	12	**(4.6)**	(5.5)
Decrease in short term investments		**—**	3.9
Interest received	7	**0.3**	0.3
Acquisition of intangible assets	11	**(3.0)**	(2.9)
Internally generated intangible assets	11	**(6.8)**	(8.6)
Net cash used in investing activities		**(15.6)**	(13.1)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	17	**0.9**	0.4
Dividends paid	10	**(53.5)**	(51.2)
Net cash used in financing activities		**(52.6)**	(50.8)
Net increase in cash and cash equivalents		**16.8**	48.0
Net foreign exchange difference		**(1.3)**	(0.7)
Cash and cash equivalents at the beginning of the year	15	**163.1**	115.8
Cash and cash equivalents at the end of the year[1]	15	**178.6**	163.1

1. Cash and cash equivalents includes restricted short-term deposits of US$3.3 million (2014: US$0.9 million) (see note 15).

The notes on pages 77 to 107 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Company description and activities

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

The Group is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet, including Casino and games, Poker, Bingo and Emerging Offerings (mainly comprising 888's Sportsbook), brand licensing revenue on third party platforms and Mytopia social games. These services are provided to end users (B2C) and to business partners through its business to business unit, Dragonfish (B2B). In addition, the Group provides payment services, customer support and online advertising.

Definitions

In these financial statements:

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, with the exception of the amendments to accounting standards adopted during 2015. In addition, due to changes in the VAT rules the revenue recognition policy was expanded and to allow for a better reflection of the underlying performance of the Group an exceptional items policy was adopted. These are described in more detail below.

The following amendments to IAS, issued by the IASB, have been adopted by the Group during the year with no significant impact on its consolidated results or financial position:

» Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014). The amendments clarify the accounting for contributions from employees or third parties when accounting for defined benefit plans. As the Group's defined benefit plan does not have any such contributions, the amendments had no impact on the Group.

» Annual Improvements 2010-2012 Cycle. This includes minor amendments to IFRS 2 – Share-based Payment, IFRS 3 – Business Combinations, IFRS 8 – Operating Segments, IAS 16 – Property, Plant and Equipment, IAS 24 – Related Party Disclosures and IAS 38 – Intangible Assets. None of these improvements had an impact on the Group.

» Annual Improvements 2011-2013 Cycle. This includes minor amendments to IFRS 3 – Business Combinations, IFRS 13 – Fair Value Measurement and IAS 40 – Investment Property. None of these improvements had an impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

- Amendments to IAS 1 – Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (effective for accounting periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 14 – Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).
- Annual Improvements 2012-2014 Cycle (effective for accounting periods beginning on or after 1 January 2016), including minor amendments to IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosures, IAS 19 – Employee Benefits and IAS 34 – Interim Financial Reporting.
- IFRS 9 – Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 15 – Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 16 – Leases (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (in December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting).

Critical accounting estimates and judgments

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments 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 judgments made, can be found below:

Revenue

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

Taxation

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

Impairment of goodwill and other intangible assets

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

Internally generated intangible assets

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

Investment in equity accounted joint ventures and associates

The Group's share of results of joint ventures and associates is included in the consolidated income statement using the equity method of accounting. Investments in joint ventures and associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. If the Group's share of losses in the joint ventures and associates equals or exceeds its investment in the joint ventures or associates, the Group does not recognise further losses.

The Group also applies judgement in determining the appropriate accounting treatment for its share of equity contributions made by its joint venture partners. For further information see note 13.

Contingent liabilities and regulatory matters

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

Basis of consolidation

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

From 1 January 2015 the Group is subject to VAT on some of its gaming services in certain EU Member States. The Group has updated its accounting policy for revenue to reflect that revenue is recorded after deducting this VAT (EU VAT).

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 EU VAT, and after adding the management fees and charges applied to customer accounts, and is measured at the fair value of the consideration received or receivable.

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

Revenue from online activities comprises:

Casino and Bingo

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

Poker

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

Emerging Offerings

Revenue from Emerging Offerings is mainly comprised of Sportsbook, Social games and brand licensing on third party platforms.

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

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

» Revenue derived from brand licensing on third party platforms represents the Group's net revenue share from that activity.

B2B

For services provided to business partners through its business to business 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 operating 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.

Operating expenses

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

Administrative expenses

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

Exceptional items

The Group classifies certain items of income and expense as exceptional, as the Group considers that it allows for a better reflection of the underlying performance of the Group. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size. The item classified as exceptional are described in further detail in note 5.

Foreign currency

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

The results and financial position of all Group entities that have a functional currency different from US Dollars 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).

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

Internally generated intangible assets

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

Goodwill and business combinations

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually on 31 December, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

Investment in equity accounted joint ventures and associates

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

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

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

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

Any premium paid above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment. Where there is objective evidence that the investment has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets, and any charge or reversal of previous impairments is taken to the consolidated income statement.

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

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

Trade receivables

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

Fair value measurement

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

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

Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge operational risks associated with foreign exchange rates. Such derivative financial instruments are measured at fair value under IAS 39 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.

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.

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.

Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

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 management 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. In the case of final dividends, this is when approved by the Shareholders at the Annual General Meeting.

Share benefit charges

Equity-settled

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

Cash-settled

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

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

Severance pay schemes

Severance pay scheme surpluses and deficits are measured as:

» the fair value of plan assets at the reporting date; less

» plan liabilities calculated using the projected unit credit method, discounted to its present value using yields available for the appropriate government bonds that have maturity dates appropriate to the terms of the liabilities; plus

» unrecognised past service costs.

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

Financial guarantee contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

3 SEGMENT INFORMATION

Segmental results are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team comprising mainly the Chief Executive Officer and the Chief Financial Officer.
The operating segments identified are:

» B2C (Business to Customer): including Casino and games, Poker, Bingo and Emerging Offering; and

» B2B (Business to Business): offering Total Gaming Services under the Dragonfish trading brand. Dragonfish offers to its business partners use of technology, software, operations, E-payments and advanced marketing services, through the provision of offline/online marketing, management of affiliates, SEO, 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
2015	**Casino US$ million**	**Poker US$ million**	**Bingo US$ million**	**Emerging offerings US$ million**	**Total B2C US$ million**	**US$ million**	**US$ million**
Segment revenue	**230.6**	**86.7**	**44.0**	**41.3**	**402.6**	**59.5**	**462.1**
Segment revenue (including EU VAT)	**238.7**	**88.5**	**44.0**	**41.3**	**412.5**	**59.8**	**472.3**
EU VAT[1]	**(8.1)**	**(1.8)**	**—**	**—**	**(9.9)**	**(0.3)**	**(10.2)**
Segment result[2]					**182.2**	**32.4**	**214.6**
Unallocated corporate expenses[3]							**(173.8)**
Operating profit							**40.8**
Finance income							**0.3**
Finance expenses							**(2.6)**
Exceptional finance expenses							**(5.9)**
Share of post-tax loss of equity accounted joint ventures and associates							**(0.1)**
Taxation							**(3.0)**
Profit after tax for the year							**29.5**
Assets							
Unallocated corporate assets							**386.3**
Total assets							**386.3**
Liabilities							
Segment liabilities					**68.6**	**13.8**	**82.4**
Unallocated corporate liabilities							**141.7**
Total liabilities							**224.1**

1 From 1 January 2015 the Group is subject to VAT on some of its gaming services in certain EU Member States. This VAT, which is a deduction from revenue, has been presented separately to allow for comparability with 2014.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, EU VAT, royalties payable to third parties, selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, exceptional acquisition costs, depreciation, amortisation, share benefit charges and exceptional retroactive duties and associated charges.

