

20th March 2018

**888 Holdings Public Limited Company
("888" or the "Group")**

Audited annual financial results for the year ended 31 December 2017

Continued strategic progress with record revenue

888, one of the world's most popular online gaming entertainment and solutions providers, announces its audited annual financial results for the year ended 31 December 2017.

Financial Highlights

- Group revenue increased 4% to US\$541.8 million (2016: US\$520.8 million) and increased 26% in regulated markets excluding the UK
- Group revenue increased in each quarter of 2017 on a year on year basis
- B2C revenue increased 6% to US\$486.6 million (2016: US\$460.2 million)
- Casino revenue increased 4% to US\$293.9 million (2016: US\$282.1 million)
- Sport revenue increased 45% to US\$75.5 million (2016: US\$51.9 million)
- Adjusted EBITDA* increased 12% to US\$100.7 million (2016: US\$90.2 million); on a constant currency basis, Adjusted EBITDA increased 19%
- Adjusted EBITDA margin increased to 18.6% (2016: 17.3%) or 19.5% at constant currency
- As disclosed in the Half Year results Exceptional charges of US\$50.8 million were incurred during the period, out of which US\$45.3 million relate to potential past VAT matters and US\$5.5 million in connection with the UK Gambling Commission ("UKGC") settlement
- Substantial free cash flow, allowing for dividend payments during the year of US\$70.5 million (2016: US\$56.6 million)
- Adjusted basic earnings per share increased 15% to 20.1¢ (2016: 17.4¢), Basic earnings per share decreased 76% to 3.5¢ (2016: 14.4¢)
- Reflecting the strong performance of the Group but in light of regulatory developments and mindful of the importance of retaining adequate cash to fund potential investment activities, the Board of Directors is recommending a final dividend of 5.9¢ per share in accordance with 888's dividend policy, plus an additional one-off 5.6¢ per share, bringing the total for the year to 15.5¢ per share (2016: 19.4¢ per share)

* As defined in the CFO Report below

Operational Highlights

- Revenue from regulated and taxed markets continued to represent the significant majority of Group revenue at 70% (2016: 71%) despite heightened regulatory scrutiny in the UK market
- Mobile revenue continued to increase across verticals and represented 70% of UK B2C revenue (2016: 60%)
- Continued strong growth in Spain and Italy, the Group's two fastest growing regulated markets, with revenue increasing by 34% in each market:
 - Spain expanded to represent 12% of Group revenue driven by significant growth in Casino and Sport as well as increased and efficient marketing investment
 - In January 2018, post year end, the Group launched 888poker.it to build on the successful Casino and Sports betting offerings available in the Italian market

- 30 new skins added to the Dragonfish Bingo network
- Revised senior management structure to support 888's continued growth with the appointment of Itai Pazner as Chief Operating Officer

Recent regulatory developments

- As previously stated in the Risk Management Strategy section of our Annual Report and Accounts regulatory uncertainty exists in certain territories in which we operate, including Germany. Following a recent ruling by the Federal Administrative Court of Germany, the Board of 888, together with the Group's legal counsel, is assessing the status and breadth of its offerings in the German market.

Itai Frieberger, CEO of 888, commented:

"888 has delivered another year of progress achieving record revenues of US\$541.8 million and a 12 per cent increase in Adjusted EBITDA. The Group's growth was driven by further expansion in Casino, Sport and across regulated markets. This very robust outcome was achieved despite the Group's withdrawal from certain markets during the year and demonstrates 888's resilience and agility that is underpinned by first-class technology and an outstanding team.

The Group has continued to reap the rewards of its investments in recent years in several growth markets including Spain and Italy. These markets helped to drive very strong revenue growth in regulated markets excluding the UK of 26%. The Group continues to gain momentum in Sport where revenue increased an impressive 45%.

Current trading since the start of the year is in line with our expectations with average daily revenue 6% above the previous year, representing an 8% increase when adjusted for the withdrawn markets.

888 is a resilient and diversified operator with scalable proprietary technology. The Group has a number of significant growth opportunities ahead and the Board is confident of another year of operational progress."

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

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

Financial summary

	2017 ¹ US\$ million	2016 ¹ US\$ million	Change Constant currency ²	Change Reported
Revenue– B2C				
Casino ³	293.9	282.1		4%
Poker	77.9	84.4		(8%)
Sport	75.5	51.9		45%
Bingo	39.3	41.8		(6%)
Total B2C	486.6	460.2	7%	6%
B2B	55.2	60.6	(5%)	(9%)
Revenue	541.8	520.8	5%	4%
Operating expenses ⁴	(138.8)	(136.1)		
Gaming duties	(75.2)	(60.5)		
Research and development expenses	(35.4)	(34.3)		
Selling and marketing expenses	(162.5)	(170.2)		
Administrative expenses ⁵	(29.2)	(29.5)		
Adjusted EBITDA⁶	100.7	90.2	19%	12%
Depreciation and amortisation	(19.3)	(19.0)		
Finance	(3.1)	(1.3)		
Adjusted profit before tax⁸	78.3	69.9		12%
Share benefit charges	(8.5)	(6.7)		
Exceptional charges ⁷	(50.8)	(3.9)		
Share of equity accounted associates loss	(0.2)	(0.1)		
Profit before tax	18.8	59.2		(68%)
Adjusted basic earnings per share	20.1¢	17.4¢		15%
Basic earnings per share	3.5¢	14.4¢		(76%)

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	2017 ¹ US\$ million	2016 ¹ US\$ million
Profit before tax	18.8	59.2
Finance expense, net	3.1	1.3
Depreciation	5.7	8.4
Amortisation	13.6	10.6
EBITDA	41.2	79.5
Exceptional charges ⁷	50.8	3.9
Share benefit charges	8.5	6.7
Share of post-tax loss from equity accounted associates	0.2	0.1
Adjusted EBITDA⁸	100.7	90.2

¹ Totals may not sum due to rounding.

² Constant currency: 888 reports its financial results in US\$ however (i) it generates certain revenue streams from customers using other currencies and (ii) it incurs costs in various currencies. Due to the strong US\$ in 2017 compared to 2016, reported revenue and profit were adversely impacted. Constant currency has been calculated as follows: (i) Revenue: with the exception of Poker, by applying 2016 exchange rates to revenue generated during 2017. Poker revenue was also adversely impacted given that many Poker customers fund their US\$ bankroll using other currencies, which suffered reduced purchasing power compared to the US\$. It is difficult to quantify reliably this indirect impact (other than a small adjustment which was made to Poker revenue generated in Euro) (ii) Costs: costs were retranslated by applying 2016 exchange rates. When applying constant currency measure to the B2C revenue there was no material impact save for B2C Bingo revenue which decreased by 1% at constant currency as opposed to a 6% decrease in reported revenue.

³ Social games revenue, which was previously included in the Emerging Offerings segment, is presented in the Casino segment. 2016 revenue figures have been re-classified to allow a like for like comparison. These changes are described in note 2 to the financial statements.

⁴ Excluding depreciation of US\$5.7 million (2016: US\$8.4 million) and amortisation of US\$13.6 million (2016: US\$10.6 million).

⁵ Excluding share benefit charges of US\$8.5 million (2016: US\$6.7 million).

⁶ As defined in the table above.

⁷ Exceptional charges of US\$45.3 million in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015 all as described in note 5 to the financial statements and US\$5.5 million in lieu of a fine as part of a resolution of the UKGC licence

review (2016: US\$3.0 million in respect of gaming taxes relating to activity in prior years and US\$0.9 million in respect of exceptional legal and professional costs).

⁸ Adjusted EBITDA is the main measure the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional charges and adjustments. It does so because the Group considers that it allows for a better reflection of the underlying financial performance of the Group.

Analyst Presentation

Itai Frieberger, Chief Executive Officer, Aviad Kobrine, Chief Financial Officer, and Itai Pazner, Chief Operating Officer will host a presentation for analysts today at 10:00 (GMT) at the offices of Hudson Sandler, 29 Cloth Fair, London EC1A 7NN. To express interest in attending please contact 888@hudsonsandler.com or call +44 (0)207 796 4133.

An audio webcast of the presentation will be available from the investor relations section of 888's website (<http://corporate.888.com/investor-relations>) later today.

Enquiries and further information:

<http://corporate.888.com/>

888 Holdings Plc

Itai Frieberger, Chief Executive Officer

+350 200 49 800

Aviad Kobrine, Chief Financial Officer

+350 200 49 800

Hudson Sandler – 888@hudsonsandler.com

Michael Sandler

+44(0) 207 796 4133

Alex Brennan

Hattie O'Reilly

Bertie Berger

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

CHAIRMAN'S STATEMENT

I am pleased to update 888's stakeholders on what has been another year of progress for the Group. 888's performance in 2017 has been underpinned by continued development against the Group's strategic objectives including further focusing our presence in regulated territories, investing in our proprietary technology and continuing to develop and diversify the business across products and markets. At the same time, we have been focused on developing and enhancing 888's tools and processes designed to ensure that our customers are, above all else, able to enjoy unparalleled online gaming entertainment in the safest and most secure environment possible.

Results and dividend

888 has delivered further growth during 2017 with revenue increasing by 4% to US\$541.8 million (2016: US\$520.8 million). This resilient outcome was achieved despite the Group's withdrawal from certain markets¹ during the year which caused a 2% decrease in Group revenue, and reflects the strength of the Group's business model and strategy. 888's performance during the period was again driven by progress in Casino, momentum in Sport and further expansion in Continental European regulated markets, most notably Italy and Spain.

Adjusted EBITDA² increased by 12% to US\$100.7 million (2016: US\$90.2 million). Adjusted profit before tax³ was 12% higher at US\$78.3 million (2016: US\$69.9 million). The Group remains highly cash generative with net cash generated from operating activities of US\$95.5 million (2016: US\$68.1). Exceptional charges of US\$50.8 million (2016: US\$3.9 million) were incurred in respect of potential past value added tax in Germany and US\$5.5 million as part of a resolution of the UKGC licence review all as described in the CFO's Report below.

Reflecting the strong performance of the Group but in light of regulatory developments and mindful of the importance of retaining adequate cash to fund potential investment activities, the Board of Directors is recommending a final dividend of 5.9¢ per share in accordance with 888's dividend policy, plus an additional one-off 5.6¢ per share, bringing the total for the year to 15.5¢ per share (2016: 19.4¢ per share).

¹ Poland, Australia, Slovenia, Slovakia, Czech Republic.

² As defined in the table below.

³ As defined in the table below.

Strategic progress

888's growth strategy is to deliver the Group's potential across a diverse range of products and markets. Underpinning this are 888's core strengths including: world class technology; a strong, dedicated management team; business analytics expertise; customer relationship management capabilities and innovative marketing.

The Board believes that 888's proprietary online gaming technology and associated platforms are truly market leading and provide the bedrock for 888's competitive advantages. In such a dynamic and fast-moving industry, the ability to develop our own technology and solutions means that the Group remains agile to quickly and effectively capture new opportunities and meet regulatory changes. CEO Itai Frieberger elaborates on our technology and investment in the CEO's Strategic Report.

With 888's diversification and exceptional, scalable technology the Group remains able to evaluate M&A opportunities from a position of strength. We anticipate that potential regulatory changes in the UK, notably in relation to retail

operators' Fixed Odds Betting Terminals, will impact the competitive dynamics of the gambling sector and, quite possibly, lead to further waves of consolidation.

Regulated markets

888's focus is on growing and developing the business in regulated markets where we are able to leverage the Group's full marketing capabilities to drive growth. We continue to embrace and support regulatory developments globally that provide better protection for customers and clearer frameworks for online gaming operators.

In the UK, there are increasing and much-publicised regulatory pressures and constraints on the gambling industry, including online operators. We maintain a close dialogue with relevant stakeholders and are committed to working together to continually improve the standards of operation across the industry.

In 2017, revenue from regulated and taxed markets accounted for 70% of Group revenue (2016: 71%), primarily driven by the Group's expansion in Continental Europe with very strong progress in Spain and Italy. During the year the Group withdrew from certain markets either which did not fit 888's long-term growth focus or because of regulatory changes. Whilst revenue and profitability would have been higher had the Group been able to continue operating in these markets, this decision demonstrate our commitment to being a responsible and compliant operator as well as our strategic focus on developing our presence in markets that enjoy clear and sustainable regulatory frameworks. Whilst the UK remains a major market for the Group, we have the flexibility to exploit significant growth opportunities in a number of geographies where 888 has strong market positions.

Corporate social responsibility

888's values place the community and the customer at the centre of all endeavours and our objective, above all else, is to ensure that all those who visit our sites can do so with confidence and safety. We strive to ensure that those for whom our games are not intended, notably the underage and the vulnerable, will not be drawn into the gaming environment and those customers who develop a gambling problem are quickly identified and helped. As well as being the right thing to do, by doing this effectively and conducting business responsibly we are in a stronger position to generate value for all stakeholders.

In August 2017, we entered into a voluntary regulatory settlement following a license review process with the United Kingdom's Gambling Commission ("**UKGC**"). 888 fully cooperated with the UKGC throughout the process and we accepted the historical failings highlighted by the review which have pushed the Group to further enhance its responsible gambling technology and policies. In virtue of owning our own technology, we have been able to make changes quickly and effectively and the improvements we have implemented - further details of which are included in the CEO's Strategic Report - leave 888 well placed to continue to succeed in the online gaming environment that customers and regulators will demand going forward.

Board and people

We were pleased to appoint two new Independent Non-Executive Directors to the Board of 888 in 2017: Zvika Zivlin joined in May and Anne de Kerckhove was appointed in November. Their skill sets and broad experience are already benefiting 888 as we continue to grow and develop as a global leader in online gaming.

In addition, Amos Pickel stood down as a Non-Executive Director of 888 in May. Amos served on the Board from 2006 and brought a wealth of knowledge and experience during his tenure. On behalf of everyone at 888, I would like to thank Amos for his contribution and we wish him well in his future endeavours.

We also strengthened our executive management team structure in October 2017 with the appointment of Itai Pazner as Chief Operating Officer. Itai has in-depth and widespread understanding of both 888 and the online gaming industry having spent the past 16 years with the Group including more than six years as Senior Vice President of the B2C Division. Itai Pazner reports directly into CEO Itai Frieberger and is taking overall responsibility for day-to-day operations across marketing, product and technology development.

On behalf of the Board, I would like to take this opportunity to thank each of my colleagues at 888 for their commitment during the year. In 2017 we were presented with a number of opportunities and some challenges and the Group's success is a result of the skill and adaptability of our outstanding team. I am confident that their talent and commitment will ensure 888 remains at the forefront of the online gaming industry for years to come.

Outlook

The global online gaming market is fast-growing and dynamic with regulation continuing to play a major role in shaping the future direction of our industry. The Board continues to believe that as an agile, multi-product and multi-market operator that owns its own technology, 888 is very well positioned to deliver further growth.

Trading during the financial year to date has been in line with the Board's expectations with average daily revenue 6% above the previous year and 8% adjusted for withdrawn markets.

888 has further opportunities across its existing geographies, platforms and product verticals, most notably Sport where we are driving strong revenue growth. At the same time, we are continuously appraising and evaluating new avenues for growth, including M&A. We will continue to exploit our ability to grow in regulated territories where 888 has a strong presence with further opportunities in both Spain and Italy where we intend to increase investment in the year ahead.

As previously stated in the Risk Management Strategy section of our Annual Report and Accounts regulatory uncertainty exists in certain territories in which we operate. In Germany, a subsidiary of the Group has been the subject of a ruling on appeal by the Federal Administrative Court which prohibits offering online gaming services in the state of Baden Württemberg, and includes general findings of law upholding the prohibition on offering online gaming in Germany under the German Inter-State Gambling Treaty.

In recent months, other providers (in the online and land-based sectors) have withdrawn from the German online gaming market, and recently payment institutions facilitating approximately 9% of deposits for the Group in Germany have decided to cease providing certain services with respect to the German online gaming market. Certain other payment institutions have notified the Group that they are considering their position.

The Company is highly disappointed by this far reaching ruling and, together with the Group's legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market.

Above all, 888's focus in 2018 and beyond will, as ever, remain on delivering a truly satisfying and safe experience for customers, thereby supporting strong and sustainable growth for our shareholders.

