

25 March 2014

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

Audited annual financial results for the year ended 31 December 2013

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 2013.

Financial Highlights

- Revenue increased 7% to US\$401m (2012: US\$376m)
- B2C Revenue increased 7% to US\$352m (2012: US\$330m)
- Adjusted EBITDA* increased 13% to US\$76m (2012: US\$67m)
- Adjusted EBITDA* margin increased to 18.9% (2012: 17.8%)
- Profit before tax increased 30% to US\$53m (2012: US\$41m)
- Final dividend at 4.0 cents per ordinary share per policy (2012: 4.5 cents), and due to strong performance the Board is recommending an additional one-off dividend of 7.0 cents per share (2012: 2.0 cents), bringing the total dividend per share for the year to 14.0 cents per share (2012: 9.0 cents)
- Adjusted EPS increased 19% to 16.6 cents per share (2012: 13.2 cents)
- As at 31 December 2013, 888 had 15.5 million Casino, Poker and Sport real money registered customer accounts, representing an increase of 19% from 31 December 2012

Operational Highlights

- Continued strong performance in core Casino and Poker products
- Improved 888Sport offering delivering positive results
- Further excellent progress in Spain
- Successful launch in regulated US states:
 - World Series of Poker (WSOP) brand, powered by 888’s gaming platform and technology, launched in Nevada in September 2013
 - Launch of iGaming in Delaware in November 2013 with poker, casino table games and casino slots powered by 888
 - 888casino and 888poker brands (through AAPN joint venture) launched alongside WSOP brand in New Jersey in November 2013

Recent Developments

- In February 2014, the states of Delaware and Nevada signed an interstate compact where-by poker liquidity can be pooled positioning 888 in an excellent position to gain from increased liquidity
- Average daily revenue for the year to date up more than 8% against the prior year

Brian Mattingley, CEO of 888, commented:

“2013 was a very busy but also exceptionally rewarding year for 888. I am delighted to report that we have delivered record-breaking revenue and increased our profitability, driven by our strong brands, exceptional platforms and best-in-class marketing systems.

We delivered excellent progress in our core markets and built on momentum in Spain where we have quickly developed a market-leading position. Casino delivered another strong performance and we made further market share gains in Poker, advancing to number two in the PokerScout global rankings at the year end. We have also significantly strengthened our offering in Sport, which is delivering positive results. All of this was achieved whilst devoting significant energy and resources on preparing 888 for our successful launch in the regulated US market.

I am delighted with 888’s achievements in 2013 which were made possible by the amazing hard work, dedication and talent of our team. I would like to take this opportunity to thank each of them for their fantastic efforts during the year.

We have started 2014 well, with average daily revenue up more than 8 per cent in the year to date, and look forward to the year ahead with continued confidence.”

* As defined in the table below

Financial Summary

	Year ended 31 December 2013 ¹ \$ million	Year ended 31 December 2012 ¹ \$ million	Change
Revenue			
B2C			
Casino	190.4	165.5	15%
Poker	93.6	87.5	7%
Bingo	43.7	51.8	(16%)
Emerging Offering	24.5	25.0	(2%)
Total B2C	352.2	329.8	7%
B2B	48.3	46.0	5%
Revenue	400.5	375.8	7%
Operating expenses ²	114.1	113.5	
Gaming taxes and duties ³	13.7	11.5	
Research and Development expenses	30.7	27.2	
Selling and Marketing expenses	139.9	131.2	
Administrative expenses ^{4,5}	26.5	25.6	
Adjusted EBITDA^{3,4,5}	75.6	66.8	13%
Depreciation and Amortisation	13.9	14.8	
Share benefit charges, finance and other	4.4	11.2	
Share of Joint venture loss	4.1	-	
Profit before tax	53.2	40.8	30%
Adjusted Earnings Per Share⁶	16.6¢	13.9¢	19%

Reconciliation of Operating Profit to Adjusted EBITDA

	Year ended 31 December 2013 ¹ \$ million	Year ended 31 December 2012 ¹ \$ million
Operating profit	56.2	36.9
Depreciation	8.3	9.2
Amortisation	5.6	5.6
Share benefit charges	5.5	1.7
Retroactive duties and associated charges	-	11.1
Impairment charges	-	2.2
Adjusted EBITDA	75.6	66.8

¹ Totals may not sum due to rounding.