	B2C					B2B	Consolidated
2014	Casino US$ million	Poker US$ million	Bingo US$ million	Emerging offerings US$ million	Total B2C US$ million	US$ million	US$ million
Segment revenue	220.6	93.7	46.6	29.9	390.8	63.9	454.7
Segment result[1]					211.0	38.7	249.7
Unallocated corporate expenses[2]							(169.7)
Operating profit							80.0
Finance income							0.3
Finance expenses							(4.8)
Movement in contingent consideration							0.1
Share of post-tax loss of equity accounted joint ventures							(7.7)
Taxation							(11.0)
Profit after tax for the year							56.9
Assets							
Unallocated corporate assets							367.2
Total assets							367.2
Liabilities							
Segment liabilities					59.4	8.1	67.5
Unallocated corporate liabilities							114.6
Total liabilities							182.1

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

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

Geographical information

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

Revenue by geographical market (based on location of customer)

	2015 US$ million	2014 US$ million
UK	**212.7**	201.6
Europe (excluding UK)	**178.4**	170.1
Americas	**48.5**	55.2
Rest of world	**22.5**	27.8
Total revenue	**462.1**	454.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

3 SEGMENT INFORMATION continued

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2015 US$ million	2014 US$ million
Gibraltar	**144.9**	161.0
Rest of world	**26.0**	12.6
Total non-current assets by geographical location[1]	**170.9**	173.6

1 Excludes deferred tax assets of US$1.2 million (2014: US$0.5 million)

4 OPERATING PROFIT

	2015 US$ million	2014 US$ million
Operating profit is stated after charging:		
Staff costs (including Executive Directors)	**102.2**	110.1
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:		
Statutory audit of the consolidated financial statements	**0.3**	0.3
Other statutory audits	**0.1**	0.1
Other assurance services	**0.1**	0.1
Corporate finance services (see note 5)	**3.3**	—
Gaming duties[1]	**58.4**	15.8
Depreciation (within operating expenses)	**8.9**	9.0
Amortisation (within operating expenses)	**9.7**	8.3
Impairment charges (within operating expenses)	**—**	1.7
Chargebacks	**3.2**	2.7
Payment of service providers' commissions	**21.2**	22.3

1 Gaming duties includes Point of Consumption tax in the UK of US$29.7 million (2014: US$2.1 million) reflecting the implementation of this tax from 1 December 2014 and exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania (see note 5).

5 EXCEPTIONAL ITEMS

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

	2015 US$ million	2014 US$ million
Exceptional acquisition costs: Legal and professional costs[1]	**17.5**	—
Exceptional acquisition income: Reimbursement of acquisition costs[2]	**(8.8)**	—
Exceptional finance costs[3]	**5.9**	—
Total exceptional acquisition costs	**14.6**	—
Exceptional retroactive duties and associated charges (included within gaming duties in the consolidated income statement)[4]	**8.4**	—
Total exceptional costs	**23.0**	—

1 During 2015 the Group incurred legal and professional costs of US$17.5 million associated with the proposed acquisition of bwin.party digital entertainment plc.
2 Following the termination of the proposed acquisition described above, the Group received reimbursement income of US$8.8 million from bwin.party digital entertainment plc, in line with its contractual agreement.
3 The Group incurred finance costs of US$5.9 million in connection with the proposed acquisition described above. The costs represent fair value movements on derivatives entered into to hedge the currency exposure associated with the transaction.
4 Exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania.

6 EMPLOYEE BENEFITS

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

	2015 US$ million	2014 US$ million
Wages and salaries	**96.8**	105.3
Social security	**4.7**	4.5
Pension and severance pay scheme costs	**6.6**	7.0
	108.1	116.8
Staff costs capitalised in respect of internally generated intangible assets	**(5.9)**	(6.7)
	102.2	110.1

In the consolidated income statement total staff costs, excluding share benefit charges of US$4.1 million (2014: US$1.7 million), are included within the following expenditure categories:

	2015 US$ million	2014 US$ million
Operating expenses	**53.8**	58.4
Research and development expenses	**28.7**	29.6
Administrative expenses	**19.7**	22.1
	102.2	110.1

The average number of employees by category was as follows:

	2015 Number	2014 Number
Operations	**800**	822
Research and development	**377**	354
Administration	**122**	120
	1,299	1,296

At 31 December 2015 the Group employed 1,318 (2014: 1,306) staff.

Severance pay scheme – Israel

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

The current service cost and the present value of the defined benefit obligation are measured using the projected unit credit method, according to IAS 19 – Employee Benefits (Revised).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

6 EMPLOYEE BENEFITS continued
The following table summarises the employee benefits figures as included in the consolidated financial statements:

	2015 US$ million	2014 US$ million
Severance pay scheme liability (within trade and other payables on the consolidated balance sheet)	**2.5**	1.2
Current service costs (within operating expenses in the consolidated income statement)	**1.7**	1.7
Current service costs (within research and development expenses in the consolidated income statement)	**1.7**	1.7
Current service costs (within administrative expenses in the consolidated income statement)	**0.6**	0.6
Remeasurement of severance pay scheme liability (included as an expense in the consolidated statement of comprehensive income)	**1.1**	0.3

Movement in severance pay scheme liability:

Severance pay scheme assets	2015 US$ million	2014 US$ million
At beginning of year	**14.6**	14.1
Interest income	**0.5**	0.5
Contributions by the Group	**3.8**	4.1
Benefits paid	**(2.6)**	(2.7)
Return on assets less interest income already recorded	**(0.3)**	0.3
Exchange differences	**—**	(1.7)
At end of year	**16.0**	14.6

Severance pay plan liabilities	2015 US$ million	2014 US$ million
At beginning of year	**15.8**	15.3
Interest expense	**0.5**	0.5
Current service costs	**4.0**	4.0
Benefits paid	**(2.6)**	(2.8)
Actuarial loss on past experience	**—**	0.4
Actuarial loss on changes in demographic assumptions	**—**	0.4
Actuarial loss (gain) on changes in financial assumptions	**0.8**	(0.2)
Exchange differences	**—**	(1.8)
At end of year	**18.5**	15.8

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

The expected contribution for 2016 is US$4.2 million.