Brian Mattingley
Chairman

CEO'S STRATEGIC REPORT

I am pleased to report that, in 2017, 888 delivered continued progress while further strengthening its focus on responsible gaming and compliance, growth in regulated markets and sports betting and technology leadership. Progress has been achieved despite increased regulatory focus on the gambling industry, primarily in the UK, as well as the decision to withdraw from certain markets. The Group's success and ability to drive upward trends to offset these headwinds reflects the power of 888's technology, marketing and customer relationship management ("CRM") as well as the benefits of the Group's diversification strategy.

888 enjoys a unique position in the global online gaming industry and I firmly believe we ended 2017 in a stronger position than ever before. We have a truly diversified presence across product verticals and geographies, a first-class and scalable technology platform and an outstanding, talented team.

888'S BUSINESS MODEL

888 Holdings is structured into two lines of business: B2C, under the 888 brands, and B2B, conducted through Dragonfish. Through its B2C business, which accounted for 90% of Group revenue in 2017, 888 operates popular and trusted online gaming brands across four product verticals: Casino, Sport, Poker and Bingo. Through Dragonfish the Group offers gaming partners a comprehensive end-to-end solution encompassing technology, operations and advanced marketing tools, as well as online best practices.

888 owns and develops proprietary online gaming technology and associated platforms. This provides the bedrock of the Group's success with the ability to develop and enhance our own tools and solutions being a competitive advantage in such a dynamic and rapidly changing industry. Owning technology enables 888 to develop new and differentiated games and products, adapt to regulatory changes effectively and quickly respond to new opportunities.

888's business is based upon attracting customers to its brands in a cost-effective manner and then retaining those customers by offering an enjoyable and safe online gaming experience. To achieve this, 888 invests in technology, marketing and product leadership with sophisticated data analytics underpinning and guiding the Group's approach to all areas of business development.

888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals who have analysed and learned from customer behaviour since 888's foundation. 888's highly-trained workforce and its internally generated know-how remain major drivers of the Company's value, and 888 carefully manages and sustains these resources. Details of actions taken in 2017 are set out in the Corporate Responsibility Report set out in the 2017 Annual Report. Teams across 888 from product development, to marketing, to customer support, leverage this extensive and constantly evolving data and, by applying robust statistical models and subject always to our responsible gaming policies, influence the following factors in the online gaming cycle:

1. Marketing

Central to 888's approach is an unwavering focus on return-to-cost driven marketing. The Group continually evolves its marketing techniques, both online and offline, to support its brands and increase customer loyalty.

The returns to cost of all marketing campaigns are rigorously tested against strict criteria before being extended to their target markets. This ensures that 888's marketing spend is both cost efficient and effective.

2. Acquisition

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

3. Deposits

Customers need to be able to enjoy a seamless, enjoyable journey from the moment they visit our websites through to depositing into their accounts and enjoying our games. 888's proprietary payment processing capabilities support a wide variety of languages, methods and currencies and it is vital that we are able to offer fast, efficient and easy to use payment processing with the most relevant payment methods identified and emphasised for different customers according to their market.

4. Customer relationship management

Once 888 has acquired a customer, we want to make sure that they continue to enjoy their experience with 888. Factors behind this include personalised communications, a broad range of relevant bonuses, and the early identification of potentially "churning" players.

5. Activity

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

888's ability to successfully develop new proprietary games and functionality on mobile and desktop platforms helps to differentiate 888 in the eyes of the customer. We combine exclusive and high-quality "in-house" created games with third party and branded content to ensure that we always offer the freshest and most enjoyable customer proposition.

6. Gaming revenue

By generating higher revenue, our marketing teams are therefore able to increase investment in campaigns to acquire more new customers and still ensure that the business meets its strict return to cost criteria.

888'S MISSION: SAFE AND SECURE ENTERTAINMENT

888's mission is, above all else, to provide its customers with a safe and secure environment in which to enjoy first-class online gaming entertainment. As a business, we never lose sight of our duty as a responsible operator and our goal is to ensure that all those who visit our sites can do so with confidence. Furthermore, we want to ensure that those for whom our games are not intended, notably underage and vulnerable individuals, will not be drawn into the gaming environment. Doing this successfully and protecting our customers is not just the right way to do business, but it is the only way in which 888 will grow and continue to succeed. Operating responsibly and in full compliance with local regulations is critical to long-term sustainable growth and, with the improvements we have made during

the year to our technology, processes and culture, I believe responsibility and compliance is now developing into an advantage for 888.

In 2017, 888 underwent a license review process with the UKGC, as detailed above and in note 5 to the consolidated financial statements. This review process followed a technical failure whereby some customers who had requested to be self-excluded on one of 888's two gaming platforms were not successfully excluded from the other platform. It was never 888's intention to benefit from this technical failure which was alerted to the UKGC by 888 and quickly rectified. The UKGC's review process also highlighted a failure in the Group's interaction with an individual customer who exhibited excessive gambling behaviour.

We were truly disappointed by and sorry for the historical failings highlighted by the UKGC's review process. It goes without saying that we took this process incredibly seriously and 888's senior management team devoted during 2017, and continues to devote, significant resources to assessing and delivering improvements to 888's responsible gaming tools and processes. Aided by the fact that we develop and own our gaming technology, we have been able to quickly and effectively make meaningful improvements for customers. These have included:

- Expanding and enhancing the algorithms that 888 uses to analyse playing patterns so as to help identify players who might be, or might become, vulnerable to problem gambling. As a result, we can detect more complex trends in customer behaviour and better identify potentially vulnerable players thereby enabling 888's trained team to interact earlier with customers who may need help and support;
- Re-assessing and lowering the thresholds across certain metrics tracked by our system that, when triggered, will lead to earlier customer interaction and the offer of support from a trained member of the 888 team;
- Improving our technology to significantly enhance our ability to identify customers who operate multiple accounts across 888's platforms, thereby ensuring we can more effectively self-exclude customers who may have chosen to open multiple accounts;
- Enhancing our checks on customers' sources of funds to ensure that the deposits our customers make are legitimate;
- Training our team to help them identify and interact better with vulnerable or potentially vulnerable customers; and
- Enhancing our monitoring systems and processes so that potential failures are detected at the earliest possible time and are addressed.

These changes and improvements have made 888 an even stronger operator than we were before. Whilst this is an area of continuous improvement and we will not dilute our focus, the interaction with the UKGC during 2017 pushed 888 to enhance our responsible gambling technology, policies and mindset. As a result, I firmly believe that today we are even better placed to continue to succeed in the industry environment that customers and regulators will demand going forward.

888'S STRATEGY AND PROGRESS

888 has a clear strategy for sustainable growth and to deliver long-term value for all stakeholders. This is based upon exploiting the Group's organic potential as well as evaluating attractive M&A opportunities.

During 2017 we continued to make strong progress with our transition to becoming a fully regulated business that is diversified across products and geographic markets:

Strategic pillars	2017 performance highlights*:
<p>Development of core B2C brands</p> <p>We continue to develop our B2C brands to ensure that we offer customers the most enjoyable online gaming entertainment possible.</p> <p>888 has established leading brands in Casino, Poker and Bingo as well as the fast-growing and rapidly developing 888Sport.</p>	<ul style="list-style-type: none"> ○ B2C revenue growth continues to be driven by Casino, Sport and regulated territories with a 6% increase compared to 2016: <ul style="list-style-type: none"> ○ 8% increase in B2C revenue at constant currency and when adjusted for the Group's withdrawal from certain markets ○ 15% increase outside the UK ○ 12.5% CAGR since 2010 ○ Increase in average active days per player and average revenue per player ○ Casino revenue increased 4% reflecting continued focus on regulated markets: <ul style="list-style-type: none"> ○ Casino revenue increased 17% outside the UK ○ 18% increase in average active days per Casino player reflecting outstanding CRM capabilities ○ Sport revenue up 45%: <ul style="list-style-type: none"> ○ Continued investment in marketing and brand positioning driving customer recognition of 888Sport as a credible sports betting brand across regulated markets ○ Average revenue per Sport player increased by 45%; active days per sport player increased 6% ○ Improving and expanding customer offer with live events comprising approximately 70% of bet volume ○ Poker revenue decreased 8%: <ul style="list-style-type: none"> ○ Revenue decrease by just 1% at constant currency and when adjusted for Group's withdrawal from certain markets, demonstrating the resilience of the brand and its continued appeal to recreational players ○ Mobile share reached 17% of Poker revenue (2016: 14%) and 29% of Poker revenue in the UK (2016: 25%) reflecting product development focused on mobile devices

	<ul style="list-style-type: none"> ○ Average active days per player and average revenue per player each increased more than 20% ○ Bingo revenue decreased 6% ○ Decrease was only 1% at constant currency, in part reflecting successful bonus optimisation efforts that reduced activity from unprofitable bonus abusers ○ Mobile revenue continued to increase across core gaming verticals (Casino, Poker, Bingo, Sports), increasing to 70% of UK B2C revenue (2016: 60%)
<p>Enhancing efficiencies</p> <p>Management remain steadfastly focused on maximising operational efficiencies, including by constantly developing and refining marketing approaches and driving increased volumes.</p>	<ul style="list-style-type: none"> ○ Revised senior management structure to support 888's continued growth with the appointment of Itai Pazner as COO ○ Marketing ratio decreased to 30% of revenue (2016: 33%) reflecting efficient and targeted marketing on growth areas including regulated markets, Casino and Sport ○ Overall cost ratio reduced to 81% of revenue (2016: 83%) ○ Cost ratio reductions achieved despite increased gaming tax burden
<p>Expansion in regulated markets</p> <p>888's focus is on driving growth in markets where there is a sustainable regulatory framework for online gaming and where we are able to benefit from marketing opportunities for our brands. 888 has a proven track-record in successfully and efficiently launching and growing in attractive regulated markets.</p>	<ul style="list-style-type: none"> ○ Revenue from regulated and taxed markets comprised 70% of Group revenue (2016: 71%) ○ Diversification strategy continues with the UK now representing 37% of Group revenue, down from 43% in 2016 ○ Strategic decision to withdraw from certain markets during the year ○ Revenue from Spain and Italy, the Group's two fastest growing regulated markets, increased by 34% ○ Spain expanded to represent 12% of Group revenue ○ Poker launched in Italy at the beginning of 2018 (post year-end)
<p>B2B through Dragonfish</p> <p>We will continue to invest in and develop our B2B offer to establish Dragonfish as the partner of choice in both regulated and newly regulating markets.</p>	<ul style="list-style-type: none"> ○ B2B Revenue down 9%: <ul style="list-style-type: none"> ○ Revenue decreased by 5% at constant currency ○ Revenue reduction reflects: <ul style="list-style-type: none"> ○ Significant reduction of marketing by one of our B2B partners. Excluding this partner, overall B2B revenue would have increased compared to previous year ○ Bonus optimization efforts reducing activity from unprofitable bonus abusers ○ 30 new skins added to the Dragonfish Bingo network ○ 12 of these new skins launched on the Casino Flex platform

Continue to protect our customers, employees, community and act responsibly

The Group is constantly mindful of its social responsibilities, which includes protecting our customers and ensuring they enjoy a truly satisfying experience.

888 continues to invest resources in caring for our customers, protecting the vulnerable, and ensuring that we continue to entertain those who choose to play with 888.

888 has policies in place to prevent bribery and corruption, promote the well-being and diversity of its employees and prevent violations of human rights in its supply chain. 888 periodically reviews the Group's environmental impact, however notes that as an online business this is limited, and therefore has not adopted a formal policy at this stage.

- Significant focus on developing and enhancing 888's responsibility tools and processes during the year to:
 - better identify vulnerable or potentially players;
 - better identify customers with multiple accounts; and
 - check customer source of funds.
- Investment in training our team to help them identify and interact better with vulnerable or potentially vulnerable customers.
- Due diligence processes are in place with regard to the Company's anti-bribery policy and anti-modern slavery policy. Particular focus is given to bribery risks involved in dealings with foreign government officials and brokers, and to human slavery risks in respect of service providers to the Group's offices in less developed countries.

* Against comparable 2016 data

Our B2C brands:

Product	Our Offer	How we generate revenue
Casino	<p>888casino is one of the most recognized and longest standing online casino brands in the market, and the winner of numerous prestigious awards.</p> <p>888casino is known for its generous jackpot prizes and aims to provide the most enjoyable online experience available by combining exclusive in-house developed games alongside branded video slots and 'live' Casino games, which offer high-quality video streamed casino games with a range of professional dealers.</p>	<p>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'.</p> <p>Casino gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.</p>
Poker	<p>888poker is a multi-award-winning poker destination, offering a first-class poker environment that enables players of all abilities to enjoy the games of their choice alongside a variety of innovative features. Formats and features include BLAST (combining gaming with poker, allowing players to compete for a randomly drawn prize pool of up to 10,000 times the player's 'buy in' in a time-limited game).</p> <p>888poker offers Texas Hold'em, Omaha Hi'Lo, 7 Card Stud and other poker variations in Pot Limit, Fixed Limit and No Limit formats.</p>	<p>In online poker, the operator acts as the virtual host for the game and provides a platform that enables customers to play various forms of poker against each other.</p> <p>Poker revenue represents the commission (or 'rake') charged from each poker hand in ring games, and entry fees for participation in Poker tournaments.</p>
Bingo	<p>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.</p> <p>888's portfolio of brands includes 888 Ladies and Wink Bingo.</p>	<p>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.</p> <p>Bingo online gaming revenue is represented by the difference between the amounts of tickets purchased by customers less amounts won.</p>

Sport	888Sport is a fast-growing sports betting destination. At the heart of the 888sport offer is genuine passion for sport, with thousands of live and pre-event betting markets on offer across hundreds of events, from the obvious to the obscure.	Sportsbook online gaming revenue comprises bets placed less pay-outs to customers. 888 pays a share of net gaming revenue to its third-party sports betting platform provider.
--------------	---	---

B2B – Dragonfish, the partner of choice

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

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

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

Itai Frieberger

Chief Executive Officer

CFO'S REPORT

2017 Business & Financial Review

Introduction

2017 was yet another successful year for 888 with continued growth and record-breaking revenue performance despite regulatory and compliance challenges, primarily in the UK, and the Group's withdrawal from certain markets.

888's continued increase in revenue was achieved by leveraging its analytical marketing expertise while maintaining effective cost control.

Financial summary

	2017 ¹ US\$ million	2016 ¹ US\$ million	Change Constant currency ²	Change Reported
Revenue– B2C				
Casino ³	293.9	282.1		4%
Poker	77.9	84.4		(8%)
Sport	75.5	51.9		45%
Bingo	39.3	41.8		(6%)
Total B2C	486.6	460.2	7%	6%
B2B	55.2	60.6	(5%)	(9%)
Revenue	541.8	520.8	5%	4%
Operating expenses ⁴	(138.8)	(136.1)		
Gaming duties	(75.2)	(60.5)		
Research and development expenses	(35.4)	(34.3)		
Selling and marketing expenses	(162.5)	(170.2)		
Administrative expenses ⁵	(29.2)	(29.5)		
Adjusted EBITDA⁶	100.7	90.2	19%	12%
Depreciation and amortisation	(19.3)	(19.0)		
Finance	(3.1)	(1.3)		
Adjusted profit before tax⁸	78.3	69.9		12%
Share benefit charges	(8.5)	(6.7)		
Exceptional charges ⁷	(50.8)	(3.9)		
Share of equity accounted associates loss	(0.2)	(0.1)		
Profit before tax	18.8	59.2		(68%)
Adjusted basic earnings per share	20.1¢	17.4¢		15%
Basic earnings per share	3.5¢	14.4¢		(76%)

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	2017 ¹ US\$ million	2016 ¹ US\$ million
Profit before tax	18.8	59.2
Finance expense, net	3.1	1.3
Depreciation	5.7	8.4
Amortisation	13.6	10.6
EBITDA	41.2	79.5
Exceptional charges ⁷	50.8	3.9
Share benefit charges	8.5	6.7
Share of post-tax loss from equity accounted associates	0.2	0.1
Adjusted EBITDA⁸	100.7	90.2

- ¹ Totals may not sum due to rounding.
- ² Constant currency: 888 reports its financial results in US\$ however (i) it generates certain revenue streams from customers using other currencies and (ii) it incurs costs in various currencies. Due to the strong US\$ in 2017 compared to 2016, reported revenue and profit were adversely impacted. Constant currency has been calculated as follows: (i) Revenue: with the exception of Poker, by applying 2016 exchange rates to revenue generated during 2017. Poker revenue was also adversely impacted given that many Poker customers fund their US\$ bankroll using other currencies, which suffered reduced purchasing power compared to the US\$. It is difficult to quantify reliably this indirect impact (other than a small adjustment which was made to Poker revenue generated in Euro) (ii) Costs: costs were retranslated by applying 2016 exchange rates. When applying constant currency measure to the B2C revenue there was no material impact save for B2C Bingo revenue which decreased by 1% at constant currency as opposed to a 6% decrease in reported revenue.
- ³ Social games revenue, which was previously included in the Emerging Offerings segment, is presented in the Casino segment. 2016 revenue figures have been re-classified to allow a like for like comparison. These changes are described in note 2 to the financial statements.
- ⁴ Excluding depreciation of US\$5.7 million (2016: US\$8.4 million) and amortisation of US\$13.6 million (2016: US\$10.6 million).
- ⁵ Excluding share benefit charges of US\$8.5 million (2016: US\$6.7 million).
- ⁶ As defined in the table above.
- ⁷ Exceptional charges of US\$45.3 million in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015 all as described in note 5 to the financial statements and US\$5.5 million in lieu of a fine as part of a resolution of the UKGC licence review (2016: US\$3.0 million in respect of gaming taxes relating to activity in prior years and US\$0.9 million in respect of exceptional legal and professional costs).
- ⁸ Adjusted EBITDA is the main measure the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional charges and adjustments. It does so because the Group considers that it allows for a better reflection of the underlying financial performance of the Group.