² Excluding depreciation of US\$8.3 million (2012: US\$9.2 million) and amortization of US\$5.6 million (2012: US\$5.6 million).

³ Excluding retroactive duties and associated charges of nil (2012: US\$11.1 million).

⁴ Excluding share benefit charges of US\$5.5 million (2012: US\$1.7 million).

⁵ Excluding impairment charges of nil (2012: US\$2.2 million).

⁶ As defined in note 8 to the financial statements.

Analyst Presentation

Brian Mattingley, Chief Executive Officer, Aviad Kobrine, Chief Financial Officer, and Itai Frieberger, Chief Operating Officer, will be hosting a presentation for analysts today at 10:30 (GMT) at Numis, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT.

An audiocast of the presentation will be available from the investor relations section of 888's website (<http://www.888holdingsplc.com>) this morning.

Contacts and enquiries

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement reflect 888's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules 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

Our goal is to deliver strong, sustainable, long-term earnings growth by maximising revenues and expanding margins. 2013 was a year of strategic development for 888 as we positioned ourselves to take advantage of significant opportunities as new markets became regulated and opened up to online gaming and high-growth mobile channels developed. This was underpinned by excellent momentum across our established business streams which delivered another record performance driven by our excellent customer offering and targeted marketing.

The global online gaming market has dynamic growth characteristics, providing 888 with multiple development opportunities given our ability to innovate, international reach and industry leading technology platform. These enable us to enter new markets quickly and effectively and focus our marketing initiatives highly efficiently. In particular we continued to innovate in mobile with significant increases in revenue and new depositors achieved through this rapidly growing channel.

We have entered newly regulated markets in the US and continued to develop our successful operations in Spain and Italy. During 2013 we completed a number of strategic partnerships which position us strongly in the emerging US regulated market. Our distinct approach gives us significant financial firepower to take advantage of this opportunity and we are encouraged by progress to date in Nevada, New Jersey and Delaware.

Financial results and dividend

2013 was another record year for 888. We increased revenue to a record level of US\$401 million, of which 88% was from our B2C operations. We continued to make significant investments in the future through product development and cost effective customer acquisition whilst increasing Adjusted EBITDA* by 13% to US\$76 million (2012: US\$67 million) and profit after tax by 41% to US\$50 million (2012: US\$35 million).

* As defined in the table set out above

888 was highly cash generative during the year holding US\$116 million of cash and cash equivalents as at 31st December 2013 (2012: US\$82 million) with US\$55 million liabilities to customers (2012: US\$49 million). At 31st December 2013, 888 had 15.5 million Casino, Poker and Sport real money registered accounts, representing a 19% increase from 2012.

Given the strong financial performance of the Group, the Board is recommending a final dividend of 4.0¢ per share (which together with the interim dividend equals 7.0¢ per share in accordance with our dividend policy) and an additional one-off 7.0¢ per share, bringing the total for the year to 14.0¢ per share (2012: 9.0¢ per share).

Winning team

888 has world class talent with a team of more than 1,600 highly skilled and dedicated staff. They are the driving force behind our success including the strong performance in 2013. On behalf of the Board I would like to thank all my colleagues for their excellent contribution and commitment to fulfilling the ambitions we have for the business.

Our values

Our values and a strong culture are key to our success with a responsible gaming environment for our customers at the centre of all our endeavors. We continuously create innovative ways (such as our sophisticated Observer System) to ensure that all those who visit our site can do so with confidence and safety, and that those for whom our games are not intended are not drawn into a gaming environment.