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

	2015 %	2014 %
Discount rate (nominal)	**4.58**	3.10
Estimated increase in employee benefits costs	**5.12**	2.47
Voluntary termination rate	**75**	75
Inflation rates based on Israeli bonds	**1.67**	1.87

7 FINANCE INCOME AND FINANCE EXPENSES

Finance income:

	2015 US$ million	2014 US$ million
Interest income	0.3	0.3
Finance income	**0.3**	**0.3**

Finance expenses:

	2015 US$ million	2014 US$ million
Interest expense	0.2	—
Fair value movements on foreign exchange derivatives	0.1	2.8
Foreign exchange losses	2.3	2.0
Finance expenses	**2.6**	**4.8**

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

8 TAXATION

Corporate taxes

	2015 US$ million	2014 US$ million
Current taxation		
Gibraltar taxation	1.3	5.6
Other jurisdictions taxation	4.6	5.2
Adjustments in respect of prior years	(3.9)	(0.5)
	2.0	10.3
Deferred taxation		
Origination and reversal of temporary differences	1.0	0.7
Taxation expense	**3.0**	**11.0**

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

	2015 US$ million	2014 US$ million
Profit before taxation	32.5	67.9
Standard tax rate in Gibraltar (2015:10%, 2014: 10%)	3.3	6.8
Higher effective tax rate on other jurisdictions	3.1	4.1
Losses carried forward	—	1.3
Utilisation of previously unrecognised tax losses	(0.1)	—
Expenses not allowed for taxation	2.4	1.4
Non-taxable income	(2.9)	(2.1)
Adjustments to prior years' tax charges	(2.8)	(0.5)
Total tax charge for the year	**3.0**	**11.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

8 TAXATION continued

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

Gibraltar

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

Israel

The domestic corporate tax rate in Israel in 2015 is 26.5% (2014: 26.5%), although from 1 January 2016 the rate has been reduced to 25%. The Company's Israeli subsidiary has concluded an assessment agreement with respect to all tax years up to and including 2013. In addition, the subsidiary has entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner as regards 2014-2015. This agreement resulted in adjustments in respect of prior years. The current tax charge has reduced in the current year as a result of non-recurring taxable foreign exchange gains in 2014.

UK

The Group's subsidiary in the UK paid corporate tax at the applicable rate of 20.25% (2014: 21.5%) and will pay corporate tax at a rate of 20% for 2016. During the year, the UK government announced and substantively enacted a further reduction in the UK corporation tax rate to 19% (from April 2017) and to 18% (from April 2020).

9 EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33 – Earnings per Share, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 3,423,108 Ordinary Shares (2014: 3,100,238) and 158,484 market – value options (2014: 122,228).

The number of equity instruments excluded from the diluted EPS calculation is 3,051,243 (2014: 3,153,810).

	2015	2014
Profit for the period attributable to equity holders of the parent (US$ million)	**29.5**	56.9
Weighted average number of Ordinary Shares in issue	**356,129,113**	353,515,738
Effect of dilutive Ordinary Shares and Share options	**3,581,592**	3,222,466
Weighted average number of dilutive Ordinary Shares	**359,710,705**	356,738,204
Basic earnings per share	**8.3¢**	16.1¢
Diluted earnings per share	**8.2¢**	15.9¢

9 EARNINGS PER SHARE continued

Adjusted earnings per share

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

Reconciliation of profit to profit excluding exceptional items, share benefit charges, movement in contingent consideration, impairment charges and share of post-tax loss of equity accounted joint ventures and associates ("Adjusted profit"):

	2015 US$ million	2014 US$ million
Profit for the period attributable to equity holders of the parent	**29.5**	56.9
Exceptional items (see note 5)	**23.0**	—
Share benefit charges (see note 21)	**4.1**	1.7
Movement in contingent consideration	**—**	(0.1)
Impairment charges (see note 11)	**—**	1.7
Share of post-tax loss of equity accounted joint ventures and associates (see note 13)	**0.1**	7.7
Adjusted profit	**56.7**	67.9
Weighted average number of Ordinary Shares in issue	**356,129,113**	353,515,738
Weighted average number of dilutive Ordinary Shares	**359,710,705**	356,738,204
Adjusted basic earnings per share	**15.9¢**	19.2¢
Adjusted diluted earnings per share	**15.8¢**	19.0¢

10 DIVIDENDS

	2015 US$ million	2014 US$ million
Dividends paid	**53.5**	51.2

An interim dividend of 3.5¢ per share was paid on 30 September 2015 (US$12.5 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2015 comprising 4.0¢ per share, and an additional one-off dividend of 8.0¢ per share, both of which will be recognised in the 2016 financial statements once approved.

In 2014 an interim dividend of 3.5¢ per share was paid on 1 October 2014 (US$12.4 million) and a final dividend of 11.5¢ per share was paid on 15 May 2015 (US$41.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

11 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill US$ million	Acquired intangible assets US$ million	Internally generated intangible assets US$ million	Total US$ million
Cost or valuation				
At 1 January 2014	146.1	11.6	43.4	201.1
Additions	—	2.9	8.6	11.5
At 31 December 2014	146.1	14.5	52.0	212.6
Additions	—	3.0	6.8	9.8
At 31 December 2015	**146.1**	**17.5**	**58.8**	**222.4**
Amortisation and impairments:				
At 1 January 2014	20.7	9.5	15.2	45.4
Amortisation charge for the year	—	0.8	7.5	8.3
Impairment charge	—	—	1.7	1.7
At 31 December 2014	20.7	10.3	24.4	55.4
Amortisation charge for the year	—	1.8	7.9	9.7
At 31 December 2015	**20.7**	**12.1**	**32.3**	**65.1**
Carrying amounts				
At 31 December 2015	**125.4**	**5.4**	**26.5**	**157.3**
At 31 December 2014	125.4	4.2	27.6	157.2
At 1 January 2014	125.4	2.1	28.2	155.7

Analysis of goodwill by cash generating units:

	Bingo online business US$ million	Other US$ million	Total goodwill US$ million
Carrying value at 31 December 2014 and 31 December 2015	**125.1**	**0.3**	**125.4**

Impairment

In accordance with IAS 36 and the Group's stated accounting policy an impairment test is carried out annually, at 31 December, on the carrying amounts of goodwill and a review for indicators of impairment is carried out for other non-current assets. Where an impairment test was carried out, the carrying value is compared to the recoverable amount of the asset or the cash generating unit. In each case, the recoverable amount was the value in use of the assets, which was determined by discounting the future cash flows of the relevant asset or cash generating unit to their present value.

Goodwill – Bingo online business

Goodwill and intangible assets associated with the Bingo online business unit arose following the acquisition of the Bingo online business of Globalcom Limited during 2007 and the acquisition of the Wink Bingo business in 2009. The income streams generated from the Bingo online business, comprising the B2C Bingo cash generating unit and the B2B cash generating unit, have been considered together as the risks and rewards associated with those income streams are deemed to be sufficiently similar.

11 GOODWILL AND OTHER INTANGIBLE ASSETS continued

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long term growth rate has been assumed. Underlying growth rates, as shown in the table below, have been applied to revenue and are based on past experience, including the positive results in 2015 and 2014 and projections of future changes in the online gaming market. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to the same 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 year[1]	Underlying growth rate years 2-5	Long-term growth rate year 6+	Operating expenses[2] increase years 1-5	Operating expenses[2] increase year 6+
At 31 December 2015	**9%**	**4%**	**2%**	**1%**	**4%**	**1%**
At 31 December 2014	9%	2%	1%	1%	2%	1%

1 The pre-tax discount rate is recalculated every year by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost of Capital applied to the Group.
2 Operating expenses exclude marketing costs which are included in the projections as a fixed percentage of revenues.

The Directors have concluded that there are no reasonably possible changes to key assumptions that would lead to impairment in the Bingo goodwill and intangible assets.