Financial Results and Dividend

888 delivered further growth in revenue in 2017. Reported Revenue increased by 4% and reached an all-time high of US\$541.8 million (2016: US\$520.8 million) driven by continued strong performances in Casino, Sport and across regulated markets, most notably Spain and Italy. The performance was achieved despite the Group's withdrawal from certain markets during the year which caused a 2% reduction in revenue as well as the heightened regulatory scrutiny in the UK. At constant currency, Group revenue increased 5% year on year.

Adjusted EBITDA for the year increased by 12% to US\$100.7 million (2016: US\$90.2 million) and by 19% at constant currency. The Adjusted EBITDA margin increased to 18.6% (2016: 17.3%). At constant currency, the Adjusted EBITDA margin was 19.5%.

Adjusted profit before tax increased by 12% to US\$78.3 million (2016: US\$69.9 million). Profit before tax was US\$18.8 million (2016: US\$59.2 million) as a result of the exceptional charges. Further information on these Exceptional charges is set out in note 5 of the financial statements.

Adjusted basic earnings per share increased 15% to 20.1¢ (2016: 17.4¢). Basic earnings per share was 3.5¢ (2016: 14.4¢). Further information on reconciliation of adjusted basic earnings per share is provided in note 9 to the 2017 financial statements.

Net cash generated from operating activities increased significantly to US\$95.5 million in 2017 (2016: US\$68.1 million). The increase compared to 2016 is a result of higher profit before tax adjusted for exceptional charges and the significant outflow of cash during 2016 in respect of gaming duties, exceptional charges and income tax related to previous periods.

As at 31 December 2017, the Group's financial position remained strong with cash and cash equivalents of US\$179.6 million (2016: US\$172.6 million) and US\$71.7 million liabilities to customers (2016: US\$75.7 million). Net cash

(calculated as cash net of liabilities to customers) increased to US\$107.9 million (2016: US\$96.9 million) after dividend payments during the year of US\$70.5 million (2016: US\$56.6 million).

Reflecting the strong performance of the Group but in light of regulatory developments and mindful of the importance of retaining adequate cash to fund potential investment activities, the Board of Directors is recommending a final dividend of 5.9¢ per share in accordance with 888's dividend policy, plus an additional one-off 5.6¢ per share, bringing the total for the year to 15.5¢ per share (2016: 19.4¢ per share).

B2C OVERVIEW

B2C revenue during the year was US\$486.6 million, representing a 6% increase compared to the prior year (2016: US\$460.2 million) and 90% of total Group revenue (2016: 88%). B2C growth was achieved despite the Group's decision to withdraw from certain markets during the year which caused a 2% reduction in B2C revenue, and heightened regulatory scrutiny which impacted revenue from the UK. It was underpinned by continued momentum in Casino, further outstanding growth in Sport, with a 45% revenue increase building on exceptional growth in 2016, as well as growth across several regulated markets.

The Group's continued progress was driven by 888's highly effective CRM and continued marketing investment as well as notable success on mobile, in Sport and across regulated European markets.

Mobile continues to grow across markets and product verticals and is an increasingly important driver of revenue, deposits and customer recruitment. B2C revenue from mobile devices in the UK represented 70% of UK revenue in 2017 compared to 60% in 2016, with the share of customer recruitment and deposits from mobile devices also increasing.

B2C - Product segmentation

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

	2017 US\$ million	2016 US\$ million	Change Constant currency	Change Reported
Revenue - B2C				
Casino	293.9	282.1		4%
Poker	77.9	84.4		(8%)
Sport	75.5	51.9		45%
Bingo	39.3	41.8		(6%)
Total B2C	486.6	460.2	7%	6%
B2B	55.2	60.6	(5%)	(9%)
Revenue	541.8	520.8	5%	4%

Casino

Results overview

Casino continued its strong momentum with a 4% increase in revenue to US\$293.9 million (2016: US\$282.1 million). This is a result of continued development of the mobile platform; a successful Live Casino offering; further expansion

across a number of regulated markets, most notably Spain and Italy; and effective cross-sell from other verticals, primarily Sport. Casino revenue increased 17% when excluding the UK market.

Average active days per Casino players increased by 18% against 2016 and average revenue per player remained stable.

Product overview

The Group's success in Casino remains underpinned by our outstanding brand and first-class customer experience, all driven by highly effective CRM and marketing.

Casino offers classic table games, such as blackjack and roulette, as well as exclusive in-house developed proprietary games and appealing third-party content. During 2017, we added 72 new Casino games across mobile and desktop platforms.

Poker

Results overview

Poker experienced a challenging 2017 with revenue of US\$77.9 million (2016: US\$84.4 million). This performance was impacted by the Group's decision to withdraw from certain markets, in line with the Group's strategic focus on operating in sustainable regulated markets, which resulted in 8% decline in Poker revenue compared to the previous year. Excluding the markets from which the Group withdrew during the year, which caused a 7% reduction in Poker revenue, revenue decreased by only 1% compared to the previous year. While reported revenue decreased, average revenue per player and average active player days increased by 22% and 20% respectively year on year reflecting the strength and appeal of 888's poker proposition.

In January 2018, post the year end, the Group launched Poker in Italy. 888poker.it is offering customers in Italy 888's unique poker games and the full range of its poker variants. This means that 888 now offers all three of its core gaming verticals (casino, sports betting and poker) in Italy, one of the Group's fastest-growing markets.

Product overview

Poker performance continues to reflect the 888poker brand's reputation as a leading destination for recreational poker players as well as the quality and variety of 888's poker proposition. The product is also supported by a fully integrated Casino gaming suite and Sports betting offer.

New product innovation remains key to 888poker's success. The Group remains focused on further enhancing the player experience on mobile devices and the Group's BLAST product, a mobile-friendly "sit and go" format launched in mid-2016, continues to prove popular with customers and drive activity. In addition, SNAP, a high-speed poker variant introduced in 2016, was successfully launched in Spain during the first half of the year and is performing well.

Sport

Results overview

888's momentum in Sport continued during the year with a major focus on further developing the Group's presence in this strategically significant vertical. Sport revenue increased 45% to US\$75.5 million (2016: US\$51.9 million). This momentum was derived from successful marketing; a wider portfolio of events for customers to bet on; live

betting; and enhanced analytics that enabled 888 to offer “tailor-made” bets to customers. The progress during the year was achieved despite strong comparatives from the prior year, which included European football championships, in addition to the absence of a major sporting tournament during 2017. 888sport’s continued growth therefore demonstrates the effectiveness of the Group’s marketing and CRM.

In 2017, average active days per Sport players increased by 6% against 2016 and average revenue per player increased by 45% against the prior year.

Product overview

As well as continuing to provide the fast-growing product revenue stream for 888, Sport remains a highly important customer acquisition channel for the Group and provides additional value to the Group by cross-selling customers into Casino.

Supported by innovative and effective marketing investment, 888Sport is increasingly recognised as a credible sports betting destination with a wide range of markets, live bets and competitive odds for customers to enjoy. During the year we improved the sport player experience and retention through intelligent marketing tools such as real-time promotions.

In July 2017, 888 signed an extension to its agreement with Kambi Group including more favourable terms that provide 888 with continued access to a leading sport product that is integrated into 888’s market-leading back office. The deal retains 888’s flexibility to change platforms in the event of merger or acquisition activity.

Bingo

Results overview

The Group achieved Bingo revenue of US\$39.3 million (2016: US\$41.8 million) representing a 1% decrease at constant currency and a 6% reduction in reported revenue, reflecting the clear dominance of Sterling in Bingo revenue. This outcome was achieved against the backdrop of a highly competitive UK bingo market as well as the tighter regulatory environment in the UK.

The share of mobile devices within Bingo B2C revenue in the UK continued to grow and now represents 68% thereof (2016: 54%). In addition, Bingo average revenue per player increased 10% and average active days per player increased by 6% year on year.

Product overview

888 offers online bingo entertainment across a wide array of branded bingo sites, each with its own engaging theme and content. The Group’s bingo brands benefit from 888’s continuous development with regular new content and in-house developed games helping to differentiate 888’s brands in the competitive UK market.

B2B REVIEW

Results overview

Revenue from Dragonfish, 888's B2B line of business, was US\$55.2 million (2016: US\$60.6 million). The B2B revenue decrease of 9% compared to the previous year was impacted by weaker Sterling against the Group's reporting currency as well as the competitive nature of the UK bingo market. At constant currency, B2B revenue decreased by 5%. The lower revenue was also a result of one of Dragonfish's larger B2B partners reducing marketing activity during the second half of the year which resulted in a lower revenue share to the Group.

Revenue from our B2B business in the US market has remained in line with Board expectations. The Group continues to monitor the regulatory landscape in the US and is well placed to capitalise on future potential regulatory developments as and when they occur.

Operational overview

The B2B platform continued to expand with 18 new skins added to the network. The Group's partners continue to enjoy and benefit from new features and functionality including ability to offer seamless shared games between Bingo rooms, a new awards system that offers a variety of prizes and a vast addition of new game vendors.

The Group's *Casinoflex* instant games proposition continues to develop and grow, adding 12 new brands in the year, resulting in 38 brands now operating on the platform. A key focus during 2017 has been to introduce additional content and new optimisation tools intended to increase revenue per player.

Revenue by geographic market

Table of revenue by geographical market:

	2017	2016	Growth (decline)	% of reported
	US\$ million	US\$million	from previous year	Revenue (2017)
Europe - Other	213.6	183.7	16%	39%
UK	203.1	223.2	(9%)	37%
Spain	63.1	47.3	34%	12%
Americas	46.2	44.9	3%	9%
Rest of world	15.8	21.7	(27%)	3%
Total Revenue	541.8	520.8	4%	100%

The Group's growth strategy is focused on driving sustainable performances in regulated markets, thereby further diversifying the business and enabling the Group to leverage its full marketing expertise as regulation allows. The Group continues to believe that the global online gaming market is in transition towards full regulation and the Board believes that 888's proven ability to launch in regulated markets and achieve critical mass in those markets is central to the Group's long-term success and profitability.

During the year revenue from regulated markets continued to represent the majority of the Group's revenue. In 2017, revenue from regulated markets represented 59% of the Group's revenue (2016: 61%), the decrease is a result of the weaker Sterling and heightened regulatory scrutiny impacting revenue from the UK. Regulated and taxed markets¹ represented 70% of Group revenue (2016: 71%).

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

Europe Other

At 39% of total revenue in 2017, Europe Other represented the most significant proportion of the Group's overall annual revenue (2016: 35%). This is a strong endorsement of the Group's ability to establish and develop a leading position in regulated markets.

Europe Other revenue increased by 16% to US\$213.6 million (2016: US\$183.7 million) reflecting growth across regulated markets but most notably, Italy, one of the Group's fastest growing markets. The Group intends to increase investment in the Italian market in the year ahead in order to capitalise on the future growth opportunities we envisage.

In Italy, revenue increased by 34%, supported by strong growth from Sport following its launch in early 2016. In January 2018, post year end, the Group launched 888poker.it to build on the successful casino and sports betting offerings already available in the Italian market. With all three of the Group's core gaming verticals now available in Italy for 888 to leverage, the Group sees further growth opportunities in that market.

UK

In the UK, the online gaming industry continues to face heightened regulatory scrutiny and constraints, in particular regarding areas including responsible gaming, marketing and advertising, and 'know your customer' requirements. Against this backdrop, and given the strong progress delivered across regulated continental European markets during 2017, revenue from the UK represented 37% of total revenue (2016: 43%). On a constant currency basis, UK revenue decreased by only 5% compared to the same period last year.

During H2 2017, changes in remote gaming duty in the UK were implemented that reform the treatment of bonuses and free plays. The Group was well-prepared for these changes and, with 888's ability to adapt and optimise its own technology platforms, we have been able to successfully mitigate part of the impact on the Group's profitability. We believe that with our ongoing investment in customer protection and compliance tools, 888 is well positioned to capitalise on any opportunities presented by potential changes to the competitive environment.

Spain

In Spain, the Group's second largest market, total revenue in 2017 increased by 34% against the prior year to US\$63.1 million (2016: US\$47.3 million) representing 12% of the Group's overall annual revenue (2016: 9%). This progress reflects significant growth in Casino and Sport as well as increased and efficient marketing investment. The Group intends to increase investment in Spain, where it has already developed a strong presence, with a focus on further capitalising on future growth opportunities.

US

Trading in the US market has remained in line with the Board's expectations.

The Group has a unique position in the US market which was further developed in the first half of the year with the introduction of the BLAST poker product to New Jersey. In addition, SNAP, a high-speed poker variant, was successfully launched in New Jersey during 2017.

The Group continues to monitor the regulatory landscape in the US and we remain confident that 888 is exceptionally well placed to capitalise on potential future regulatory developments as and when they occur.

Expenses overview

888's continued strong growth in Casino, Sport and in Continental European regulated and taxed markets has resulted in an increase in gaming duties and a modest increase in operating expenses.

Selling and marketing expenses decreased during 2017 compared to the prior year driven by marketing optimisation and efficiencies. In addition, the Group is now operating in fewer major regulated territories that are in the earlier stage of 888's investment in such market.

The Group continues to improve its operating efficiencies. This resulted in a lower level of expenses to revenue ratio for operating, selling and marketing and administrative expenses and a stable level of research and development expenses to revenue.

Operating expenses

Further growth in 888's Casino offering resulted in higher commissions and associated charges in respect of the Live Casino third-party platform. In addition, while Sport revenue increased significantly during the year, associated royalty costs payable to Kambi, the Group's sport platform provider, were lower as a result of new and improved terms negotiated during H2 2017.

Operating expenses* increased by a modest 2% to US\$138.8 million (2016: US\$136.1 million). The proportion of operating expenses* (which mainly comprise staff related costs, commissions and royalties payable to third parties, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services) to revenues decreased to 25.6% (2016: 26.1%). This reflected continued operating efficiencies and strict cost control against a backdrop of increasing regulatory requirements to tighten the scope of customer related screening. Reported operating expenses amounted to US\$158.1 million (2016: US\$155.1 million).

Deposit volumes substantially increased during the year while the chargebacks** ratio decreased to 0.5% (2016: 0.8%) of revenue, reflecting continued optimisation of the Group's risk management and fraud detection mechanisms that further enhanced 888's internal monitoring systems and allows the Group to react in real time to evolving fraud patterns.

* As defined in the table set out above

** "Chargeback" refers to a demand by a credit card provider for a retailer to make good the loss on a fraudulent or disputed transaction.