Outlook

888 has world class technology and products, a truly international breadth of operations, and a dedicated and expert team. These are our key strengths as we continue to grow and unlock new market opportunities. I am confident we have the right strategy to deliver a truly satisfying experience for our customers and strong, sustainable, long-term earnings growth for our shareholders.

Richard Kilsby
Chairman

Chief Executive's Review

2013 OVERVIEW: A RECORD-BREAKING YEAR FOR 888

2013 was a very busy but also exceptionally rewarding year for 888. I am delighted to report that we have delivered record-breaking revenue; increased our profitability; remained highly cash generative and delivered greater returns to our shareholders through a 56% increase to the dividend.

Our operational achievements in 2013 are equally impressive. We continued to deliver product innovation, ensuring that our customers are provided with the most enjoyable games in the safest possible environment. We made further developments to our industry-leading 'smart marketing' so that we are able to attract more players to the 888 brand and increase their life time value. We delivered excellent progress in our core markets, continued to develop our offering in Italy and built on momentum in Spain where we have quickly developed a leading market position. We delivered another very strong performance in Casino and made further market share gains in Poker, advancing to number two in the PokerScout global rankings at the year end.

All of this was achieved whilst devoting significant energy and resources to preparing 888 for launch in the US market. I am incredibly proud to say that 888 is the only operator currently present in all three regulated states as we execute our strategy in what is potentially the largest online gaming market globally. This remarkable achievement is testament to the strength of our product, technology and marketing but also, and most crucially, the hard work, dedication and talent of our team. I would like to take this opportunity to thank each of them for their fantastic efforts during the year.

I am delighted with 888's achievements in 2013 and look forward to the year ahead with continued confidence.

MARKET OVERVIEW

The online gaming market is dynamic and fast-growing. Growth over the coming years will continue to be driven by a combination of customers responding to innovative games that deliver a richer entertainment experience, the growing use of mobile devices that improve accessibility, increased confidence in secure low-cost payment mechanisms and an expanding customer demographic, partly driven by regulatory trends that are opening up more markets to online gaming.

It is forecast that the value of the global online gaming market will be approximately €31.5 billion by 2015, representing a CAGR of more than 9% from 2012*. This does not take account of the additional opportunities being opened up in the United States, which represents a potentially massive opportunity for the industry. Nevada, Delaware and New Jersey were regulated by the end of 2013 and other states are expected to make significant progress towards regulation this coming year. As regulation continues, analysts predict that the US could become the largest online gaming market in the world.

In more mature markets such as the United Kingdom, we anticipate that there will be further consolidation given the advantages of scale, brand and technology that larger operators can employ in a more competitive environment. This trend will be reinforced by the planned introduction of a Point of Consumption Tax in the UK, due to take effect from December 2014.

Online mobile gaming (on portable devices such as tablets and smart-phones) is growing strongly reflecting consumers' increasing comfort using their mobile phones and tablets for a wide range of products and services including banking and shopping. Mobile devices will account for a much greater proportion of revenue as customers complement or replace their PC-based experience.

* Value of online gaming market in terms of gross win. Source: H2 Gambling Capital 2014

OUR STRATEGY

888 is one of the world's most popular online gaming entertainment and solutions providers. We have been at the forefront of the industry for more than 15 years by providing customers with market leading products that are localised to enable players to enjoy the games they want, in the languages they speak, in a safe and secure environment.

The Group is structured into two business lines: B2C, with our market leading 888 brands and B2B, conducted through our Dragonfish business. This structure allows the Group to leverage its technological, product, marketing and analytical strengths across B2C and B2B. This maximises their benefits and allows 888 to compete successfully with and surpass our competition in both established and newer markets.