Licences

No impairment tests were considered to be required at 31 December 2015 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 2015 and the carrying value of other intangible assets is considered to be appropriate.

In prior year the Group performed an impairment review on certain development projects that were abandoned as they were no longer expected to generate revenues. The review resulted in an impairment of US$1.7 million, as indicated in the table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

12 PROPERTY, PLANT AND EQUIPMENT

	IT equipment US$ million	Office furniture, equipment and motor vehicles US$ million	Leasehold improvements US$ million	Total US$ million
Cost				
At 1 January 2014	58.7	3.5	13.8	76.0
Additions	4.6	0.1	0.8	5.5
Disposals	(0.3)	(0.1)	—	(0.4)
At 31 December 2014	63.0	3.5	14.6	81.1
Additions	3.8	0.6	0.2	4.6
Disposals	(17.6)	—	—	(17.6)
At 31 December 2015	**49.2**	**4.1**	**14.8**	**68.1**
Accumulated depreciation				
At 1 January 2014	44.6	2.5	9.8	56.9
Charge for the year	7.6	0.2	1.2	9.0
Disposals	(0.3)	—	—	(0.3)
At 31 December 2014	51.9	2.7	11.0	65.6
Charge for the year	7.4	0.3	1.2	8.9
Disposals	(17.6)	—	—	(17.6)
At 31 December 2015	**41.7**	**3.0**	**12.2**	**56.9**
Carrying amounts				
At 31 December 2015	**7.5**	**1.1**	**2.6**	**11.2**
At 31 December 2014	11.1	0.8	3.6	15.5
At 1 January 2014	14.1	1.0	4.0	19.1

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US$17.6 million were written off in 2015.

13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES AND ASSOCIATES

The following entities meet the definition of joint ventures and associates and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	**Effective interest 31 December 2015**	Effective interest 31 December 2014
AAPN Holdings LLC	Joint venture	USA	**47%**	47%
AGN LLC	Joint venture	USA	**47%**	47%
AAPN New Jersey LLC	Joint venture	USA	**47%**	47%
Come2Play Limited	Associate	Israel	**20%**	—

A reconciliation of the movements in the Group's interest in equity accounted joint ventures and associates is shown below:

	Joint ventures US$ million	Associates US$ million
At 1 January 2014	3.9	—
Group share of equity injections by joint venture partner in equity accounted joint venture	3.8	—
Share of post-tax loss of equity accounted joint ventures	(7.7)	—
At 31 December 2014	—	—
Acquisitions	—	1.5
Share of post-tax loss of equity accounted joint ventures and associates	—	(0.1)
At 31 December 2015	**—**	**1.4**

US joint ventures

In 2013 the Group entered into a joint venture agreement (JVA) with Avenue OLG Entertainment LLC (Avenue) and other minority shareholders to form AAPN Holdings LLC (AAPN), under which the Group has a 47% interest in AAPN. AAPN has a 100% owned subsidiary, AAPN New Jersey LLC (AAPN NJ), which has a B2C gaming offering in New Jersey.

The Group's share of equity injections by its joint venture partners during 2014, which amounted to US$3.8 million, was accounted for through the consolidated statement of comprehensive income.

As at 31 December 2015, AGN LLC (AGN), the entity which contracted with a Las Vegas casino licensee in connection with the operation of a B2C gaming offering in Nevada, remained 100% owned by the Group. However, the Group considers that due to the manner in which AGN is operated under the contractual arrangements in the JVA, it is regarded as a joint venture. The Group also has an irrevocable commitment to contribute its ownership of AGN to AAPN for no consideration upon fulfilment of certain conditions.

On this basis the three entities AAPN, AAPN NJ and AGN have been equity accounted for, reflecting the Group's effective 47% interest in their aggregated results and assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

13 INVESTMENT IN EQUITY ACCOUNTED JOINT VENTURES AND ASSOCIATES continued

Amounts relating to the joint ventures and the Group's share of net assets and post-tax losses of the joint ventures are as follows:

Net assets of US joint ventures

	2015 US$ million	2014 US$ million
Non-current assets	4.7	5.3
Current assets	12.9	17.0
Current liabilities	(1.9)	(1.7)
Net assets of joint ventures	15.7	20.6
Assets attributed to class B holders	(15.7)	(20.6)
Net assets of joint ventures attributed to the Group	—	—
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	—	—
Income statement of US joint ventures		
Income	3.8	2.3
Expenses	(8.7)	(18.0)
Post tax loss of joint ventures	(4.9)	(15.7)
Expenses attributed to class B holders	(2.0)	(0.7)
Total post tax loss of joint ventures attributed to the Group	(6.9)	(16.4)
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures[1]	(3.2)	(7.7)

1 The Group's share of post tax loss of joint ventures during 2014 amounted to US$7.7 million. As at 31 December 2014 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 2015 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$3.2 million in its consolidated income statement in 2015.

Associates

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US$1.5 million. Further disclosures have not been provided as the investment is not material to the Group.

Other investments

The Group holds available for sale investments of US$0.2 million at 31 December 2015 (31 December 2014: US$0.2 million).

14 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2015 US$ million	2014 US$ million
Deferred tax assets		
Accrued severance pay	0.5	0.4
Share benefit charges	0.1	0.1
Vacation pay accrual	0.6	0.5
Derivative financial instruments	—	0.3
	1.2	1.3
Deferred tax liabilities		
Property, plant and equipment	1.0	0.9
Intangible assets	(2.7)	(1.7)
	(1.7)	(0.8)
	(0.5)	0.5

The Group has tax losses at 31 December 2015 of US$1.8 million (2014: US$1.8 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty that there will be suitable taxable profits against which these losses can be offset.

15 CASH AND CASH EQUIVALENTS

	2015 US$ million	2014 US$ million
Cash and short-term deposits	92.9	94.7
Customer funds	82.4	67.5
Restricted short-term deposits	3.3	0.9
	178.6	163.1

Customer funds represent bank deposits matched by liabilities to customers and progressive prize pools of an equal value (see note 19). Restricted short-term deposits represent amounts held by banks primarily to support guarantees in respect of regulated markets licence requirements.

16 TRADE AND OTHER RECEIVABLES

	2015 US$ million	2014 US$ million
Trade receivables	18.6	19.0
Other receivables and prepayments	14.3	11.0
Current trade and other receivables	32.9	30.0
Non-current other receivables and prepayments	0.8	0.7
	33.7	30.7

The carrying value of trade receivables and other receivables approximates to their fair value as the credit risk has been addressed as part of impairment provisioning and, due to the short-term nature of the receivables they are not subject to ongoing fluctuations in market rates. Note 24 provides credit risk disclosures on trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

17 SHARE CAPITAL

Share capital comprises the following:

	Authorised			
	31 December 2015 Number	31 December 2014 Number	**31 December 2015 US$ million**	31 December 2014 US$ million
Ordinary Shares of £0.005 each	**1,026,387,500**	426,387,500	**8.1**	3.9

At the Extraordinary General Meeting of the members of 888 Holdings plc held on 29 September 2015, the members approved a resolution pursuant to which the authorised share capital of the Company was increased from its previous limit of £2,131,937.50 divided into 426,387,500 Ordinary Shares of £0.005 each to £5,131,937.50 divided into 1,026,387,500 Ordinary Shares of £0.005 each.