Gaming taxes and duties

Gaming duties levied in regulated and taxed markets increased considerably to US\$75.2 million (2016: US\$60.5 million). This is a direct result of strong revenue growth in regulated markets, primarily Spain, Italy and Austria; the introduction of Sport in Italy and Germany since the first half of 2016; and the implementation of reformed Remote Gaming Duty ("RGD") in the UK during the second half of 2017 which reforms the treatment of bonuses and free plays.

Research and development expenses

Research and development expenses increased 3% to US\$35.4 million (2016: US\$34.3 million). This is a result of the Group's continued investment in the development of new products and games as well as implementing new technologies and tools to further enhance customer protection. In addition, research and development expenses were also affected by the strengthening of the Israeli Shekel against the Group's reporting currency. The research and development expenses to revenue ratio remained stable at 7% (2016: 7%).

Selling and marketing expenses

The Group continuously evolves its marketing techniques and focuses on marketing optimisation to ensure 888's marketing spend is both effective and cost efficient. This resulted in selling and marketing expenses during 2017 of US\$162.5 million (2016: US\$170.2 million). The ratio of selling and marketing expenses to revenue reduced to 30.0% (2016: 32.7%). In addition, the Group is now operating in fewer major regulated territories that are in the earlier phases of 888's investment in such market. The higher level of marketing spend during 2016 was driven by management's decision to invest heavily in Sport marketing activities ahead of the Euro 2016 football championship.

Administrative expenses

Administrative expenses* amounted to US\$29.2 million (2016: US\$29.5 million) and represented a lower proportion of revenue compared to the previous year at 5.4% (2016: 5.7%). This was as a result of management's continued focus on maximising operational efficiencies and strict cost control. Reported administrative expenses amounted to US\$37.7 million (2016: US\$36.2 million).

* As defined in the table set out above.

Adjusted EBITDA

Adjusted EBITDA increased by 12% to US\$100.7 million (2016: US\$90.2 million). This is a strong result given external factors during the year including: the Group's withdrawal from certain markets; the impact of heightened regulatory scrutiny in the UK and the introduction of the new RGD in the UK from the second half of 2017; and adverse currency movements, primarily the weaker Sterling and stronger Israeli Shekel. Adjusted EBITDA at constant currency increased by 19%. Adjusted EBITDA margin increased to 18.6% (2016: 17.3%) or 19.5% at constant currency.

Exceptional charges

During 2017, 888 incurred exceptional charges of US\$50.8 million (2016: US\$3.9 million). This included a US\$45.3 million provision in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015, as described in note 5 to the 2017 financial statements, and a payment of US\$5.5 million in lieu of a fine as part of a resolution to the UKGC's licence review process.

The exceptional charges incurred during 2016 consisted of exceptional retroactive duties and associated charges relating to prior years of US\$3.0 million and US\$0.9 million legal and professional costs associated with the subsequently aborted proposal for a potential combination between the Group, The Rank Group plc and William Hill plc.

Share benefit charges

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

Equity settled share benefit charges of US\$8.5 million (2016: US\$6.7 million) mainly comprise of the full year effect of awards granted in previous year. Further details are given in the Directors' Remuneration Report set out in the 2017 Annual Report and in note 21 to the financial statements.

Finance income and expenses

Finance income of US\$0.6 million (2016: US\$0.4 million) less finance expenses of US\$3.7 million (2016: US\$1.7 million) resulted in a net expense of US\$3.1 million (2016: US\$1.3 million). The increased expense compared to the previous year is mainly attributable to US\$2.4 million retranslation of the exceptional provision for potential value added tax in Germany, which is denominated in Euro, as described above.

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

Profit before tax

Adjusted profit before tax increased by 12% to US\$78.3 million (2016: US\$69.9 million). Profit before tax was US\$18.8 million (2016: \$59.2 million profit) as a result of the exceptional charges outlined above.

Taxation and Profit after tax

Taxation for the period was US\$6.2 million (2016: US\$7.7 million). The decrease compared to 2016 mainly related to the tax effect of foreign currency losses following the strengthening of the ILS against the USD offset by withholding tax on dividend distribution by a subsidiary to the parent company. Further information on the Group's corporate tax is given in note 8 to 2017 financial statements.

Adjusted profit after tax² increased by 16% to US\$72.1 million (2016: \$62.2 million). Profit after tax was US\$12.6 million (2016: \$51.5 million) as a result of the exceptional charges outlined above.

² As defined in note 9 of the financial statements

Earnings per share

Adjusted Basic earnings per share increased by 15% to 20.1¢ (2016: 17.4¢). Basic earnings per share decreased by 76% to 3.5¢ (2016: 14.4¢) as a result of the exceptional charges outlined above. Further information on the reconciliation of Adjusted Basic earnings per share is given in note 9 to 2017 financial statements.

Dividend

Reflecting the strong performance of the Group but in light of regulatory developments and mindful of the importance of retaining adequate cash to fund potential investment activities, the Board of Directors is recommending a final dividend of 5.9¢ per share in accordance with 888's dividend policy, plus an additional one-off 5.6¢ per share, bringing the total for the year to 15.5¢ per share (2016: 19.4¢ per share).

Cash flow

Net cash generated from operating activities increased significantly to US\$95.5 million in 2017 (2016: US\$68.1 million). The increase compared to 2016 is a result of higher profit before tax adjusted for exceptional charges and outflow of cash during 2016 in respect of gaming duties, exceptional charges and income tax related to previous periods. The Group's strong performance and operating efficiency led to substantial free cash allowing for dividend payments during the year of US\$70.5 million (2016: US\$56.6 million).

Balance sheet

888's balance sheet remains strong, with no debt and ample liquid resources. 888's cash position as at 31 December 2017 was US\$179.6 million (2016: US\$172.6 million). The balance owed to customers at US\$71.7 million (2016: US\$75.7 million). Net cash increased to US\$107.9 million (2016: US\$96.9 million) after dividend payments of US\$70.5 million during the year (2016: US\$56.6 million).

Aviad Kobrine

Chief Financial Officer

RISK MANAGEMENT STRATEGY

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

The Board acts in accordance with a Risk Management Policy, which aims to explicitly identify and evaluate key risks underlying its core business strategy and standardise the approach to risk prioritisation and management across 888's operations. This in turn means that effective controls can be put in place to ensure 888 is able to manage its operations effectively now and into the future. 888's risk register is updated periodically and regular discussions are held at Board and management level of the role of risk in 888's business.

888's culture emphasises the need for employees to take responsibility for managing the risks in their own areas and to transparently and timely report "bad news" and "near miss" incidents, with a willingness to constantly learn and improve. The Board has also adopted a Reporting and Escalation Procedure to ensure timely reporting of internal reportable events including bugs, technical failures, information security malfunctions and marketing and other operational incidents which may affect customers.

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

- it is responsible for 888's risk management systems and for reviewing their effectiveness;
- there is an on-going process for identifying, evaluating and managing the principal risks faced by 888;
- the systems have been in place during 2017 and up to the date of approval of the annual report and accounts;
and
- they are regularly reviewed by the Board (please refer to the 2017 Annual Report for further details of the review conducted in 2017).

Risk appetite

Risk is a high priority for the Board and effective risk management is an integral part of the way we conduct our business on a daily basis. The Board factors into the risk assessment impact, likelihood and appetite considerations. Risk is managed across the Group in the context of overall risk appetite and during 2017 the Board considered risk appetite to ensure adequate resources are allocated to the risks. The Board reviewed and approved the following risk appetite statement:

Category of Risk	Tolerance	Risk Parameters
Strategic	Medium	During development and implementation of new propositions and assessing new opportunities including potential transactions, we are prepared to accept medium risks that support our pursuit of growth.
Operational	Low to medium	When operating within our business, we have a low to medium tolerance for risk. We will take a cautious approach to risk within our operations, but consider that certain risks will be taken in order to

		achieve our strategic objectives and maintain our competitive position.
Financial	Low	We consider that robust financial controls are necessary to manage our business effectively. All of our operating processes are based around policies and procedures that minimise the risk of a loss of financial control.
Compliance	Extremely low	We have an extremely low to zero tolerance when complying with laws and regulations that relate to bribery, corruption and anti-money laundering. We have controls in place that are designed to mitigate these risks, and detailed and tested procedures in place for dealing with these types of scenarios when they arise. We are particularly sensitive to compliance risks in our key regulated markets including the UK.

888 faces the following significant risks:

Regulatory risk → increased during 2017

The risk: The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction can have a material adverse effect on business volume and financial performance in that jurisdiction. In addition, a number of jurisdictions have regulated online gaming, and in several of those jurisdictions 888 either holds a licence or applied to obtain one. However, in some cases, lack of clarity in the regulations, or conflicting legislative and regulatory developments, mean that 888 may risk failing to obtain an appropriate licence, having existing licences adversely affected, or being subject to other regulatory sanctions, including internet service provider blocking, payments blocking, black-listing and fines. Furthermore, legal and other action may be taken by incumbent gaming providers in jurisdictions which are seeking to regulate online gaming, in an attempt to frustrate the grant of online gaming licences to 888. Finally, changes to either the regulatory framework or enforcement policy relating to online gaming in certain markets may effectively force the Company out of certain markets where it currently operates.

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

How the risk is managed: 888 manages its regulatory risk by routinely consulting with legal advisers in various jurisdictions where its services are marketed or which generate significant Group revenue. Furthermore, 888 obtains frequent and routine updates regarding changes in the law that may be applicable to its operations, working with local counsel to assess the impact of any changes on its operations. 888 constantly adapts and moderates its services to comply with legal and regulatory requirements. 888 has now also implemented organizational changes in order to strengthen regulatory compliance oversight, as well as to improve co-operation between the different departments and streamline processes of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests. In 2017, 888 also invested significant additional resources, well beyond what was applicable in the past, in regulatory compliance measures. Finally, 888 blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate.

What happened in 2017: The UKGC's licence review served as a catalyst for a comprehensive review of 888's compliance, responsible gaming systems, Anti-Money Laundering and "Know Your Client" checking processes, marketing practices and data protection systems, as well as for implementing the organisational changes described above in order to clarify responsibilities and reporting lines in critical areas, as detailed more fully in the CEO's Strategic Report, the Corporate Responsibility Report set out in the 2017 Annual Report and in note 5 to the consolidated financial statements. Enforcement action in the UK online gaming market has been declared a priority, with the UKGC taking a proactive role to drive change and the UK Competition and Markets Authority (CMA) investigating possible violations of consumer rights in the gaming industry. In Germany, the Company was served on 6 March 2018 with a detailed ruling of the German Federal Administrative Court in a case to which a subsidiary of

the Group was a party, pertaining to a prohibition order which prohibits offering online gaming services in the state of Baden Württemberg. The ruling was founded on a finding of law contrary to previous EU and German court rulings, upholding the current German ban of remote casino and restricting remote sports betting activity, rendering the offering of online gaming in Germany in general as prohibited under the German Inter-State Gambling Treaty. The Group has been advised that this ruling could result in increased enforcement measures in connection with the provision of its services to German customers. Furthermore, in recent months, other providers (in the online and land-based sectors) have withdrawn from the German online gaming market, and recently, payment institutions facilitating approximately 9% of deposits for the Group in Germany in 2017 have decided to cease providing certain services with respect to the German online gaming market. Certain other payment institutions have notified the Group that they are considering their position. As a result of these developments, the Company, together with its legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market. In Canada, the Group's fifth largest market, the anticipated request for proposal ("RFP") process by Loto-Québec to invite private companies to provide it with remote gambling services has yet to come to fruition. Similar initiatives that arose in Canada in previous years, as well as lack of liberalisation efforts in the Canadian remote gambling market, suggest that future efforts to restrict offering of online gambling services through local monopolies are a valid possibility. In addition, the applicability of Canadian penal law to offshore remote gambling operators remains untested, with no enforcement action being taken against such operators. Regulatory developments in Germany and Canada may present new opportunities for the Group, but may conversely make it harder or impossible for the Group to offer its services there. The latter change could have a material adverse impact on the Group's revenues. During 2017, 888 took the decision to withdraw from certain markets where changes to the market's regulatory framework or enforcement policy were viewed as potentially of material adverse effect on business volume and financial performance. In the Netherlands, the regulator has put in place stricter rules aimed at restricting operators from targeting the local market. Finally, Russian authorities approved a ban prohibiting the carrying out of transactions relating to foreign operators of online gambling to be implemented in mid-2018.

Brexit-related risks → increased during 2017

The risk: The status of Gibraltar as a result of "Brexit" remains unclear. Recent indications by the European Union have suggested that Spain would be granted a veto right with respect to the application to Gibraltar of transitional arrangements agreed with the United Kingdom, which increases the risk of a "hard Brexit" for Gibraltar. If 888 were to remain registered, licenced and operating in Gibraltar in these circumstances, its ability to rely on EU freedom of services / establishment principles in supplying its services within the EU will be limited; furthermore, it may become ineligible to continue to hold regulatory licenses in certain EU jurisdictions. "Brexit" may also adversely impact economic and market conditions in the United Kingdom and the rest of Europe.

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

How the risk is managed: 888 is not able to control political changes of this nature, however it is proceeding with its backup plan of obtaining a gaming licence in Malta and establishing a server farm in Ireland so that it can continue to serve European markets with no disruption to its business.

What happened in 2017: The UK formally notified the EU of its intention to withdraw in March 2017, which commenced a negotiation period which will conclude in March 2019 (unless all parties to the negotiations agree otherwise) with the United Kingdom ceasing to be a member of the EU.

Information Technology and Cyber risks → increased during 2017

The risk: IT systems may be impacted by unauthorised access, cyber-attacks, DDoS (Distributed Denial of Service) attacks, theft or misuse of data by internal or external parties, or disrupted by increases in usage, human error, natural hazards or disasters or other events. Cyber-attack and data theft incidents may expose 888 to “ransom” demands and costs of repairing physical and reputational damage. Failure of IT systems, infrastructure or telecommunications / third party infrastructure may cause significant cost and disruption to the business and harm revenues. Lengthy down-time of the site (including in transitioning to activated disaster recovery servers) could also cause 888 to breach regulatory obligations.

Relevance to strategy: As an online B2C and B2B business, the integrity of 888's IT infrastructure is crucial to the supply of its offerings and compliance with its regulatory obligations and to the maintenance of customer loyalty.

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

What happened in 2017: 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 Chief Information Security Officer. Software development personnel are trained in IT security and computerised systems monitor coding vulnerabilities in real time and provide timely notifications to management.

Various IT security projects were implemented by 888's IT Department under the guidance of its IT Security Committee. 888 continued to undergo regular IT security audits, including reviews by the internal IT team and external audits by gaming regulators.

Taxation risk → increased during 2017

The risk: Heightened attention continues to be given to matters of cross-border taxation, as the G20/OECD Base Erosion and Profit Shifting project has shifted into its implementation phase. On 30 November 2017, the General Secretariat of the Council of the European Union adopted conclusions on "Responding to the challenges of taxation of profits of the digital economy", supporting the adoption of "virtual permanent establishment" criteria as well as the quick introduction of interim measures to tax the digital economy, including a targeted turnover-based equalisation tax and potentially an EU-wide advertising tax. In the UK, HM Treasury published a position paper raising proposals to implement new taxation measures with respect to UK "user-generated value" of digital economy companies, whilst past proposals regarding imposition in the UK of "use and enjoyment" VAT rules with respect to UK-facing advertising have not materially progressed. The likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions and the aggressiveness of tax authorities continues to increase, with 888 recording a provision of US\$ 45.3 million (EUR 39.6 million) in 2017 consolidated income statement (2016: EUR nil) in connection with an inquiry from the tax authorities in Germany about services provided prior to 2015 in the context of which 888 provided information, in order to fulfil its statutory assistance and information obligations, to enable the appropriate tax authorities to form their own view regarding the likelihood of a VAT liability. A finding of taxable presence of the Group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as mentioned above), a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), or imposition of another form of tax as mentioned above, may have a substantial impact on the amount of tax and VAT paid by 888 or require significant payments by 888 in respect of historical tax liabilities. 888's effective tax burden also increases due to the imposition or increase of gaming duty in markets in which the group has customers, including the new taxation of free plays in the UK. The Company's Israeli subsidiary entered into an Assessment Agreement with the Israeli Tax Authority in 2016, in which the subsidiary's transfer pricing remuneration was agreed with regard to tax years ending in 2015. The Company believes that the remuneration attributed for tax purposes to its Israeli subsidiary complies with the arm's length standard, and therefore continues to rely on the transfer pricing agreement with regard to tax years following 2015, however the agreement has not been renewed. As such, and in light of the developments in taxation rules internationally, including in the field of transfer pricing pursuant to which new methodologies are gaining prominence, the Israeli Tax Authority may seek to increase the level of remuneration attributed to the Israeli subsidiary for tax purposes commencing from the 2016 tax year, which could have material financial consequences to the Company.