There are clear opportunities in our global markets. We are well placed to deliver growth across all areas of our business, generating value for our shareholders as the well-established trend towards more international regulation continues and new technologies evolve. Our strategy to achieve this is made up of five key pillars:

Growth and Development Of Our Core Products

We are focused on the growth and development of our core product groups which are Casino, Poker, Bingo and, to a lesser extent, Sport, where we work with a partner. These products are delivered via our B2C offering under 888's own brands and to our B2B clients, through Dragonfish.

'Best-In-Class' B2C Offer

Our B2C offering remains our core area and the bedrock of the success of the business. We continue to invest in and focus on ensuring that we deliver an unsurpassed customer experience by developing best-in-class products, maintaining excellence in customer service and ensuring we deliver a real value-for-money proposition to our customers. This together with our advanced modeling and analytics competencies that underpin our product development and CRM functions, help us achieve our objectives: to increase customer numbers, further develop brand loyalty and enhance customer lifetime value.

Partner Of Choice through Dragonfish – Our B2B Offer

Dragonfish is 888's B2B arm which offers clients best in class Total Gaming Services solutions that are tested vigorously to meet the regulatory requirements of the different jurisdictions where they are delivered. The quality of our offering, driven by our continuous investment in developing leading gaming platforms, means that we are fast establishing ourselves as the partner of choice in both regulated and newly regulating markets. This has been evidenced by the key strategic deals we have signed in 2013 alongside the deal we signed with Caesars Interactive Entertainment in 2012 enabling 888 to become the only online gaming operator with a presence in all three regulated US states.

Driving Margin Growth through Operational Efficiencies

We remain focused on improving our margins by maximising operational efficiencies and driving volume. 2013 saw us continue to deliver progress in this area with further operational efficiencies driven across the business resulting in our Adjusted EBITDA margin improving to 18.9% (2012: 17.8%).

Expansion in Regulated Markets

We are focused on developing our presence in locally regulated markets. A key advantage of having our own technology, product development, marketing, analytics and CRM teams working closely together, is that it allows us to control the key drivers for our success. This ensures that we have the agility and skills to successfully and efficiently launch in newly regulated markets.

2013 has seen us build further momentum in the European markets of the UK, Spain and Italy and we are delighted with the progress we have continued to make, building strong market positions, especially in Spain. We classify the regulation of markets into three categories:

Developmental – These are jurisdictions where there is a strong indication that at some time in the near future the market will open. Here we talk to local industry participants with a view to forming partnerships to jointly explore opportunities. The US continues to be a primary focus for us and we believe our strong position in those states already regulated, combined with our focused strategy and established partnerships, position us well to take full advantage of the opportunities as regulation develops.

Formational – These are markets where governments have announced regulation and are working towards a framework. Here we decide on a trading strategy, start dialogue with local partners either for B2C or B2B tie-ups, and engage with regulators and governments to assist in shaping the industry framework.

Implementational – These are markets where regulation has been introduced and we have already commenced trading. In 2013, we made excellent further progress and built strong positions in both Spain and Italy, both of which have recently regulated. In the second half of 2013, we commenced operations in Nevada, Delaware and New Jersey in the US and have made good progress at this early stage.

US Development – Strategy and Current Alliances

The US market is a demanding environment with strict regulatory requirements that vary from state to state, however the opportunities are potentially vast.

Our successful launch in the regulated US market to date is testament to our product, technology and marketing as well as the hard work, dedication and talent of our team who have been able to meet the complex regulatory requirements in each state to pressing deadlines. We have developed close working relationships with the various regulatory bodies in the US and these relationships, along with the experience and skills we have developed to date, mean that we are well positioned to exploit the US opportunity as further states open up to online gaming.

In March 2013, 888 completed a major step in its US strategy by entering into a joint venture agreement with global investment firm Avenue Capital Group (“Avenue”) through one of its affiliates, to form AAPN Holdings LLC (“AAPN”). AAPN was formed for the purposes of collaborating and capitalising on 888’s and Avenue’s respective strengths and competencies in order to carry out legalised Internet based gambling operations in the United States. Pursuant to the agreement, Avenue committed to finance AAPN and its affiliates, while 888 committed to provide its operational expertise, services and software. In November 2013, one of 888’s subsidiaries received an authorization from the regulators in the State of New Jersey that enabled it to begin provision of internet based gambling services in New Jersey, branded with the 888Poker and 888Casino brands, under the authority of the regulatory license issued to Caesars Interactive Entertainment.