	Allotted, called up and fully paid			
	31 December 2015 Number	31 December 2014 Number	**31 December 2015 US$ million**	31 December 2014 US$ million
Ordinary Shares of £0.005 each at beginning of year	**354,436,608**	351,977,275	**3.2**	3.2
Issue of Ordinary Shares of £0.005 each	**2,644,675**	2,459,333	**—**	—
Ordinary Shares of £0.005 each at end of year	**357,081,283**	354,436,608	**3.2**	3.2

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan (see note 21) during 2015 and 2014:

During 2015, the Company issued 2,644,675 shares (2014: 2,459,333) out of which 458,256 shares (2014: 239,693) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$0.9 million (2014: US$0.4 million).

Shares issued are converted into US$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US$3.2 million (2014: US$3.2 million) and is split into 357,081,283 (2014: 354,436,608) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2014: £1.8 million).

18 TRADE AND OTHER PAYABLES

	2015 US$ million	2014 US$ million
Trade payables	**29.7**	29.9
Other payables, accrued expenses and deferred income	**107.5**	74.2
	137.2	104.1

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances. The increase in other payables, accrued expenses and deferred income during the year mainly relates to accruals for gaming duties for the new regulated markets in the UK, Romania and Denmark and EU VAT in certain EU Member States.

19 LIABILITIES TO CUSTOMERS AND PROGRESSIVE PRIZE POOLS

	2015 US$ million	2014 US$ million
Liabilities to customers	**76.1**	58.0
Progressive prize pools	**6.3**	9.5
	82.4	67.5

20 INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

The consolidated financial statements include the following principal subsidiaries of 888 Holdings plc:

Name	Country of incorporation	**Percentage of equity interest 2015 %**	Percentage of equity interest 2014 %	Nature of business
VHL Financing Limited	Gibraltar	**100**	—	Holding company
Cassava Enterprises (Gibraltar) Limited	Gibraltar	**100**	100	Holder of gaming licences in Gibraltar
Virtual Digital Services Limited	Gibraltar	**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**	—	Holder of Romanian online gaming licence
888 (Ireland) Limited	Gibraltar	**100**	—	Holder of Irish online gaming licence
888 Denmark Limited	Gibraltar	**100**	—	Holder of Danish online gaming licence
New Wave Virtual Ventures Limited	Gibraltar	**100**	100	Development of social games – Mytopia
Gisland Limited	Gibraltar	**100**	100	Payment transmission
Virtual IP Assets Limited	BVI	**100**	100	Holder of group IP assets
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	**100**	100	Marketing acquisition
Virtual Marketing Services (UK) Limited	UK	**100**	100	Advertising services
888 US Services Inc.	New Jersey, USA	**100**	100	Provider of US-based services for US operations
Dixie Operations Limited	Antigua	**100**	100	Customer call center operator
Random Logic Limited	Israel	**100**	100	Research, development and marketing support
Sparkware Technologies SRL	Romania	**100**	100	Software development
Virtual Internet Services Limited	Gibraltar	**100**	100	Data hosting and development services
888 US Inc.	Delaware, USA	**100**	100	Holder of US Joint Venture
Virtual Marketing Services (Ireland) Limited	Ireland	**100**	—	Payment transmission and social gaming

* Virtual Marketing Services Italia Limited (formerly Virtual Marketing Services Italia Srl) was redomiciled from Italy to Gibraltar on 24 August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

21 SHARE BENEFIT CHARGES

Equity-settled share benefit charges

The Company had two equity-settled employee share incentive plans during 2015 – the 888 All-Employee Plan, which expired according to its terms in August 2015, and the 888 Long-term Incentive Plan 2015 which was adopted at the Extraordinary General Meeting on 29 September 2015. The 888 Long-term Incentive Plan 2015 is open to employees (including Executive Directors) and full-time consultants of the Group, at the discretion of the Remuneration Committee. Awards under this scheme will vest in installments over a fixed period of at least three years subject to the relevant individuals remaining in service. Certain of these awards are subject to additional performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors' Remuneration Report on page 50.

Details of equity settled shares and share options granted as part of the 888 All-Employee Plan and the 888 Long-Term Incentive Plan are set out below:

Share options granted

	2015		2014	
	Weighted average exercise price	**Number**	Weighted average exercise price	Number
Outstanding at the beginning of the year	**£1.48**	**2,136,633**	£ 1.44	2,560,600
Market value options lapsed during the year	**£1.75**	**(770,153)**	£ 1.51	(184,274)
Market value options exercised during the year	**£1.28**	**(458,256)**	£ 1.10	(239,693)
Outstanding at the end of the year[1,2,3]	**£1.35**	**908,224**	£ 1.48	2,136,633

1. Of the total number of options outstanding at 31 December 2015 908,224 had vested and were exercisable (2014: 2,136,633).
2. The range of exercise prices for options outstanding at 31 December 2015 is £1.02-£1.80 (2014: £1.02-£1.80).
3. The weighted average remaining contractual life at the year-end was 2.26 years (2014: 2.44 years)

Ordinary Shares granted (without performance conditions)

	2015 Number	2014 Number
Outstanding at the beginning of the year	**738,746**	1,495,484
Shares granted during the year	**1,320,000**	—
Shares issued during the year	**(731,263)**	(756,738)
Outstanding at the end of the year	**1,327,483**	738,746
Averaged remaining life until vesting	**2.63 years**	0.40 years

Shares are granted at a nominal exercise price.

Ordinary shares granted (subject to performance conditions)

	2015 Number	2014 Number
Outstanding at the beginning of the year	**3,496,205**	3,949,488
Shares granted during the year	**3,367,724**	1,039,223
Lapsed future vesting shares	**(134,810)**	(29,604)
Shares issued during the year	**(1,455,156)**	(1,462,902)
Outstanding at the end of the year	**5,273,963**	3,496,205
Averaged remaining life until vesting	**2.00 years**	1.16 years

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return (TSR) compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the Directors' remuneration report on page 50. The EPS growth target is taken into account when determining the number of shares expected to vest at each reporting date, and the TSR target is taken into account when calculating the fair value of the share grant.

21 SHARE BENEFIT CHARGES continued

Valuation information – shares granted under TSR condition

Shares granted during the year:	2015	2014
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.06	£0.92
Number of shares granted	1,683,862	519,612
Average risk-free interest rate	1.18%	1.18%
Average standard deviation	45%	45%
Average standard deviation of peer group	32%	32%

Valuation information – shares granted

	2015		2014	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Weighted average share price at grant date	£1.63	£1.63	—	£1.54
Weighted average share price at issue of shares	£1.64	£1.56	£1.32	£1.31

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 IFRSs a charge to the consolidated income statement in respect of any shares or options granted under the above schemes is recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the grant date, adjusted for changes in vesting conditions at each balance sheet date. These charges have no cash impact.

Cash-settled share-based payment

On 27 March 2012, the Company awarded its Chief Executive Officer (now the Chairman) a cash-settled share-based award ("Phantom Award"). The Phantom Award vested on 27 March 2015 as all vesting requirements were fulfilled.

Under the terms of the Phantom Award, the amount payable was calculated on an incremental basis, based on the average share price over a period of 20 dealing days prior to the vesting date (£1.56), resulting in an entitlement of £3.3 million (US$4.8 million).