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

How the risk is managed: 888 aims to ensure that each legal entity within its Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. In addition, 888 consults with tax advisers not only in jurisdictions in which its Group companies are incorporated and in which it has personnel, but

also in major markets in which it has customers, in order to comply with its legal obligations whilst taking such action as is necessary to prevent the improper imposition of unlawful or double taxation.

What happened in 2017: 888 continues to engage with tax authorities and obtain legal advice in order to regularise its tax position and mitigate exposures. As regards the inquiry in Germany regarding VAT, 888 obtained a thorough legal assessment and considered the tax position in respect of each service supplied and has taken a cautious approach by recording a provision in its accounts with respect of some of these services. However, the Company has reserved its position and all legal rights, based on legal advice received.

Data Protection risk* → increased during 2017

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

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

How the risk is managed: 888 is undergoing a robust and risk-oriented GDPR-preparation project, pursuant to a designated GDPR Gap Analysis that was prepared for that purpose in coordination with its legal advisers.

What happened in 2017: 888 has commenced a process of mapping the personal data life-cycle within the organisation, including how personal data of EU customers and EU employees is collected, stored, secured and shared with third parties. In addition, 888 has appointed a designated internal Data Protection Officer and is preparing policies and procedures on relevant matters including exercising user rights and data retention, as well as reviewing necessary product and IT implementation. 888 is also putting in place adequate contractual measures with respect to sharing data with third parties, reviewing its privacy policy and other customer notifications and reviewing the current data security framework.

** Treated in 2017 as a separate risk from the Information Technology and Cyber risk in which the Data Protection risk had previously been included.*

Reputational risk → increased during 2017

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. In addition to the UKGC licence review that 888 underwent in 2017, the UKGC has since announced that it is considering five licence reviews of five other companies in the online gaming industry and has written to a further 12 online casino operators to raise concerns about the sector's approach to anti-money laundering and social responsibility. There is a perception that minors and vulnerable players are not adequately protected. 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 and that B2B partners engage solely in compliant marketing practices.

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: In 2017, 888 devoted even more 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 2017: Action taken in 2017 is set out above under Regulatory risk. In addition, 888 carried out a general review of all its websites and those of its B2B partners in light of the UK Advertising Standards Authority and Committees of Advertising Practice's review of gaming industry practices, with a view to ensuring that content that may be particularly appealing to children, whether specific games or general creative elements on the site, have been removed or made accessible only after a robust age verification process has been completed.

Partnership risk → increased during 2017

The risk: 888 has in recent years rationalised its B2B contracts to focus on fewer, higher-value contracts. This means that any termination or reduction of volume under existing B2B contracts would have a more severe impact on 888.

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

How the risk is managed: Whilst 888 generally protects itself contractually in this respect, it is often not commercially practicable to compel B2B partners to continue utilising the Dragonfish platform in the long-term. The main method of mitigation is therefore to maintain commercial relevance in terms of the functionality and technology of the B2B

platform offered, competitive pricing, maintaining an ongoing relationship with B2B partners, and ensuring that 888 has a good understanding of the needs of its B2B partners and their owners.

What happened in 2017: 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. However, some of these partners now own their own technological platforms and may migrate their businesses to such platforms, and therefore some of 888's major B2B contracts may not be renewed in the near term.

Regulation and general regulatory developments

2017 was an eventful year in the online gaming industry. Global trends have had a significant effect on both the industry in general, and 888 in particular as a business deeply committed to regulatory compliance and whose revenue is derived from operating in various regulated environments. 888 continues to strive constantly to maintain the highest regulatory compliance standards and to contribute to the progress of the industry in this regard.

Throughout the year, 888 has continued its adaptation to changing regulatory environments, while pursuing its persistent commitment to lawful, compliant and responsible conduct. As such, some of the changes that had a significant effect on the industry similarly affected 888 during this passing year.

888 continued to closely monitor regulatory developments worldwide and to assess their impact on its operations. We remain a strong proponent of regulation in the online gaming industry and look forward to working with our partners in the industry and with regulators toward shaping a regulatory landscape that is business-friendly whilst safeguarding the objectives of the market's regulation.

The following paragraphs summarise the main relevant regulatory developments of 2017 and our expectations regarding changes that will impact 888 in 2018.

Europe

The continued general trend throughout the European Union in 2017 was towards local regulation by individual member states. As was the case in 2016, some of those efforts were directed towards amending local legislation to be better compliant with EU law, whilst others focused on bolstering existing, non-EU law compliant regimes.

Nonetheless, there were a number of general EU law developments which also impacted the online gambling industry:

- In mid-2017, the European 4th Anti-Money Laundering Directive entered into force, strengthening anti-money laundering rules across the continent. As much of 888's business is derived from European states and is regulated in EU member jurisdictions, 888 underwent extensive preparations with the help of its legal counsel to ensure ongoing compliance and a seamless transition in the relevant jurisdictions.
- In December 2017, the European Commission announced it will close all pending infringement proceedings and complaints in the gambling sector, as they are not currently a priority for the Commission. Although this follows a trend in recent years of very little action taken by the European Commission in the field, this development is likely to cause member states whose gaming regulatory regimes are perceived as non-EU law compliant to become less motivated to make changes to their legislative framework. Nonetheless, the

decision, which seems to reflect a political prioritization decision within the European Commission, does not change the current legal situation. Prior rulings by the Court of Justice of the European Union (“CJEU”) on the issue of state legislation’s incompatibility with EU law remain valid, and the decision does not derogate from the CJEU’s authority to strike down further state laws which contravene EU law principles.

- On the other hand, in June 2017, the CJEU handed down a judgement in C-49/16 Unibet, a case referred by a Hungarian court. The court found that the Hungarian laws relating to online gaming discriminated against operators from other member states and were unclear and non-transparent. On those grounds, the court ruled that the laws were in violation of EU law, and could not therefore give rise to any penalties - effectively striking down the Hungarian law and rendering it unenforceable. In addition, in February 2018, the CJEU handed down another judgement in C-3/17 Sporting Odds Ltd., another case referred by a Hungarian court. This time, the CJEU ruled that the Hungarian legislation restricting the grant of online gaming licences only to offline Hungarian casinos is discriminatory, and thus not EU law compliant. These rulings may influence the actions and decisions of other member states with respect to the enforcement of gaming laws that may be non-compliant with EU law.
- The GDPR will enter into force in May 2018. The new regulation will have a significant effect on the privacy and data protection practices of companies dealing with information relating to EU residents, as it introduces various changes to how personal information should be collected, maintained, processed and secured. Non-compliance may result in significant fines, running up to € 20 million or 4% of the breaching Company’s annual global turnover.

Further to the above, a number of regulatory developments in specific European jurisdictions throughout 2017 have also had an effect on 888’s operations:

- In the UK, 888’s main market, the Group continued adapting to meet the developing regulatory requirements, a process which continues to require significant efforts and the implementation of changes in many areas of the business. We continue to work to adapt our operations and working modalities to ensure ongoing adherence to the various (and evolving) requirements applicable to our UK operations.
 - Towards the end of 2017, the UKGC unveiled its three-year strategy aimed at becoming more interventionist and taking precautionary action, which will include suspension or revocation of licences where “persistent or systemic failures” are identified. The strategy focuses on protecting consumer interests, preventing consumer harm and raising standards in the gambling market. These focal points will be monitored, as before, by both the UKGC and the CMA.
 - Investigations carried out by the CMA into possible breaches of consumer protection laws by online gaming operators continued throughout 2017. In February 2018, the scope of investigations was broadened from initially reviewing sign-up promotions alone, to an investigation of operators’ withdrawal policies as well. Further to the CMA investigation, three gambling companies (William Hill, Ladbrokes and PT Entertainment) committed to change their bonus offerings in early 2018. The CMA, together with the UKGC, considers the commitments made by the three companies as reflecting the appropriate industry standard, and requires all operators to uphold such standard.
 - In October 2017, the UKGC issued a joint “call for action” letter to UK remote gaming operators about underage gambling. The letter called remote operators to ensure that their ads do not particularly appeal to persons under the age of 18. The letter was jointly issued with the British Advertising Standards Authority, the Committee of Advertising Practice and the Remote Gambling Association.

- The British Department for Digital, Culture, Media and Sport has issued a consultation aimed at reviewing social responsibility measures across the online gaming sector.
- In the first week of 2018, the UKGC announced it will launch investigations into 17 remote gaming operators on account of identifying failings related to anti-money laundering and social responsibility, and is considering a license review for five of those operators.
- During the course of 2017, the 888 Group applied to obtain a remote operating licence in Portugal and is now engaged in making the necessary arrangements for operation under such a licence (when granted).
- Sweden has introduced a draft law aimed at liberalising the online gaming market, currently controlled by the two monopolies, Svenska Spel and ATG. The bill (if passed) is not expected to come into effect before 2019. Earlier in 2017, the Swedish Supreme Administrative Court upheld the local ban on offline advertising of unlicensed gambling operations, which has been under litigation for a long time.
- Germany's regulatory landscape remains riddled with uncertainty, although the market yielded a few regulatory and legal developments in 2017. The future of the German Inter-State Gambling Treaty continues to be a cause for friction between the German states. The draft for a new Treaty (which received criticism from the European Commission in 2016) was voted down in September by Schleswig-Holstein, one of the German states. After voting down the new Treaty, Schleswig-Holstein has also stated its intention to possibly implement a new regulatory regime, regulating not only sports betting but also online casino, potentially with other German states (namely North Rhine-Westphalia, Rhineland Palatine and Hesse). Finally, in October 2017, the German Federal Administrative Court issued a press release about its upcoming ruling validating the German Treaty's ban on the offering of remote casino and poker in Germany. The final ruling, which was only published in March 2018, upheld the current Treaty's compliance with EU law when it comes to its prohibition of remote casinos, scratch cards and poker games, and restricting sports betting (contrary to previous rulings by both German and EU courts). This ruling can be expected to influence other administrative courts' rulings, as well as lead to increased enforcement by German authorities via the issuing of prohibition orders to online operators offering either online casino or sports betting services. As a result of these developments, the Company, together with its legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market.
- Switzerland made further progress on its draft bill that would allow the country's casinos to offer online gaming. The bill passed both houses of the Federal Assembly of Switzerland in September 2017. Although implementation of this bill was expected in early 2019, this may now be delayed as the law will be subjected to a national referendum in 2018.
- Regulatory reform in The Netherlands is still pending, after the Dutch lower house of parliament passed a bill to regulate online gambling in July 2016, which is now pending before the Senate. 888 continued to conduct its operations in the Netherlands in accordance with interim guidelines issued by the local authorities, which became more restrictive in June 2017, and awaits developments in this important market.
- Further to the discussions carried out during 2016, in the course of 2017, European regulators from Italy, France, Portugal and Spain have signed an agreement that will allow for shared liquidity in online poker. While legislative implementation in Italy was put on hold due to political challenges, Portugal has approved its participation in the scheme. Nonetheless, legislation in France and Spain has progressed significantly, and shared poker liquidity offerings between the two jurisdictions commenced during January 2018, with Portugal expected to join shortly thereafter.

The United States

Throughout 2017, 888 continued to operate in the US online gaming market with online gaming activity in all three states where commercial internet gaming was permitted – Nevada, New Jersey and Delaware. 888 continues to be the only online gaming operator authorized to conduct business in each of these jurisdictions.

Towards the end of 2017, Pennsylvania officially became the fourth US state to legalise online gambling, when a gambling expansion bill passed in the Senate and was signed by Governor Tom Wolf. The new law will allow for the regulation of remote slots, table games and poker. Another major development is that the Pennsylvania law also contains regulations pertaining to remote sports betting, contingent on the activity becoming legal at the US federal level. While the exact opportunities presented by the Pennsylvania market remains to be seen, with secondary legislation not yet in place, 888 keeps a close eye on developments in the market and is assessing the potential of entering the market. Licensing fees dictated by legislation are high, as is the tax rate for certain types of online games (e.g. 54% tax on slot machine revenue).

The state of New Jersey continued its legal challenges to the federal prohibition on sports betting, and a hearing in its appeal to the Supreme Court was held in December 2017. During the hearing, significant criticism was expressed by a majority of the presiding judges on the federal law in question (the Professional and Amateur Sports Protection Act of 1992). The court's decision on the appeal is expected in March-April of 2018 and could have far-reaching ramifications for many other US states.

Other than the development in Pennsylvania, although legislative discussions in several US states surrounding online gaming (in some cases, online poker) continued during 2017, no significant legislative changes occurred. 888 continues to closely monitor discussions and initiatives in the various jurisdictions, with the knowledge that positive developments in these markets could present opportunities for 888.

- As in the preceding year, the New York state legislature debated a bill to regulate online provision of poker in 2017. Similarly to 2016, the bill stalled after passing the state Senate, with legislative attempts anticipated to recommence in 2018.
- In addition, New Jersey also has introduced draft legislation that, if approved, will allow for international shared liquidity, removing the requirements to host servers locally in Atlantic City.
- Finally, in October 2017, New Jersey joined the Multi-State Internet Gaming Agreement originally between Nevada and Delaware. This is expected to clear the way for pooled online poker player liquidity between the three jurisdictions, with progressive online slots possibly to follow.
- In 2017, the Illinois state legislature debated a bill for the regulation of online casino and poker. However, the bill ended up being abandoned mid-year.

Since the 2016 elections, there is uncertainty about changes that may take place in the US approach (federal and state alike) towards gambling in coming years. US Attorney General, Jeff Sessions, commented in his 2017 Senate confirmation hearing that he intended to review the US Department of Justice's (DOJ) position on the interpretation of the Federal Wire Act. As yet, the position of the Trump administration on gambling issues remains uncertain. The

2011 DOJ position on the Federal Wire Act has not been revisited by the Attorney General, despite calls to do so by several US senators and Republican congressmen.

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

Further afield

Further to regulatory reform reaching Latin America in 2016, Colombia adopted a regime for the regulation and licensing of online gambling and sports betting and, during 2017, introduced a draft decree aimed at regulating virtual sports, live casino and introducing international liquidity for online poker.

Argentina has seen a significant increase in regulatory enforcement in 2017, with local authorities taking action against several Argentina-based online operators.

In Canada, Loto-Québec has yet to publish its anticipated RFP process, which will allow private companies to provide it with remote gambling services. Movement towards pan-Canadian remote gambling market liberalization is not expected in the near future.

Further reforms may be brought forward in 2018, in jurisdictions such as Mexico and Brazil.