Our joint venture agreement crucially allows our US operations to make a positive contribution to Group revenue from the moment we launched, limiting our capital requirements and giving 888 the flexibility and financial capability to launch in more markets globally as they regulate.

OPERATIONS: DELIVERING ON OUR PLANS

Success driven by Technology Leadership

Technology leadership remains the foundation of and driver for 888’s continued growth and success. Our best-in-breed platform combined with industry-leading back office systems and unique expertise in online marketing, all underpinned by state of the art analytics developed over more than 15 years, delivers a powerful competitive advantage. Our technical edge and strong analytical capabilities together drive the success of our products from initial development right through to marketing and customer service. As a result we are able to focus our resources on individual customers to ensure they enjoy the best possible customer experience whilst growing their lifetime value to 888. We have continued to enhance our comprehensive analytical tools over time including the development and addition of new features to our CRM armoury, allowing our marketing spend to be increasingly effective and resulting in positive customer conversion and retention trends.

Our consistency and leadership was recognised at the 2013 Egaming Review Operator Awards when 888 was the winner in the prestigious Poker Operator of the Year, Casino Operator of the Year and Best Operator of the Year categories. This was the third consecutive year 888 has won the Poker Operator of the Year award; a notable achievement that is testament to the strength of our platform and our relentless focus on continuous improvement and innovation.

Continuous Innovation

Innovation is central to 888's business and we have continued to invest in and develop our technology to maintain the delivery of best-in-class multi-regulation, multi-product and multi-platform offerings.

Successful online gaming destinations offer customers safe, enjoyable and innovative environments in which to play. As online gaming evolves, 888 is focused on innovating and developing at the fore of the industry to ensure that our players continue to be provided with the compelling and dynamic games that we are known for, thus enhancing customer satisfaction and ultimately encouraging repeat visits.

As well as delivering continuous improvements across our core product verticals, a key area of focus this year has been 888's mobile offering. The increasing use of smartphones and tablet devices has resulted in mobile becoming one of the major engines of growth in online gaming. The rapid rate of adoption and growth in players across this channel presents unique challenges and opportunities for the industry as operators develop their understandings of customer habits and profiles on this relatively immature platform.

888 has been quick to recognise the transformational nature of mobile for the online gaming industry. In 2013 we focused significant resources and investment on developing our products and understanding of this increasingly important channel. This has included the launch of new iOS and Android Poker and Casino apps during the course of the year along with a new and improved mobile Bingo product which has shown good customer traction.

In 2012 we integrated our social gaming business into our technological organisation with our team working alongside our excellent product developers. We have continued to review our product suite in 2013 and evaluate new ways to develop this area of our customer offer.

B2C

888 is a global gaming destination with core products in Casino, Poker and Bingo as well as an emerging offering in Sport. 888 has more than a dozen localised offerings providing players in more than 100 countries with the games they want in the languages they speak.

Casino

Casino has enjoyed another strong year across a variety of markets, with particularly good growth generated across Europe, notably in Italy, the United Kingdom and in Spain, where we have maintained a market leading position. This significant achievement in part reflects the momentum we have continued to build during the course of the year around Casino 50, our casino offering which was launched in the first quarter of 2012. Our teams have continued to evolve and refresh our offer, enhancing the customer experience, launching new and exclusive 888 developed slot games and supporting the product with strong marketing campaigns. We have remained highly focused on player acquisition and delivered very effective results with active Casino players continuing to increase against the prior year.