Valuation information

As there are no outstanding cash-settled share-based payment awards at 31 December 2015, no amounts have been recorded in the consolidated balance sheet at that date. The cash-settled liability recognised at 31 December 2014 amounted to US$3.4 million based on valuation assumptions as follows:

	2014
Option pricing model used	Monte Carlo
Share price at 31 December	£1.39
Remaining life until vesting	0.24 years
Risk-free interest rate	0.14%
Standard deviation	27.30%

Share benefit charges

	2015 US$ million	2014 US$ million
Equity-settled		
Equity-settled charge for the year	2.4	1.3
Cash-settled		
Charges in respect of the Phantom Award	1.7	0.4
Total share benefit charges	4.1	1.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

22 RELATED PARTY TRANSACTIONS

The aggregate amounts payable to key management personnel, considered to be the Directors of the Company, as well as their share benefit charges, are set out below:

	2015 US$ million	2014 US$ million
Short-term benefits	**3.9**	3.4
Post-employment benefits	**0.1**	0.1
Share benefit charges – equity-settled	**1.8**	0.4
Share benefit charges – cash-settled	**1.7**	0.4
	7.5	4.3

Further details on Directors' remuneration are given in the Directors' Remuneration Report on pages 46 to 60.

US joint ventures

During 2015 the Group charged the US joint ventures for reimbursement of costs of US$1.8 million (2014: US$6.1 million), of which the outstanding balance at 31 December 2015 is US$0.2 million (2014: US$0.3 million).

Investment in associates

During 2015 the Group charged its associate for the Group share of the net revenue of US$1.5 million (2014: nil), of which the outstanding balance at 31 December 2015 is US$1.0 million (2014: nil).

23 COMMITMENTS

Lease commitments

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

Leases expiring	2015 US$ million	2014 US$ million
Within one year	**3.7**	3.7
Between two and five years	**1.3**	4.7
	5.0	8.4

The expense relating to operating leases recorded in the consolidated income statement in the year was US$4.5 million (2014: US$4.3 million).

24 FINANCIAL RISK MANAGEMENT

The Group is exposed through its operations to risks that arise from use of its financial instruments. Policies and procedures for managing these risks are set by the Board following recommendations from the Chief Financial Officer. The Board reviews the effectiveness of these procedures and, if required, approves specific policies and procedures in order to mitigate these risks.

The main financial instruments used by the Group, on which financial risk arises, are as follows:

- Cash and cash equivalents;
- Restricted cash;
- Trade and other receivables;
- Trade and other payables;
- Liabilities to customers;
- Available for sale financial investments

Detailed analysis of these financial instruments is as follows:

Financial assets	**2015 US$ million**	2014 US$ million
Trade and other receivables	**29.7**	26.3
Cash and cash equivalents	**178.6**	163.1
Available for sale investment	**0.2**	0.2
	208.5	189.6

In accordance with IAS 39, all financial assets are classified as loans and receivables except for available-for-sale investments, which are classified as available for sale assets.

Financial liabilities	**31 December 2015 US$ million**	31 December 2014 US$ million
Trade and other payables	**124.9**	92.5
Derivative financial instruments	**—**	2.5
Customer deposits	**82.4**	67.5
	207.3	162.5

In accordance with IAS 39, all financial liabilities are held at amortised cost except for the derivative financial instruments, which are recognised at fair value through profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

continued

24 FINANCIAL RISK MANAGEMENT continued

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 25, there are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

The Group's credit risk is primarily attributable to trade receivables, most of which are due from the Group's payment service providers (PSP). These are third party companies that facilitate deposits and withdrawals of funds to and from customers' virtual wallets with the Group. These are mainly intermediaries that transact on behalf of credit card companies.

The risk is that a PSP would fail to discharge its obligation with regard to the balance owed to the Group. The Group reduces this credit risk by:

» Monitoring balances with PSPs on a regular basis.

» Arranging for the shortest possible cash settlement intervals.

» Replacing rolling reserve requirements, where they exist, with a Letter of Credit by a reputable financial institution.

» Ensuring a new PSP is only contracted following various due diligence and "Know Your Customer" procedures.

» Ensuring policies are in place to reduce dependency on any specific PSP and as a limit any concentration of risk.

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt amounting to US$0.5 million arising from a PSP failing to discharge its obligation (2014: US$0.5 million). This has been charged to the consolidated income statement.

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ("chargebacks") or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2015 was US$1.3 million (2014: US$1.2 million).

The Group's in-house Fraud and Risk Management department carefully monitors deposits and withdrawals by following prevention and verification procedures using internally-developed bespoke systems integrated with commercially-available third party measures.

Cash and cash equivalents

The Group controls its cash position from its Gibraltar headquarters. Subsidiaries in its other main locations maintain minimal cash balances as required for their operations. Cash settlement proceeds from PSPs, as described above, are paid into bank accounts controlled by the Treasury function in Gibraltar.

The Group holds its funds with highly reputable financial institutions and will not hold funds with financial institutions with a low credit rating. The Group maintains its cash reserves in highly liquid deposits and regularly monitors interest rates in order to maximise yield.

Customer funds

Customer funds are matched by customer liabilities and progressive prize pools of an equal value.

Restricted short-term deposits

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, totaling US$208.5 million (2014: US$189.6 million).

24 FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Group's financial liabilities:

	2015				
	On demand US$ million	**In 3 months US$ million**	**Between 3 months and 1 year US$ million**	**More than 1 year US$ million**	**Total US$ million**
Trade and other payables[1]	**6.6**	**83.6**	**34.7**	**—**	**124.9**
Customer deposits	**82.4**	**—**	**—**	**—**	**82.4**
	89.0	**83.6**	**34.7**	**—**	**207.3**

1. Excludes deferred income.

	2014				
	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]	9.7	71.6	11.2	—	92.5
Derivative financial instruments	—	0.7	1.8	—	2.5
Customer deposits	67.5	—	–	—	67.5
	77.2	72.3	13.0	—	162.5

1. Excludes deferred income.

Market risk

Currency risk

The Group's financial risk arising from exchange rate fluctuations is mainly attributed to:

» Mismatches between customer deposits, which are predominantly denominated in US$, and the net receipts from customers, which are settled in the currency of the customer's choice and of which Pounds Sterling (GBP) and Euros (EUR) are the most significant.

» Mismatches between reported revenue, which is mainly generated in US Dollars (USD) (the Group's functional and reporting currency), and a significant portion of deposits settled in local currencies.

» Expenses, the majority of which are denominated in foreign currencies including Pounds Sterling (GBP), Euros (EUR) and New Israeli Shekels (ILS).

The Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This includes the use of foreign exchange forward contracts designed to fix the economic impact of known liabilities.

At 31 December 2015 the Group does not have any open foreign exchange forward contracts.