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

Directors' statement of responsibilities

We confirm, to the best of our knowledge:

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

On behalf of the Board:

Itai Frieberger

Chief Executive Officer

20 March, 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 US \$ million	2016 US \$ million
Revenue	3	541.8	520.8
Operating expenses	4	(158.1)	(155.1)
Gaming duties		(75.2)	(60.5)
Research and development expenses		(35.4)	(34.3)
Selling and marketing expenses		(162.5)	(170.2)
Administrative expenses		(37.7)	(36.2)
Exceptional charges	5	(50.8)	(3.9)
Operating profit before exceptional charges and share benefit charge		81.4	71.2
Exceptional charges	5	(50.8)	(3.9)
Share benefit charge	21	(8.5)	(6.7)
Operating profit	4	22.1	60.6
Finance income	7	0.6	0.4
Finance expenses	7	(3.7)	(1.7)
Share of post-tax loss of equity accounted joint ventures and associates	13	(0.2)	(0.1)
Profit before tax		18.8	59.2
Taxation	8	(6.2)	(7.7)
Profit after tax for the year attributable to equity holders of the parent		12.6	51.5
Earnings per share	9		
Basic		3.5¢	14.4¢
Diluted		3.4¢	14.1¢

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 US \$ million	2016 US \$ million
Profit for the year		12.6	51.5
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.8	(0.8)
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability	6	(1.4)	(0.5)
Total other comprehensive expense for the year		(0.6)	(1.3)
Total comprehensive income for the year attributable to equity holders of the parent		12.0	50.2

The notes below form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2017

	Note	2017 US \$ million	2016 US \$ million
Assets			
Non-current assets			
Goodwill and other intangible assets	11	159.8	158.6
Property, plant and equipment	12	9.0	9.1
Investments	13	1.3	1.5
Non-current receivables	16	0.8	0.7
Deferred tax assets	14	1.5	1.1
		172.4	171.0
Current assets			
Cash and cash equivalents	15	179.6	172.6
Trade and other receivables	16	43.1	35.9
Income tax receivable		1.1	1.1
		223.8	209.6
Total assets		396.2	380.6
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	3.3	3.2
Share premium	17	3.5	3.3
Foreign currency translation reserve		(1.6)	(2.4)
Treasury shares	21	(0.7)	-
Retained earnings		108.7	159.5
Total equity attributable to equity holders of the parent		113.2	163.6
Liabilities			
Current liabilities			
Trade and other payables	18	160.2	139.3
Provisions	18	47.0	-
Income tax payable		4.1	0.1
Customer deposits	19	71.7	75.7
		283.0	215.1
Non-current liabilities			
Deferred tax liabilities	14	-	1.9
Total liabilities		283.0	217.0
Total equity and liabilities		396.2	380.6

The notes below form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US \$ million	Share premium US \$ million	Treasury shares US \$ million	Retained earnings US \$ million	Foreign currency translation reserve US \$ million	Total US \$ million
Balance at 1 January 2016	3.2	2.2	-	158.4	(1.6)	162.2
Profit after tax for the year attributable to equity holders of the parent	-	-	-	51.5	-	51.5
Other comprehensive expense for the year	-	-	-	(0.5)	(0.8)	(1.3)
Total comprehensive income	-	-	-	51.0	(0.8)	50.2
Dividend paid (note 10)	-	-	-	(56.6)	-	(56.6)
Equity settled share benefit charges (note 21)	-	-	-	6.7	-	6.7
Issue of shares to cover employee share schemes (note 17)	-	1.1	-	-	-	1.1
Balance at 31 December 2016	3.2	3.3	-	159.5	(2.4)	163.6
Profit after tax for the year attributable to equity holders of the parent	-	-	-	12.6	-	12.6
Other comprehensive (expense) income for the year	-	-	-	(1.4)	0.8	(0.6)
Total comprehensive income	-	-	-	11.2	0.8	12.0
Dividend paid (note 10)	-	-	-	(70.5)	-	(70.5)
Equity settled share benefit charges (note 21)	-	-	-	8.5	-	8.5
Acquisition of treasury shares	-	-	(0.7)	-	-	(0.7)
Issue of shares to cover employee share schemes (note 17)	0.1	0.2	-	-	-	0.3
Balance at 31 December 2017	3.3	3.5	(0.7)	108.7	(1.6)	113.2

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.

Treasury shares - represent reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.

Retained earnings - represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income and other transactions with equity holders.

Foreign currency translation reserve – represents exchange differences arising from the translation of all Group entities that have functional currency different from US\$.

The notes below form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 US \$ million	2016 US \$ million
Cash flows from operating activities			
Profit before tax		18.8	59.2
Adjustments for:			
Depreciation	12	5.7	8.4
Amortisation	11	13.6	10.6
Interest income	7	(0.6)	(0.4)
Share of post- tax loss of equity accounted joint ventures and associates	13	0.2	0.1
Share benefit charges	21	8.5	6.7
		46.2	84.6
Increase in trade receivables		(7.2)	(1.8)
Increase in other receivables		(1.1)	(2.5)
Decrease in customer deposits		(2.9)	(5.7)
Increase in trade and other payables		17.7	2.7
Increase in provisions		47.0	-
		99.7	77.3
Cash generated from operations		99.7	77.3
Income tax paid		(4.2)	(9.2)
Net cash generated from operating activities		95.5	68.1
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(5.6)	(6.3)
Interest received	7	0.6	0.4
Acquisition of intangible assets	11	(3.6)	(1.3)
Internally generated intangible assets	11	(11.2)	(10.6)
Net cash used in investing activities		(19.8)	(17.8)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	17	0.3	1.1
Acquisition of treasury shares	21	(0.7)	-
Dividends paid	10	(70.5)	(56.6)
Net cash used in financing activities		(70.9)	(55.5)
Net (decrease) increase in cash and cash equivalents		4.8	(5.2)
Net foreign exchange difference		2.2	(0.8)
Cash and cash equivalents at the beginning of the year	15	172.6	178.6
Cash and cash equivalents at the end of the year¹	15	179.6	172.6

¹ Cash and cash equivalents includes restricted short-term deposits of US\$1.2 million (2016: US\$1.1 million) (see note 15).

Net cash generated from operating activities is presented after deduction of US\$6.2 million paid during 2017 in respect of exceptional charges (2016: US\$9.1 million).

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

Notes to the Consolidated Financial Statements

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2017 or the year ended 31 December 2016, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2016 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. Statutory accounts for the year ended 31 December 2017 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2017 and 2016 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act.

Company description and activities

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

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

Definitions

In these financial statements:

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

2 Significant accounting policies

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

Basis of preparation

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

The Group has changed its operating segments in the year to reflect a change in the way that the business is managed and reported internally. Social games is now presented in Casino, having previously been reported in Emerging Offerings. The comparative segment results for the year ended 31 December 2016 have been restated to reflect this change, as described in note 3.

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

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

2 Significant accounting policies (continued)

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, with the exception of the amendments to accounting standards effective for the annual periods beginning on 1 January 2017. These are described in more detail below.

The following amendments to International Financial Reporting Standards, issued by the IASB and adopted by the EU, were effective from 1 January 2017 and have been adopted by the Group during the year with no significant impact on the parent company or on the consolidated results or financial position:

- Amendments to IAS 7 – Statement of Cash Flows: Disclosure initiative.
- Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.
- Annual Improvements to IFRS Standards 2014-2016 Cycle: Clarification of the scope of the disclosure requirements in IFRS 12.

The following new standards issued by the IASB and adopted by the EU have not been adopted by the Group as they were not effective for the year:

- IFRS 9 - Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement of financial assets, introduces a new “expected credit loss” model for the impairment of financial assets and new guidance on the application of hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has analysed the financial instruments and concluded that there is no significant impact on its statement of financial position, income statement and statement of changes in equity will arise as a result of IFRS 9 implementation.
- IFRS 15 - Revenue from Contracts with Customers - IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 “Revenue” and other existing revenue related standards and interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. We have completed detailed review of all B2B contracts and the results of our review indicate that IFRS 15 is not expected to result in any significant change to the timing of revenue or profit recognition on service provision contracts. This assessment reflects, amongst other matters, that the Group’s contracting arrangements meet the requirements set out in IFRS 15 to satisfy performance obligations and recognise revenue when the transaction occurred. The review also indicates that the new standard is not expected to introduce any significant change to the Group’s revenue recognition policy in relation to B2B revenue including the assessment whether the Group is acting as principal or an agent in the relevant contracts.
- IFRS 16 Leases - IFRS 16 presents new requirements for the lessees’ recognition, measurement, presentation and disclosure of leases, replacing IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases of over 12 months unless the underlying asset has a low value. The new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group consider that the adoption of this standard will likely result in interest expense on the lease liability and depreciation expense on the right-of-use asset on the income statement and an increase in the non-current assets (representing “right-of-use” assets) and a corresponding increase in liabilities, both current and non-current on the balance sheet of the Group.
The Group will continue to assess the impact in the 2018 financial year. For details in respect of existing operating leases see note 23.

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

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

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- Annual Improvements to IFRS Standards 2014-2016 Cycle: Clarification in IAS 28 that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective for accounting periods beginning on or after 1 January 2018).
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for accounting periods beginning on or after 1 January 2019).
- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for accounting periods beginning on or after 1 January 2019).

Critical accounting estimates and judgments

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

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

Revenue

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

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

Taxation

Due to the international nature of the Group and the complexity of tax legislation in the jurisdictions in which it operates, the Group applies judgement in estimating the likely outcome of tax matters and the resultant provision for income taxes. However, in 2015 and early 2016 the Group reached agreement on a number of tax matters with tax authorities in the key jurisdictions from which it operates. These agreements materially reduce the level of judgement to be made in preparing the financial statements. There were no changes to these agreements during the year. The Group believes that its accruals for tax liabilities are appropriate. For further information see note 8.

Impairment of goodwill and other intangible assets

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

Internally generated intangible assets

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

Provisions, 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.

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

Basis of consolidation

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

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

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

Revenue from online activities comprises:

Casino and Bingo

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

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

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 certain promotional costs are accounted for, and entry fee revenue is recognised when the tournament has concluded.

Sport

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

2 Significant accounting policies (continued)

B2B

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

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

Operating expenses

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

Administrative expenses

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

Exceptional charges and adjusted performance measures

The Group classifies and presents certain items of income and expense as exceptional charges. The Group presents adjusted performance measures which differ from statutory measures due to exclusion of exceptional charges and certain non-cash items as the Group considers that it allows a better reflection of the underlying financial performance of the Group. These measures are described as "adjusted" and are used by management to measure and monitor the Group's underlying financial performance. Non-cash items that are excluded from adjusted performance measures of underlying financial performance include share benefit charge and share of post-tax loss of equity accounted joint ventures and associates. The Group also seeks to present a measure of underlying performance which is not impacted by exceptional charges. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size. The items classified as exceptional (and are excluded from the adjusted measures) are described in further detail in note 5.

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

Foreign currency

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

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- (ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Taxation

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

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

Intangible assets

Acquired intangible assets

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

Internally generated intangible assets

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

2 Significant accounting policies (continued)

Goodwill

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually and where applicable an impairment loss is recognised immediately in the consolidated income statement. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly through the consolidated income statement.

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

Investment in equity accounted joint ventures and associates

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

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

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

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

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

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

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

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

Trade receivables

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

Fair value measurement

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

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

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

Derivative financial instruments

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

Cash and cash equivalents

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

Equity

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

2 Significant accounting policies (continued)

Treasury shares

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

Trade and other payables

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

Liabilities to customers

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

Leases

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

Provisions

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

Dividends

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

Equity-settled Share benefit charges

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

Severance pay schemes

The Group operates two severance pay schemes:

Defined benefit severance pay scheme

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

Severance pay scheme surpluses and deficits are measured as:

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

2 Significant accounting policies (continued)

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

Defined contribution severance pay scheme

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

3 Segment information

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

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

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

	B2C					B2B	Consolidated
	Casino ¹	Poker	Sport	Bingo	Total B2C		
2017	US \$ million						
Segment revenue	293.9	77.9	75.5	39.3	486.6	55.2	541.8
Segment result²					213.7	22.3	236.0
Unallocated corporate expenses ³							(163.1)
Exceptional charges							(50.8)
Operating profit							22.1
Finance income							0.6
Finance expenses							(3.7)
Share of post-tax loss of equity accounted joint ventures and associates							(0.2)
Taxation							(6.2)
Profit after tax for the year							12.6
Adjusted profit after tax for the year⁴							72.1
Assets							
Unallocated corporate assets							396.2
Total assets							396.2
Liabilities							
Segment liabilities					67.1	4.6	71.7
Unallocated corporate liabilities							211.3
Total liabilities							283.0

¹ The comparative segment results for the year ended 31 December 2016 have been restated to reflect this change, as described on the following page.

² Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.

³ Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.

⁴ As defined in note 9.

3 Segment information (continued)

	B2C					B2B	Consolidated
	Casino ¹	Poker	Sport	Bingo	Total B2C		
2016	US \$ million						
Segment revenue	282.1	84.4	51.9	41.8	460.2	60.6	520.8
Segment result²					194.4	30.9	225.3
Unallocated corporate expenses ³							(160.8)
Exceptional charges							(3.9)
Operating profit							60.6
Finance income							0.4
Finance expenses							(1.7)
Share of post-tax loss of equity accounted joint ventures and associates							(0.1)
Taxation							(7.7)
Profit after tax for the year							51.5
Adjusted profit after tax for the year⁴							62.2
Assets							
Unallocated corporate assets							380.6
Total assets							380.6
Liabilities							
Segment liabilities					69.4	6.3	75.7
Unallocated corporate liabilities							141.3
Total liabilities							217.0

¹ The comparative segment results for the year ended 31 December 2016 have been restated to reflect this change. Emerging Offerings revenue of US\$2.8 million has been classified in the Casino segment.

² Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.

³ Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.

⁴ As defined in note 9.

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

3 Segment information (continued)

Geographical information

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

Revenue by geographical market (based on location of customer)

	2017 US \$ million	2016 US \$ million
Europe other	213.6	183.7
UK	203.1	223.2
Spain	63.1	47.3
Americas	46.2	44.9
Rest of world	15.8	21.7
Total revenue	541.8	520.8

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2017 US \$ million	2016 US \$ million
Gibraltar	138.8	142.3
Rest of world	32.1	27.6
Total non-current assets by geographical location¹	170.9	169.9

¹ Excludes deferred tax assets of US\$1.5 million (2016: US\$1.1 million)

4 Operating profit

	Note	2017 US \$ million	2016 US \$ million
Operating profit is stated after charging:			
Staff costs (including Executive Directors)	6	104.2	101.2
Gaming duties		75.2	60.5
Selling and marketing expenses		162.5	170.2
Exceptional charges	5	50.8	3.9
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:			
Statutory audit of the consolidated financial statements		0.4	0.3
Other assurance services		0.1	0.1
Corporate finance services		-	0.2
Depreciation (within operating expenses)	12	5.7	8.4
Amortisation (within operating expenses)	11	13.6	10.6
Chargebacks		2.7	4.1
Payment of service providers' commissions		23.4	21.3

5 Exceptional charges

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 financial performance of the Group. The Group considers any non-recurring items of income and expense for classification as exceptional by virtue of their nature and size.

	2017	2016
	US \$ million	US \$ million
UKGC - payments in lieu of a fine	5.5	-
Potential historical VAT charge	45.3	-
Retroactive duties and associated charges	-	3.0
Exceptional legal and professional costs	-	0.9
Total exceptional charges¹	50.8	3.9

¹ Tax effect of the exceptional charges is US\$1.3 million (2016: US\$0.1 million)

UKGC - payments in lieu of a fine

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

As announced on 31 August 2017, the Group worked cooperatively with the UKGC throughout its review and took actions to address the concerns raised therein and entered into a voluntary regulatory settlement involving a payment in lieu of fine of US\$5.5 million. In respect of this settlement, the Group recorded exceptional charges in the consolidated income statement of US\$5.5 million (2016: nil). The payment was made on 26 October 2017.

Potential historical VAT charge

During the year, the Group recorded a provision for exceptional charges of US\$45.3 million in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015, as described in note 26.

Retroactive duties and associated charges

During 2016, the Group recorded exceptional retroactive charges of US\$3.0 million in respect of gaming duties relating to activity in prior years.

Exceptional legal and professional costs

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

6 Employee benefits

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

	2017 US \$ million	2016 US \$ million
Wages and salaries	98.5	97.9
Social security	5.5	5.1
Employee benefits and severance pay scheme costs	9.1	7.8
	113.1	110.8
Staff costs capitalised in respect of internally generated intangible assets	(8.9)	(9.6)
	104.2	101.2

In the consolidated income statement total staff costs, excluding share benefit charges of US\$8.5 million (2016: US\$6.7 million), are included within the following expenditure categories:

	2017 US \$ million	2016 US \$ million
Operating expenses	56.3	56.0
Research and development expenses	29.1	26.7
Administrative expenses	18.8	18.5
	104.2	101.2

The average number of employees by category was as follows:

	2017 Number	2016 Number
Operations	838	832
Research and development	383	394
Administration	129	129
	1,350	1,355

At 31 December 2017 the Group employed 1,310 (2016: 1,353) staff.

At 31 December 2017 the Group used the services of 229 chat moderators (2016: 312) and 61 contractors (2016: 93).

Severance pay scheme - Israel

The Group has defined contribution plan pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service at the date of their departure. The Group recognised an expense in respect of contribution to the defined contribution plan during the year of US\$0.3 million (2016: nil).