As well as increasing active customers we aim to further enhance brand loyalty amongst our players, which ultimately results in increased lifetime value. We have continued to make progress against this objective this year, in part as a result of the continuous development of our leading games portfolio and content, aided by the capabilities of our in-house Games Studio, ensuring that we remain at the fore of the online gaming experience.

Poker

Poker delivered another strong performance with the number of active players increasing more than 21% in Q4 against the prior year. This impressive growth, achieved in what remains a highly competitive market, is a result of the continued and relentless execution of our stated poker strategy of focusing on recreational players and providing them with a safe and enjoyable ecosystem. Our poker product is an accepted industry leader and we have continued to take market share resulting in 888 rising from number four to number two in the global poker liquidity rankings according to PokerScout during the course of the year. This is an impressive achievement that is testament to our ongoing and meticulous network management in combination with our 'smart marketing' strategy. The increasing popularity of mobile has also contributed to our strong Poker performance, with mobile devices ideally suited to the preferences and playing habits of our target recreational players. Overall, we have delivered a good performance across territories with our leadership position in the Spanish market being particularly pleasing.

Bingo

The Bingo market remains a highly competitive and mature market that has proved to be challenging for operators over the course of 2013. However, at the start of the year we took proactive action and conducted a strategic review of this segment along with extensive market research. As a result, we have restructured the department into a fully integrated product vertical, replicating the approach we have in Casino and Poker, and have readdressed the whole look, shape and feel of our Bingo customer experience through a number of operational and technical improvements. Whilst Bingo revenue for 2013 was 16% lower compared to the prior year, we are delighted to have seen steady progress during the second half of the year, with revenue in Q4 up 7% against Q3, and feel confident that this improving trend will continue as we enter 2014. The improvement has also in part been driven by the re-launch of Bingo on mobile devices during the year which has demonstrated tremendous growth both in terms of player recruitment and generating deposits.

Sport

888Sport remains a relatively small part of our business. However, the sport market is important to our customers, especially around major sporting events, and also acts as an important acquisition tool enabling us to build our customer base and migrate players across products.

We continue to recognise both the need to invest in our Sport offering and the growth opportunity in this market. In May we were delighted to announce that the Group had signed an agreement with Kambi Sports Solutions, a leading sportsbook supplier, to deliver a fully managed sportsbook solution to 888 under the 888Sport brand. We have now integrated our sport offering into our core platform, which allows us to leverage all of our market-leading capabilities. The agreement with Kambi has allowed us to offer a broader range of betting materials and products for the UK and other markets through both online and mobile channels. The improved 888Sport offer was launched during the spring supported by an exciting marketing campaign and has delivered positive results with both margin and revenue improvement.

B2B

Dragonfish, our B2B offering, is a key component of our regulated market strategy. Through our market leading B2C offering we have built a reputation for developing the best possible platform for operation and therefore an incentive for companies to partner with Dragonfish in order to gain a foothold in newly regulating territories.

2013 has seen solid growth in this area of the business with revenues up 5% on the prior year as we have developed our B2B bingo platform as well as our Globalcom bingo network, where we remain one of the leading bingo software providers in the UK market supplying many leading brands, as well as the relationships with our US partners.

Success in New Markets

Our ability to launch in newly regulated markets with impressive results reflects our proven platform and technological systems and provides an excellent base for continuing growth. During the year we have continued to build impressively on our success in the recently regulated Spanish and Italian markets, further establishing the 888 brand in Italy and developing a market-leading position in Spain.

Undoubtedly the key focus for international expansion over the course of 2013 has been the US market as we prepared for the long-awaited regulation of Delaware, Nevada and New Jersey.

As previously outlined, in the run up to regulation in the US market we had ensured that through our focused strategy and partnerships we would be ideally positioned to leverage own market leading platforms, technological innovation and marketing expertise as the market opened. Experiences learnt from our successful launches in Spain and Italy in recent years further strengthened our position to execute our US strategy and, by January 2014, our poker platform had built leading positions in each market.