At 31 December 2014 the Group had open foreign exchange forward contracts between New Israeli Shekels and US Dollars with a principal amount of US$91 million, in respect of 2015 operational costs incurred in New Israeli Shekels. The fair value of these forward contracts was a liability of US$2.5 million, which was settled during 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

24 FINANCIAL RISK MANAGEMENT continued
The tables below detail the monetary assets and liabilities by currency:

	2015					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	**56.1**	**33.8**	**20.6**	**61.5**	**6.6**	**178.6**
Trade and other receivables	**13.6**	**8.4**	**0.3**	**4.1**	**3.3**	**29.7**
Available for sale investments	**—**	**—**	**—**	**0.2**	**—**	**0.2**
Monetary assets	**69.7**	**42.2**	**20.9**	**65.8**	**9.9**	**208.5**
Trade and other payables	**(40.8)**	**(28.2)**	**(23.2)**	**(30.9)**	**(1.8)**	**(124.9)**
Customer deposits	**(22.9)**	**(9.4)**	**—**	**(49.3)**	**(0.8)**	**(82.4)**
Monetary liabilities	**(63.7)**	**(37.6)**	**(23.2)**	**(80.2)**	**(2.6)**	**(207.3)**
Net financial position	**6.0**	**4.6**	**(2.3)**	**(14.4)**	**7.3**	**1.2**

	2014					
	GBP US$ million	EUR US$ million	ILS US$ million	USD US$ million	Other US$ million	Total US$ million
Cash and cash equivalents	19.1	15.6	22.6	99.0	6.8	163.1
Trade and other receivables	12.8	5.1	0.4	3.3	4.7	26.3
Available for sale investments	–	–	–	0.2	—	0.2
Monetary assets	31.9	20.7	23.0	102.5	11.5	189.6
Trade and other payables	(31.5)	(12.9)	(22.9)	(23.6)	(1.6)	(92.5)
Derivative financial instruments	—	—	—	(2.5)	—	(2.5)
Customer deposits	(13.5)	(5.2)	—	(48.7)	(0.1)	(67.5)
Monetary liabilities	(45.0)	(18.1)	(22.9)	(74.8)	(1.7)	(162.5)
Net financial position	(13.1)	2.6	0.1	27.7	9.8	27.1

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

The Group's policy is to invest surplus funds in low risk money market funds and in interest bearing bank accounts. The Group arranges for excess funds to be placed in these interest bearing accounts with its principal bankers in order to maximise availability of funds for investments.

Downside interest rate risk is minimal as the Group has no floating rates borrowings. Given current low interest rates a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US$0.6 million.

24 FINANCIAL RISK MANAGEMENT continued

Sensitivity analysis

The table below details the effect on profit before tax of a 10% strengthening (and weakening) in the US Dollar exchange rate at the balance sheet date for balance sheet items denominated in Pounds Sterling, Euros and New Israeli Shekels:

	Year ended 31 December 2015		
	GBP US$ million	**EUR US$ million**	**ILS US$ million**
10% strengthening	**(0.6)**	**(0.5)**	**0.2**
10% weakening	**0.6**	**0.5**	**(0.2)**

	Year ended 31 December 2014		
	GBP US$ million	EUR US$ million	ILS US$ million
10% strengthening	1.3	(0.3)	—
10% weakening	(1.3)	0.3	—

25 FAIR VALUE MEASUREMENTS

At 31 December 2015, the Group's available for sale investment is measured at fair value and at 31 December 2014, the Group's derivative financial instruments and available for sale investment were measured at fair value. For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

The Group's derivative financial instruments are measured at fair value under IAS 39 and are designated as level 2 in the fair value hierarchy. At 31 December 2015 the fair value of the Group's derivative financial instruments was US$nil (2014: a liability of US$2.5 million), determined using forward exchange rates that are quoted in an active market.

Other financial instruments carried at fair value are not considered material. There were no changes in valuation techniques or transfers between categories in the period.

26 CONTINGENT LIABILITIES AND REGULATORY MATTERS

(a) As part of the Board's ongoing regulatory compliance and operational risk assessment process, it continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

(b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, the Board is unable to quantify reliably any material outflow of funds that may result, if any. Accordingly, no provisions have been made.

(c) The Group operates in numerous jurisdictions. Accordingly, and on the basis of tax advice obtained, the Group is filing tax returns, providing for and paying all taxes and duties it believes are due based on local tax laws and transfer pricing agreements. The Group is also periodically subject to audits and assessments by local taxing authorities.

There is significant uncertainty as to whether VAT is due in respect of certain services provided by the Group to customers in certain European Union Member States prior to 2015. These uncertainties are in respect of the determination of the place of supply of some or all of the services provided by the Group prior to 2015 and, insofar as the place of supply is determined to be the Member State in which the customer is located, whether a possible imposition of VAT on relevant services by certain Member States would be lawful. There is also uncertainty in certain Member States surrounding the tax base to be applied in the event that it is ultimately determined that VAT is due on any relevant services. Based on a thorough legal assessment, the Group considers that it is unlikely that any liability will arise and has, therefore, not recorded any liability in the Group financial statements. Furthermore, given the uncertainties surrounding the quantification of any VAT which may be payable, the Board believes that any attempt to either estimate or quantify the range of the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to the Group's position in defending any claims for past VAT.

In respect of other taxes and duties, other than as provided in the Group financial statements, the Board considers it unlikely that any further liability will arise from the final settlement of such assessments.

COMPANY BALANCE SHEET

At 31 December 2015

	Note	**2015 US$ million**	2014 US$ million
Assets			
Non-current assets			
Investments in subsidiaries	2	**29.6**	27.4
		29.6	27.4
Current assets			
Trade and other receivables	3	**91.6**	88.8
Income tax receivable		**2.7**	—
		94.3	88.8
Total assets		**123.9**	116.2
Equity and liabilities			
Equity			
Share capital	4	**3.2**	3.2
Share premium	4	**2.2**	1.3
Retained earnings		**69.6**	65.4
Total equity		**75.0**	69.9
Liabilities			
Current liabilities			
Trade and other payables	5	**47.2**	39.4
Income tax payable		**—**	2.9
Share benefit charges – cash-settled	8	**—**	3.4
		47.2	45.7
Non-current liabilities			
Deferred tax liabilities	10	**1.7**	0.6
Total liabilities		**48.9**	46.3
Total equity and liabilities		**123.9**	116.2

The financial statements on pages 108 to 112 were approved and authorised for issue by the Board of Directors on 22 March 2016 and were signed on its behalf by:

Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 111 and 112 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital US$ million	Share premium US$ million	Retained earnings US$ million	Total US$ million
Balance at 1 January 2014	3.2	0.9	70.8	74.9
Total comprehensive income for the year	—	—	44.5	44.5
Dividend paid (note 9)	—	—	(51.2)	(51.2)
Issue of shares (note 4)	—	0.4	—	0.4
Equity settled share benefit charges (note 8)	—	—	1.3	1.3
Balance at 31 December 2014	3.2	1.3	65.4	69.9
Total comprehensive income for the year	—	—	55.3	55.3
Dividend paid (note 9)	—	—	(53.5)	(53.5)
Issue of shares (note 4)	—	0.9	—	0.9
Equity settled share benefit charges (note 8)	—	—	2.4	2.4
Balance at 31 December 2015	**3.2**	**2.2**	**69.6**	**75.0**

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

Share capital – represents the nominal value of shares allotted, called-up and fully paid for.
Share premium – represents the amount subscribed for share capital in excess of nominal value.
Retained earnings – represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income and other transactions with equity holders.