The Group's employees in Israel, which are not subject to section 14 to the Severance Pay Law, are eligible to receive certain benefits from the Group in specific circumstances on leaving the Group. As such the Group operates a defined benefit severance pay plan which requires contributions to be made to separately administrated funds.

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

6 Employee benefits (continued)

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

	2017	2016
	US \$ million	US \$ million
Included in the balance sheet:		
Severance pay scheme liability (within trade and other payables)	3.3	1.6
Included in the income statement:		
Current service costs (within operating expenses)	2.0	1.8
Current service costs (within research and development)	1.8	1.7
Current service costs (within administrative expenses)	0.8	0.7
Included in the statement of comprehensive income:		
Remeasurement of severance pay scheme liability	1.4	0.5

Movement in severance pay scheme liability:

	2017	2016
	US \$ million	US \$ million
Severance pay scheme assets		
At beginning of year	18.8	16.0
Interest income	0.9	0.8
Contributions by the Group	4.3	5.6
Benefits paid	(3.8)	(3.0)
Return on assets less interest income already recorded	0.2	(0.7)
Exchange differences	2.1	0.1
At end of year	22.5	18.8

	2017	2016
	US \$ million	US \$ million
Severance pay plan liabilities		
At beginning of year	20.4	18.5
Interest expense	0.9	0.8
Current service costs	4.6	4.3
Benefits paid	(3.9)	(3.2)
Actuarial gain on past experience	0.3	(0.3)
Actuarial loss on changes in financial assumptions	1.2	0.1
Exchange differences	2.3	0.2
At end of year	25.8	20.4

As at 31 December 2017 the net accounting deficit of defined benefit severance pay plan was US\$3.3 million (2016: US\$1.6 million). The Scheme is backed by substantial assets amounting to US\$22.5 million at 31 December 2017 (2016: US\$18.8 million). The net accounting deficit of defined benefit severance plan is a result of two elements:

- Potential liability to pay further contributions to employees who will be made redundant, if the fund does not hold sufficient assets to pay all benefits relating to employee service at the date of their departure.
- Volatility of Israeli government bond rates may have substantial impact in absolute terms on the net liability. A decrease in the discount rate by 0.25% per annum (i.e. 3.87% to 3.62%) would increase the plan liabilities by US\$0.6 million.

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

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

6 Employee benefits (continued)

The expected contribution for 2018 is US\$4.3 million.

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

	2017	2016
	%	%
Discount rate (nominal)	3.87	4.52
Estimated increase in employee benefits costs	5.14	5.12
Voluntary termination rate	75	75
Inflation rates based on Israeli bonds	1.55	1.71

7 Finance income and finance expenses

Finance income:

	2017	2016
	US \$ million	US \$ million
Interest income	0.6	0.4
Finance income	0.6	0.4

Finance expenses:

	2017	2016
	US \$ million	US \$ million
Fair value movements on foreign exchange derivatives	-	(0.9)
Foreign exchange losses	3.7	2.6
Finance expenses	3.7	1.7

8 Taxation

Corporate taxes

	2017	2016
	US \$ million	US \$ million
Current taxation		
Gibraltar taxation	0.2	1.1
Other jurisdictions taxation	8.1	7.4
Adjustments in respect of prior years	0.1	(1.1)
	8.4	7.4
Deferred taxation		
Origination and reversal of temporary differences	(2.2)	0.3
Taxation expense	6.2	7.7

8 Taxation (continued)

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

	2017 US \$ million	2016 US \$ million
Profit before taxation	18.8	59.2
Standard tax rate in Gibraltar (2017: 10%, 2016: 10%)	1.9	5.9
Higher effective tax rate on other jurisdictions	0.8	2.1
Tax on dividend distribution from other jurisdictions	5.0	2.9
Deferred tax on intragroup transfer	(1.9)	-
Expenses not allowed for taxation	0.8	1.0
Non-taxable income	(0.5)	(3.4)
Adjustments to prior years' tax charges	0.1	(0.8)
Total tax charge for the year	6.2	7.7

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

Gibraltar

Gibraltar companies are subject to a corporate tax rate of 10%. Gibraltar corporate tax expenses for the year are significantly lower compared to 2016, as a result of lower profit before tax caused by exceptional charges as described in note 5.

Israel

The domestic corporate tax rate in Israel in 2017 is 24% (2016: 25%). From 1 January 2018 the rate has been reduced to 23%. The Company's Israeli subsidiary concluded an assessment agreement with respect to all tax years up to and including 2013 and entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner as regards 2014-2015.

UK

The Group's subsidiary in the UK is subject to a corporate tax rate of 19.25% (2016: 20%). In addition to the previously enacted reduction in the UK corporation tax rate to 19% from April 2017, the UK government announced and substantively enacted a further reduction to 17% from April 2020.

9 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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 8,840,298 Ordinary Shares (2016: 7,688,394) and 49,353 market-value options (2016: 101,447).

The number of equity instruments excluded from the diluted EPS calculation is 1,431,143 (2016: 1,551,580).

	2017	2016
Profit for the period attributable to equity holders of the parent (US\$ million)	12.6	51.5
Weighted average number of Ordinary Shares in issue	359,260,003	358,154,255
Effect of dilutive Ordinary Shares and Share options	8,889,651	7,789,841
Weighted average number of dilutive Ordinary Shares	368,149,654	365,944,096
Basic earnings per share	3.5¢	14.4¢
Diluted earnings per share	3.4¢	14.1¢

Adjusted earnings per share

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

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

	2017	2016
	US \$ million	US \$ million
Profit for the period attributable to equity holders of the parent	12.6	51.5
Exceptional charges (see note 5)	50.8	3.9
Share benefit charges (see note 21)	8.5	6.7
Share of post-tax loss of equity accounted associates (see note 13)	0.2	0.1
Adjusted profit	72.1	62.2
Weighted average number of Ordinary Shares in issue	359,260,003	358,154,255
Weighted average number of dilutive Ordinary Shares	368,149,654	365,944,096
Adjusted basic earnings per share	20.1¢	17.4¢
Adjusted diluted earnings per share	19.6¢	17.0¢

10 Dividends

	2017 US \$ million	2016 US \$ million
Dividends paid	70.5	56.6

An interim dividend of 4.0¢ per share was paid on 11 October 2017 (US\$14.4 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2017 comprising 5.9¢ per share, and an additional one-off dividend of 5.6¢ per share, both of which will be recognised in the 2018 financial statements once approved.

In 2016 an interim dividend of 3.8¢ per share was paid on 6 October 2016 (US\$13.6 million) and a final dividend of 5.1¢ per share plus an additional one-off 10.5¢ per share were paid on 11 May 2017 (US\$56.1 million).

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 2016	146.1	17.5	58.8	222.4
Additions	-	1.3	10.6	11.9
At 31 December 2016	146.1	18.8	69.4	234.3
Additions	-	3.6	11.2	14.8
Disposals	-	(0.8)	-	(0.8)
At 31 December 2017	146.1	21.6	80.6	248.3
Amortisation and impairments:				
At 1 January 2016	20.7	12.1	32.3	65.1
Amortisation charge for the year	-	2.3	8.3	10.6
At 31 December 2016	20.7	14.4	40.6	75.7
Amortisation charge for the year	-	2.6	11.0	13.6
Disposals	-	(0.8)	-	(0.8)
At 31 December 2017	20.7	16.2	51.6	88.5
Carrying amounts				
At 31 December 2017	125.4	5.4	29.0	159.8
At 31 December 2016	125.4	4.4	28.8	158.6
At 1 January 2016	125.4	5.4	26.5	157.3

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US\$0.8 million were written off in 2017 (2016: nil).

11 Goodwill and other intangible assets (continued)

Internally generated intangible assets

This category of assets includes capitalised development costs in accordance with IAS 38, which in nature includes research and development projects. The material projects as included within the carrying amount above include compliance with local regulatory requirements in certain jurisdictions US\$6.6 million (2016: US\$11.1 million) and a major upgrade to the gaming systems platform US\$22.4 million (2016: \$17.7 million). No impairment tests were considered to be required at 31 December 2017 and the carrying value of internally generated intangible assets is considered to be appropriate.

Analysis of goodwill by cash generating units:

	Bingo online business US \$ million	Other US \$ million	Total goodwill US \$ million
Carrying value at 31 December 2016 and 31 December 2017	125.1	0.3	125.4

Impairment

In accordance with IAS 36 and the Group's stated accounting policy an impairment test is carried out annually on the carrying amounts of goodwill and a review for indicators of impairment is carried out for other non-current assets. Where an impairment test was carried out, the carrying value is compared to the recoverable amount of the asset or the cash generating unit. In each case, the recoverable amount was the value in use of the assets, which was determined by discounting the future cash flows of the relevant asset or cash generating unit to their present value.

Goodwill - Bingo online business

Goodwill and intangible assets associated with the Bingo online business unit arose following the acquisition of the Bingo online business of Globalcom Limited during 2007 and the acquisition of the Wink Bingo business in 2009. The income streams generated from the Bingo online business, comprising the B2C Bingo cash generating unit and the B2B cash generating unit, have been considered together as the risks and rewards associated with those income streams are deemed to be sufficiently similar.

11 Goodwill and other intangible assets (continued)

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long term growth rate has been assumed. Underlying growth rates, as shown in the table below, have been applied to revenue and are based on past experience, including the results in 2017 and 2016 and projections of future changes in the UK online Bingo gaming market. B2B contracts that will not be renewed were projected accordingly. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to gaming duties (including incremental UK remote gaming duty which commenced in H2 2017 aimed to tax charge on all freeplays) in its core jurisdictions.

The pre-tax discount rate that is considered by the Directors to be appropriate is the Group's specific Weighted Average Cost of Capital, adjusted for tax, which is considered to be appropriate for the online Bingo cash generating units.

	Pre-tax discount rate applied ¹	Underlying growth rate ² year 1	Underlying growth rate ³ years 2-5	Long-term growth rate year 6+	Operating expenses increase years 1-5	Operating expenses increase year 6+	GBP/US\$ exchange rate used in the model for future periods ⁴
At 31 December 2017	9%	3%	1%	2%	1%	2%	1.35
At 31 December 2016	9%	(1%)	7%	2%	8%	2%	1.25

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 The underlying growth rate in 2017 increased compared to 2016, recognising the strengthening of the average GBP/US\$ exchange rate in 2017 compared to the average rate in previous year.

³ The underlying growth rate for years 2 to 5 was calculated excluding the effect of certain B2B contracts, which will not be renewed.

⁴ Management recognises that a change in GBP/US\$ currency rate can have a significant impact on available headroom. A reduction by 10% in the GBP/US\$ currency rate would result in decrease of available headroom by 51%, a reduction by 20% in GBP/US\$ currency rate would result in impairment.

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.

11 Goodwill and other intangible assets (continued)

Acquired intangible assets

Software licences

No impairment tests were considered to be required at 31 December 2017 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 2017 and the carrying value of other intangible assets is considered to be appropriate.

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 2016	49.2	4.1	14.8	68.1
Additions	5.6	0.3	0.4	6.3
Disposals	(4.9)	-	(0.1)	(5.0)
At 31 December 2016	49.9	4.4	15.1	69.4
Additions	4.1	1.2	0.3	5.6
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	44.1	5.5	15.2	64.8
Accumulated depreciation				
At 1 January 2016	41.7	3.0	12.2	56.9
Charge for the year	6.8	0.3	1.3	8.4
Disposals	(4.9)	-	(0.1)	(5.0)
At 31 December 2016	43.6	3.3	13.4	60.3
Charge for the year	4.9	0.4	0.4	5.7
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	38.6	3.6	13.6	55.8
Carrying amounts				
At 31 December 2017	5.5	1.9	1.6	9.0
At 31 December 2016	6.3	1.1	1.7	9.1
At 1 January 2016	7.5	1.1	2.6	11.2

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US\$10.2 million were written off in 2017 (2016: US\$5.0 million).

13 Investments

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 2017	Effective interest 31 December 2016
AAPN Holdings LLC	Joint venture	USA	47%	47%
Come2Play Limited	Associate	Israel	20%	20%

A reconciliation of the movements in the Group's interest in equity accounted joint ventures and associates is shown below:

	Joint ventures US \$ million	Associates US \$ million
At 1 January 2016	-	1.4
Share of post-tax loss of equity accounted joint ventures and associates	-	(0.1)
At 31 December 2016	-	1.3
Share of post-tax loss of equity accounted joint ventures and associates	-	(0.2)
At 31 December 2017	-	1.1

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.

AGN LLC ("AGN"), the entity which contracted with a Las Vegas casino licensee in connection with the operation of a B2C gaming offering in Nevada, is 100% owned by the Group. However, the Group considers that due to the manner in which AGN was operated under the contractual arrangements in the JVA, it was regarded as a joint venture. During 2016 AGN surrendered its Nevada licence and ceased operation and winded down as of 31 December 2017.

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

13 Investments (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	2017	2016
	US \$ million	US \$ million
Non-current assets	2.5	4.1
Current assets	7.5	9.6
Current liabilities	(1.1)	(1.4)
Net assets of joint ventures	8.9	12.3
Assets attributed to class B holders	(8.9)	(12.3)
Net assets of joint ventures attributed to the Group	-	-
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	-	-
Income statement of US joint ventures		
Revenue	2.6	2.7
Expenses	(6.1)	(6.1)
Post tax loss of joint ventures	(3.5)	(3.4)
Expenses attributed to class B holders	(2.0)	(2.0)
Total post tax loss of joint ventures attributed to the Group	(5.5)	(5.4)
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures¹	(2.6)	(2.5)

¹ The Group's investment in the US joint ventures had reduced to nil due to the US joint ventures' cumulative losses exceeding the Group's investment. In 2017 the US joint ventures incurred further losses and, as a result, the Group's investment remained at nil. As the Group's investment remained at nil, the Group did not recognise the losses of US\$2.6 million in its consolidated income statement in 2017 (2016: US\$2.5 million). The total amount of unrecognised loss as of 31 December 2017 is US\$8.5 million (2016: US\$5.9 million).

Associates

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US\$1.5 million. As at 31 December 2017 the Group had investment to associate of US\$1.1m (2016: US\$1.3m). 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 2017 (31 December 2016: 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:

	2017 US \$ million	2016 US \$ million
Deferred tax relates to the following:		
Accrued severance pay	0.2	0.2
Vacation pay accrual	0.6	0.6
Property, plant and equipment	1.1	1.3
Intangible assets	(0.4)	(2.9)
	1.5	(0.8)
Reflected in the statement of financial position as follows:		
Deferred tax assets	1.5	1.1
Deferred tax liabilities	-	(1.9)

The Group has no tax losses at 31 December 2017 (2016: nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

15 Cash and cash equivalents

	2017 US \$ million	2016 US \$ million
Cash and short-term deposits	106.7	95.8
Customer funds	71.7	75.7
Restricted short-term deposits	1.2	1.1
	179.6	172.6

Customer funds represent bank deposits matched by liabilities to customers and progressive prize pools of an equal value (see note 19). Restricted short-term deposits represent amounts held by banks primarily to support guarantees in respect of regulated markets licence requirements.

16 Trade and other receivables

	2017 US \$ million	2016 US \$ million
Trade receivables	27.8	20.2
Other receivables	11.4	11.2
Prepayments	3.9	4.5
Current trade and other receivables	43.1	35.9
Non-current other receivables	0.8	0.7
	43.9	36.6

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.

17 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2017 Number	31 December 2016 Number	31 December 2017 US \$ million	31 December 2016 US \$ million
Ordinary Shares of £0.005 each	1,026,387,500	1,026,387,500	8.1	8.1

	Allotted, called up and fully paid			
	31 December 2017 Number	31 December 2016 Number	31 December 2017 US \$ million	31 December 2016 US \$ million
Ordinary Shares of £0.005 each at beginning of year	358,585,958	357,081,283	3.2	3.2
Issue of Ordinary Shares of £0.005 each	1,093,603	1,504,675	0.1	-
Ordinary Shares of £0.005 each at end of year	359,679,561	358,585,958	3.3	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 2017 and 2016:

During 2017, the Company issued 1,093,603 shares (2016: 1,504,675) out of which 155,603 shares (2016: 535,958) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US\$0.2 million (2016: US\$1.1 million).