Our launch in each state has provided different challenges but has also provided a number of lessons and equipped us with new skills on which to build as we launch in further states as and when regulation occurs. We have made further investment in the US, supporting our operations with data centres for each of the regulated states and we remain committed to our objective of becoming the pre-eminent online gaming operations and services provider in the key US market as both a B2C operator and a B2B provider via Dragonfish.

Customer Support and Service

We pride ourselves on the strength of our customer relationships and are committed to providing a cost effective and efficient customer service. First class customer support is offered for each of our brands and white labels through telephone, e-mail and chat to customers around the world in 8 different languages.

We have ensured our customer service capability has been ready to support our growing operations in new and established markets and have not only hired new people in this field across the business but are in the process of establishing a dedicated operations centre in New Jersey to support our growing business.

ePayment and Fraud

888's leading payment processing capabilities support 18 languages and a wide variety of currencies with more than 50 payment methods supported. It is vital that we are able to offer fast, efficient and easy to use payment processing, both to ensure a positive customer experience but also to maximise revenue and convert browsers into players. However we take our duty as a responsible operator very seriously and take comprehensive steps to minimise fraud.

2014 Focus

2013 has been an incredibly rewarding year. Not only have we delivered strong growth across our core business but we have firmly cemented our strategy in the regulating US market.

As we entered 2014 our US operations, although still in their very early stages, were starting to build momentum and we are focused on refining and developing our current business as well as working with our partners to explore new opportunities in regulated states. There is undoubtedly appetite for further regulation across the US with a number of states in advanced talks and throughout the course of the year we will be monitoring these potential markets closely for opportunities for 888. We firmly believe that through our strategy, growing experience and the investment we are making in the US market for the long term, we are best placed to take advantage as these opportunities come to bear.

Across our core business the year ahead promises some exciting areas for development. In 2013 a significant amount of resource was focused on delivering in the US and in 2014 we will be able to re-direct a significant portion of this resource to further developing our core products and markets. The surge in mobile gaming has proved to be an important growth engine during 2013. Whilst we have made good progress in developing our touch platforms to date, this market is still in its infancy and will offer much more to learn and leverage as it develops.

Following our partnership with Kambi Sports Solutions, our 888Sport brand has been revitalised and its performance to date in 2014 has been very encouraging. In January 2014 we acquired a company holding a license allowing us to launch our Sport offer in the Spanish market, and we feel confident that the forthcoming year will see us take further significant steps forward in this market.

In summary, 2014 promises to be another very exciting year in 888's continued development.

Brian Mattingley
Chief Executive

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

	Year ended 31 December 2013 ¹ \$ million	Year ended 31 December 2012 ¹ \$ million	Change
Revenue			
B2C			
Casino	190.4	165.5	15%
Poker	93.6	87.5	7%
Bingo	43.7	51.8	(16%)
Emerging Offering	24.5	25.0	(2%)
Total B2C	352.2	329.8	7%
B2B	48.3	46.0	5%
Revenue	400.5	375.8	7%
Operating expenses ²	114.1	113.5	
Gaming taxes and duties ³	13.7	11.5	
Research and Development expenses	30.7	27.2	
Selling and Marketing expenses	139.9	131.2	
Administrative expenses ^{4,5}	26.5	25.6	
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Share benefit charges, finance and other	4.4	11.2	
Share of Joint venture loss	4.1	-	
Profit before tax	53.2	40.8	30%
Adjusted Earnings Per Share⁶	16.6¢	13.9¢	19%

Reconciliation of Operating Profit to Adjusted EBITDA

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Operating profit	56.2	36.9
Depreciation	8.3	9.2
Amortisation	5.6	5.6
Share benefit charges	5.5	1.7
Retroactive duties and associated charges	-	11.1
Impairment charges	-	2.2
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² Excluding depreciation of US\$8.3 million (2012: US\$9.2 million) and amortization of US\$5.6 million (2012: US\$5.6 million).