The notes on pages 111 and 112 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 US$ million	2014 US$ million
Cash flows from operating activities:			
Profit before tax		**52.0**	50.1
Adjustments for:			
Share benefit charges	8	**2.0**	0.7
Decrease (increase) in net amounts owed by subsidiaries	3, 5	**5.1**	(1.9)
Decrease in other receivables	3	**0.1**	—
(Decrease) increase in trade and other payables	5	**(5.4)**	4.7
Cash generated from operations		**53.8**	53.6
Income tax paid		**(1.2)**	(3.5)
Net cash generated from operating activities		**52.6**	50.1
Cash flows from financing activities:			
Issue of shares	4	**0.9**	0.4
Dividends paid	9	**(53.5)**	(51.2)
Net cash used in financing activities		**(52.6)**	(50.8)
Net decrease in cash and cash equivalents		**—**	(0.7)
Cash and cash equivalents at the beginning of the year		**—**	0.7
Cash and cash equivalents at the end of the year		**—**	—

The notes on pages 111 and 112 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

A description of the Company, its activities and definitions are included in note 1 to the consolidated financial statements.

The Company has applied accounting policies identical to the Group's accounting policies listed in note 2 to the consolidated financial statements, other than in relation to investments in subsidiaries, which are held at cost less any impairment provision required.

Under Section 10(2) of the Gibraltar Companies Act 2014, the Company is exempt from the requirement to present its own income statement.

2 INVESTMENTS IN SUBSIDIARIES

The Company's principal subsidiaries are listed in note 20 to the consolidated financial statements and in the Company's financial statements are held at cost less provision for any impairment. The Group applies IFRS 2 – Share-based Payment. Consequently, the Company recognises as a cost of investment the value of its own shares that it makes available for the purpose of granting share options to employees or contractors of its subsidiaries. The movement in investment in subsidiaries during the year was US$2.2 million (2014: US$1.3 million) included within this were share-based payment charges of US$2.1 million in 2015 (2014: US$0.9 million).

3 TRADE AND OTHER RECEIVABLES

	31 December 2015 US$ million	31 December 2014 US$ million
Amounts due from subsidiaries	**91.4**	88.5
Other receivables and prepayments	**0.2**	0.3
	91.6	88.8

The carrying value of trade and other receivables approximates to their fair value. None of the balances included within trade and other receivables are past due or impaired. Amounts due from subsidiaries are payable on demand.

4 SHARE CAPITAL

The disclosures in note 17 to the consolidated financial statements are identical for the Company.

5 TRADE AND OTHER PAYABLES

	31 December 2015 US$ million	31 December 2014 US$ million
Trade payables	**0.3**	0.4
Amounts due to subsidiaries	**38.4**	30.4
Other payables and accrued expenses	**8.5**	8.6
	47.2	39.4

The carrying value of trade and other payables approximates to their fair value. All balances included within trade and other payables are repayable on demand.

6 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are identical to those of the Group as disclosed in note 24 to the consolidated financial statements.

7 CONTINGENT LIABILITIES

The disclosures in note 26 to the consolidated financial statements are identical for the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

continued

8 SHARE BENEFIT CHARGES

The disclosures in note 21 to the consolidated financial statements are identical for the Company except that the charge for the year is partly taken to investment in subsidiaries, as set out in note 2.

9 RELATED PARTY TRANSACTIONS

During the year the Company received dividends from its subsidiaries totaling US$60.5 million (2014: US$60.0 million) and paid to its shareholders dividends totaling US$53.5 million (2014: US$51.2 million).

Share benefit charges in respect of options and shares of the Company awarded to employees of subsidiaries totalled US$2.1 million (2014: US$0.9 million).

During the year subsidiaries of the Company supported it in funding US$7.5 million of the Company's costs (2014: US$18.8 million).
At 31 December 2015, the net amounts owed by subsidiaries to the Company were US$53.0 million (2014: US$58.1 million).

The aggregate benefits paid to key management personnel, which the Company considers are the Directors of the Company, by its subsidiaries are set out below:

	Year ended 31 December 2015 US$ million	Year ended 31 December 2014 US$ million
Short term benefits	**—**	0.2

10 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2015 US$ million	2014 US$ million
Deferred tax assets		
Derivative financial instruments	**—**	0.3
	—	0.3
Deferred tax liabilities		
Property, plant and equipment	**1.0**	0.9
Intangible assets	**(2.7)**	(1.8)
	(1.7)	(0.9)
	(1.7)	(0.6)

SHAREHOLDER INFORMATION

Group websites
A range of shareholder information is available in the Investor Relations area of the Group's website, corporate.888.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can also be accessed through the Group's main website www.888.com or are available directly.

Casino
888's Casino games are offered through its 888casino and live casino

- www.888casino.com
- www.777.com
- www.888games.com
- live-casino.888casino.com
- www.Casino-on-Net.com
- www.ReefClubCasino.com
- www.evcitycasino.com
- www.888vipcasinoclub.com

Poker
888's Poker offering is through 888poker

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

Bingo
888's Bingo offering is through 888ladies and Wink

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.bigbrotherbingo.com
- www.jammyduck.com
- www.daisybingo.com
- www.888bingo.com
- www.bingofabulous.com

Sportsbook
888's Sportsbook offering is through 888sport

- www.888sport.com

USA
888's New Jersey Poker and Casino games are offered through its US regulated website

- US.888Poker.com
- US.888Casino.com
- US.888.com

Spain
888's Spain Poker, Casino games and Sport are offered through its Spanish regulated website

- www.888.es
- www.888poker.es
- www.888casino.es
- www.888sport.es

Italy
888's Italy Casino games and Sport are offered through its Italian regulated website

- www.888.it
- www.888casino.it
- www.888sport.it

Denmark
888's Denmark Poker, Casino games and Sport are offered through its Denmark regulated website

- www.888.dk
- www.888poker.dk
- www.888casino.dk
- www.888sport.dk

Games
888's Games offering is through 888games

- www.888games.com

Mytopia Social Games
888's social games are offered through Mytopia social games websites:

- www.mytopia.com
- www.bingoisland.com

Responsible gaming:
The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

NOTES

NOTES

COMPANY INFORMATION

Shareholder services
All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

Capita Registrars
The Registry
34 Beckenham Road Beckenham
Kent
BR3 4TU
UK

Tel: 0870 162 3100
www.capitaregistrars.com

Further information
For further information please contact:
info@888holdingsplc.com

Principal bankers
Barclays Bank Plc
1 Churchill Place
London
E14 5HP
UK

Solicitors
Allen & Overy LLP
One Bishops Square
London
E1 6AD
UK

Hassans
57/63 Line Wall Road
Gibraltar

Herzog Fox Neeman
Asia House
4 Weizman Street
Tel Aviv
Israel 64239

Company secretary
Strait Secretaries Limited
57/63 Line Wall Road
Gibraltar

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

EY Limited
PO Box 191
Regal House
Queensway
Gibraltar

Incorporated in Gibraltar with registered number 90099
Stock Code: 888

ckd
Design & Production
www.carrkamasa.co.uk

FSC www.fsc.org MIX Paper from responsible sources FSC® C022913

888 Holdings plc
Suite 601/701 Europort
Europort Road
Gibraltar

T +350 20049800
F +350 20048280
E info@888holdingsplc.com

corporate.888.com