Shares issued are converted into US\$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US\$3.3 million (2016: US\$3.2 million) and is split into 359,679,561 (2016: 358,585,958) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2016: £1.8 million).

18 Trade, other payables and provisions

	2017	2016
	US \$ million	US \$ million
Trade payables	38.4	38.0
Accrued expenses	87.3	69.4
Other payables	34.5	31.9
Total trade and other payables	160.2	139.3
Provisions	47.0	-
	207.2	139.3

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

Provisions

During the year, the Group recorded a provision for exceptional charges of US\$45.3 million (39.6 million Euro) in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015, as described in 26.

Movement in the provision during the year is as follows:

	Total
	US \$ million
At 1 January 2017	-
Arising during the year	45.3
Paid during the year	(0.7)
Exchange rate	2.4
At 31 December 2017	47.0
Current	47.0
Non-current	-

19 Liabilities to customers and progressive prize pools

	2017	2016
	US \$ million	US \$ million
Liabilities to customers	65.1	70.7
Progressive prize pools	6.6	5.0
	71.7	75.7

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	Percentage of equity interest	Nature of business
		2017	2016	
		%	%	
VHL Financing Limited	Gibraltar	100	100	Holding company
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar
Virtual Digital Services Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar for European markets which are not locally regulated
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
888 UK Limited	Gibraltar	100	100	Holder of UK remote gaming licence
Virtual Marketing Services Italia Limited	Gibraltar	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
888 US Limited	Gibraltar	100	100	Holder of Interactive Gaming Service Provider and Manufacturer licence in the state of Nevada
888 Atlantic Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 Liberty Limited	Gibraltar	100	100	Holder of Gaming Vendor License in the state of Delaware
888 Romania Limited	Gibraltar	100	100	Holder of Romanian online gaming licence
888 (Ireland) Limited	Gibraltar	100	100	Holder of Irish online betting licence
888 Denmark Limited	Gibraltar	100	100	Holder of Danish online gaming licence
Virtual Emerging Entertainment Limited	Gibraltar	100	100	Trademark licensor
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
Random Logic Ventures Limited	Israel	100	100	Investment holding company
Sparkware Technologies SRL	Romania	100	100	Software development
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
Virtual Share Services Limited	Gibraltar	100	100	Administration of employee equity schemes
888 US Inc.	Delaware, USA	100	100	Holder of US Joint Venture (AAPN)

21 Share benefit charges

Equity-settled share benefit charges

As at 31 December 2017 the Group has equity-settled employee shares and share options granted under two equity-settled employee share incentive plans - the 888 All-Employee Share Plan (“AEP”), which expired according to its terms in August 2015, and the 888 Long-Term Incentive Plan 2015 (“LTIP”) which was adopted at the Extraordinary General Meeting on 29 September 2015. The 888 Long-Term Incentive Plan 2015 is open to employees (including Executive Directors) and full-time consultants of the Group, at the discretion of the Remuneration Committee. Awards under this scheme will vest in instalments over a fixed period of at least three years subject to the relevant individuals remaining in service. Certain of these awards are subject to additional performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors’ Remuneration Report set out in the 2017 Annual Report.

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

Details of equity settled shares and share options granted as part of the AEP, the LTIP and the DSBP are set out below:

Share options granted

	2017		2016	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	£1.27	259,981	£1.35	908,224
Market value options lapsed during the year	£1.15	(6,410)	£1.70	(112,285)
Market value options exercised during the year	£1.28	(155,603)	£1.31	(535,958)
Outstanding at the end of the year ^{1,2,3}	£1.26	97,968	£1.27	259,981

¹ Of the total number of options outstanding at 31 December 2017, 97,968 had vested and were exercisable (2016: 259,981).

² The range of exercise prices for options outstanding at 31 December 2017 is £1.02-£1.50 (2016: £1.02-£1.50).

³ The weighted average remaining contractual life at the year-end was 1.22 years (2016: 1.62 years)

Ordinary Shares granted (without performance conditions)

	2017	2016
	Number	Number
Outstanding at the beginning of the year	4,240,266	1,327,483
Shares granted during the year	35,652	3,041,045
Lapsed future vesting shares	(169,213)	(92,754)
Shares issued during the year	(23,333)	(35,508)
Outstanding at the end of the year	4,083,372	4,240,266
Averaged remaining life until vesting	1.09 years	2.09 years

Shares are granted at a nominal exercise price.

21 Share benefit charges (continued)

Deferred Share Bonus Plan

	2017 Number
Outstanding at the beginning of the year	-
Shares granted during the year	211,691
Outstanding at the end of the year	211,691
Averaged remaining life until vesting	1.22 years

The aforementioned grants under the DSBP were approved by the Board as part of the annual bonus award to the Executive Directors for 2016, pursuant to which an amount equal to 100% of salary was granted in cash, with the additional 50% of salary deferred into shares of the Company. These grants were made on 28 June 2017 to the CEO (130,914 Shares) and CFO (80,777 Shares), with the shares vesting in equal tranches on 28 June 2018, 2019 and 2020. Ordinary Shares granted for future vesting are valued at the share price at grant date, which the Group considers approximates to the fair value. On 29-30 June 2017 the Group purchased 211,691 shares on the open market at an average price of 255.31¢ per share, all of which were recognised as treasury shares as of 31 December 2017.

Ordinary Shares granted (subject to performance conditions)

	2017 Number	2016 Number
Outstanding at the beginning of the year	5,573,612	5,273,963
Shares granted during the year	1,332,944	1,621,450
Lapsed future vesting shares	-	(388,592)
Shares issued during the year	(914,667)	(933,209)
Outstanding at the end of the year	5,991,889	5,573,612
Averaged remaining life until vesting	1.17 years	1.61 years

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return (TSR) compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the Directors' remuneration report set out in the 2017 Annual Report. The EPS growth target is taken into account when determining the number of shares expected to vest at each reporting date, and the TSR target is taken into account when calculating the fair value of the share grant.

Valuation information – shares granted under TSR condition:

Shares granted during the year:	2017	2016
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.72	£1.31
Number of shares granted	666,472	810,725
Average risk-free interest rate	0.16%	0.50%
Average standard deviation	31%	33%
Average standard deviation of peer group	29%	31%

21 Share benefit charges (continued)

Valuation information – shares granted

	2017		2016	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Weighted average share price at grant date	£2.73	£2.73	£2.02	£2.05
Weighted average share price at issue of shares	£2.65	£2.71	£2.15	£2.28

Ordinary Shares granted for future vesting with EPS growth performance conditions are valued at the share price at grant date, which the Group considers approximates to the fair value. The restrictions on the shares during the vesting period, primarily relating to non-receipt of dividends, are considered to have an immaterial effect on the share option charge.

In accordance with IFRS 2 - Share-based Payment, a charge to the consolidated income statement in respect of any shares or options granted under the above schemes is recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the grant date, adjusted for changes in vesting conditions at each balance sheet date. These charges have no cash impact.

Share benefit charges

	2017 US \$ million	2016 US \$ million
Equity-settled		
Equity-settled charge for the year	8.5	6.7
Total share benefit charges	8.5	6.7

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:

	2017 US \$ million	2016 US \$ million
Short-term benefits	4.6	4.1
Post-employment benefits	0.2	0.2
Share benefit charges – equity-settled	4.7	4.2
	9.5	8.5

Further details on Directors' remuneration are given in the Directors' Remuneration Report set out in the 2017 Annual Report.

US joint ventures

During 2017 the Group charged the US joint ventures for reimbursement of costs of US\$2.1 million (2016: US\$1.7 million), of which the outstanding balance at 31 December 2017 is US\$0.5 million (2016: US\$0.3 million).

Investment in associates

During 2016 the Group charged its associate for the Group share of the net revenue of US\$1.6 million. The revenue share agreement between the Group and the associate was terminated in September 2016. The outstanding balance at 31 December 2017 is nil (2016: US\$0.1 million).

23 Commitments

Lease commitments

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

	2017 US \$ million	2016 US \$ million
Within one year	4.9	4.1
Between two and five years	17.7	13.1
More than 5 years	11.8	14.4
	34.4	31.6

The increase in lease commitments during the year mainly relates to the renewal of the lease agreement in Gibraltar, for six years until June 2023.

The expense relating to operating leases recorded in the consolidated income statement in the year was US\$5.1 million (2016: US\$4.6 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;
- Trade and other receivables;
- Trade and other payables;
- Customer deposits;
- Available for sale financial investments.

Detailed analysis of these financial instruments is as follows:

Financial assets	2017 US \$ million	2016 US \$ million
Trade and other receivables ¹ (note 16)	39.2	31.4
Cash and cash equivalents (note 15)	179.6	172.6
Available for sale investment (note 13)	0.2	0.2
	219.0	204.2

¹ Excludes prepayments and non-current other receivables.

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.

24 Financial risk management (continued)

Financial liabilities	2017 US \$ million	2016 US \$ million
Trade and other payables ¹ (note 18)	93.8	92.5
Customer deposits (note 19)	71.7	75.7
	165.5	168.2

¹ Excludes taxes payable.

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.

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. There are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

The Group's credit risk is primarily attributable to trade receivables, most of which are due from the Group's payment service providers (PSP). These are third party companies that facilitate deposits and withdrawals of funds to and from customers' virtual wallets with the Group. These are mainly intermediaries that transact on behalf of credit card companies.

The risk is that a PSP would fail to discharge its obligation with regard to the balance owed to the Group. The Group reduces this credit risk by:

- Monitoring balances with PSPs on a regular basis.
- Arranging for the shortest possible cash settlement intervals.
- Replacing rolling reserve requirements, where they exist, with a Letter of Credit by a reputable financial institution.
- Ensuring a new PSP is only contracted following various due diligence and "Know Your Customer" procedures.
- Ensuring policies are in place to reduce dependency on any specific PSP and as a limit any concentration of risk.

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt as at year end amounting to US\$0.5 million arising from a PSP failing to discharge its obligation (2016: US\$0.5 million). This has been charged to the consolidated income statement.

24 Financial risk management (continued)

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards (“chargebacks”) or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2017 was US\$1.4 million (2016: US\$1.4 million).

The Group's in-house Fraud and Risk Management department carefully monitors deposits and withdrawals by following prevention and verification procedures using internally-developed bespoke systems integrated with commercially-available third party measures.

Cash and cash equivalents

The Group controls its cash position from its Gibraltar headquarters. Subsidiaries in its other main locations maintain minimal cash balances as required for their operations. Cash settlement proceeds from PSPs, as described above, are paid into bank accounts controlled by the Treasury function in Gibraltar.

The Group holds the majority of its funds with highly reputable financial institutions and will not hold funds with financial institutions with a low credit rating save for limited balances for specific operational needs. The Group maintains its cash reserves in highly liquid deposits and regularly monitors interest rates in order to maximise yield.

Customer funds

Customer funds are matched by customer liabilities and progressive prize pools of an equal value.

Restricted short-term deposits

Restricted short-term deposits are short-term deposits held by banks primarily to support guarantees in respect of regulated markets licence requirements.

The Group's maximum exposure to credit risk is the amount of financial assets presented above, totalling US\$219.0 million (2016: US\$204.2 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:

	2017				Total US \$ million
	On demand US \$ million	In 3 months US \$ million	Between 3 months and 1 year US \$ million	More than 1 year US \$ million	
Trade and other payables ¹	11.2	68.7	13.9	-	93.8
Customer deposits	71.7	-	-	-	71.7
	82.9	68.7	13.9	-	165.5

¹ Excludes taxes payable.

	2016				Total US \$ million
	On demand US \$ million	In 3 months US \$ million	Between 3 months and 1 year US \$ million	More than 1 year US \$ million	
Trade and other payables ¹	10.0	72.8	9.7	-	92.5
Customer deposits	75.7	-	-	-	75.7
	85.7	72.8	9.7	-	168.2

¹ Excludes taxes payable.

24 Financial risk management (continued)

Market risk

Currency risk

The Group's financial risk arising from exchange rate fluctuations is mainly attributed to:

- Mismatches between customer deposits, which are predominantly denominated in US\$, and the net receipts from customers, which are settled in the currency of the customer's choice and of which Pounds Sterling (GBP) and Euros (EUR) are the most significant.
- Mismatches between reported revenue, which is mainly generated in US\$ (the Group's reporting currency and the functional currency of the majority of its subsidiaries), and a significant portion of deposits settled in local currencies.
- Expenses, the majority of which are denominated in foreign currencies including Pounds Sterling (GBP), Euros (EUR) and New Israeli Shekels (ILS).

The Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This includes the use of foreign exchange forward contracts designed to fix the economic impact of known liabilities when considered appropriate.

At 31 December 2017 the Group does not have any open foreign exchange forward contracts.

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

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

24 Financial risk management (continued)

	2016					
	GBP	EUR	ILS	USD	Other	Total
	US \$ million	US \$ million	US \$ million	US \$ million	US \$ million	US \$ million
Cash and cash equivalents	39.0	26.1	18.4	81.1	8.0	172.6
Trade and other receivables	13.0	9.5	0.5	3.3	5.1	31.4
Available for sale investments	-	-	-	0.2	-	0.2
Monetary assets	52.0	35.6	18.9	84.6	13.1	204.2
Trade and other payables	(26.4)	(11.7)	(27.9)	(24.3)	(2.2)	(92.5)
Customer deposits	(18.2)	(11.7)	-	(43.8)	(2.0)	(75.7)
Monetary liabilities	(44.6)	(23.4)	(27.9)	(68.1)	(4.2)	(168.2)
Net financial position	7.4	12.2	(9.0)	16.5	8.9	36.0

Sensitivity analysis

The table below details the effect on profit before tax of a 10% strengthening (and weakening) in the US\$ exchange rate at the balance sheet date for balance sheet items denominated in Pounds Sterling, Euros and New Israeli Shekels:

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

	Year ended 31 December 2016		
	GBP	EUR	ILS
	US \$ million	US \$ million	US \$ million
10% strengthening	(0.7)	(1.2)	0.9
10% weakening	0.7	1.2	(0.9)

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\$0.35 million.

25 Fair value measurements

At 31 December 2017 and 2016, the Group's available for sale investment is measured at fair value (level 2). For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

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

26 Provisions, contingent liabilities and regulatory issues

- (a) 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 and tax advice obtained. The Group is also periodically subject to audits and assessments by local taxing authorities. Other than as provided in the Group financial statements, the Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments and considers it unlikely that any further liability will arise.
- (b) There are uncertainties as to whether any VAT is due in respect of certain services provided by the Group to customers in Germany 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 and the customer's location is determined to be Germany, whether a possible imposition of VAT on relevant services would be lawful. There are also uncertainties surrounding any tax base to be applied and any retrospective period in the event that it is ultimately determined that VAT is due on any relevant services.

Historically, on the basis of legal advice received, the Board considered that cash outflow in respect of VAT on these services rendered to customers in Germany was not probable. In the current period, in response to an inquiry from the tax authorities in Germany about services provided prior to 2015, the Group provided information, in order to fulfil its statutory assistance and information obligations, to enable the appropriate tax authorities to form their own view regarding the likelihood of a VAT liability. The Group obtained a thorough legal assessment and considered the tax position in respect of each service supplied and has taken a cautious approach by recording a provision of US\$45.3 million (39.6 million Euro) in 2017 consolidated income statement (2016: nil) in respect of some of these services, based on its estimate of probable amounts due given the uncertainties outlined above. See note 18. Discussions with the relevant tax authorities are on-going.

For other services the Group considers that it has strong arguments to support the position that the payment of VAT is not probable due to the significant uncertainties (as outlined above) related to these services. On this basis, no amounts have been recorded in the Group's consolidated financial statements. However, it remains possible that there is a cash outflow in respect of these services. The Group has estimated that the VAT which may be payable in respect of these items is up to US\$18.5 million.

This position reflects the Group's estimate of the likely amounts and probability of any related outflows. However, the Board has reserved its position and all legal rights, based on legal advice received.

- (c) As part of the Board's ongoing regulatory compliance and operational risk assessment process, it continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.

Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, for the majority of these matters the Board is unable to quantify reliably the outflow of funds that may result, if any. For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements. Except for the UKGC matter further described in note 5 these amounts are not material at 31 December 2017.