³ Excluding retroactive duties and associated charges of nil (2012: US\$11.1 million).

⁴ Excluding share benefit charges of US\$5.5 million (2012: US\$1.7 million).

⁵ Excluding impairment charges of nil (2012: US\$2.2 million).

⁶ As defined in note 8 to the financial statements.

Overview

888's success is built on its technological strength and the efficient utilisation of this technology, directed by extensive data analytics. The goals of our industry leading business analytics are simple: to maximise customer recruitment, increase customer lifetime value and minimise the cost per customer acquisition, thereby optimising return on marketing investment. The continued growth in our revenues reflects our success in attracting new customers, retaining them and increasing their overall spend.

888 delivered another record performance in 2013 with a revenue increase of 7% to US\$401 million (2012: US\$376 million), which was particularly impressive given the strong comparatives in the prior year. Growth was driven primarily by our B2C business, with a 7% revenue increase, in turn led by strong Casino growth of 15% and Poker up by 7%. We also saw growth in B2B, with rising revenue increase of 5% to US\$48 million (2012: US\$46 million).

Adjusted EBITDA increased 13% to US\$76 million (2012: US\$67 million) and Adjusted EBITDA margin increased to 18.9% (2012: 17.8%) despite Research and Development expenses increase of US\$3.5 million and payment of additional US\$2 million gaming duties in regulated markets. Profit before tax increased 30% to US\$53 million (2012: US\$41 million) and Adjusted Earnings per share increased 19% to 16.6¢ (2012: 13.9¢).

888's record performance in 2013 resulted in operational cash generation of US\$90 million (2012: US\$71 million). The Group's financial position remains strong with cash and cash equivalents at the year end of US\$116 million (2012: \$82 million) with no debt.

Product Segmentation

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

Revenue by product segment:

	Year ended 31 December 2013 ¹ \$ million	Year ended 31 December 2012 ¹ \$ million	Change
Revenue			
B2C			
Casino	190.4	165.5	15%
Poker	93.6	87.5	7%
Bingo	43.7	51.8	(16%)
Emerging Offering	24.5	25.0	(2%)
Total B2C	352.2	329.8	7%
B2B	48.3	46.0	5%
Revenue	400.5	375.8	7%

	Q4 2013	Q4 2012	Change
Number of active customers B2C Casino and Poker	602,000	520,000	16%

	2013	2012	Change
Casino, Poker and Sport real money registered customer accounts (million)	15.5	13.1	19%

888 Casino continued its growth, with record revenues of US\$190.4 million and a 2% increase in active players compared to last year. The main drivers behind this strong performance in 2013 were the launch of our mobile platform; the offering of slot machines in Italy, optimizing our existing offerings, and improving our efficiency of acquisition, supported by strong marketing campaigns that have boosted first time depositors and shown a solid return on investment.

Our Poker business also continues to grow, with record revenues of US\$93.6 million and a 21% increase in active players compared to last year, reflecting further market share gains and our advance to number two in the global poker rankings, as reported by PokerScout (as at 19 March 2014).

Despite the poker market as a whole contracting, 888 was able to increase player numbers due to improvements made to our Poker product, enhancing the effectiveness of our marketing and our strategic focus on obtaining high levels of liquidity.

Bingo B2C revenues declined by 16% as a result of a highly competitive and mature market in the UK. However, following a strategic review we have seen encouraging recovery signs during the final quarter of 2013 with a 7% revenue increase compared to the third quarter of 2013.

Emerging offerings revenues have slightly declined by 2% as a result of a lower activity in our brand licensing deal. During the year we changed our Sports supplier to Kambi Sports Solutions to deliver a high quality sportsbook solution to 888 under our 888Sport brand. The agreement has allowed us to offer a wider spectrum of betting markets and products for our players, through both online channels and mobile platforms and we have already seen a significant positive effect during the final quarter of 2013.

B2B activity (Dragonfish) delivered an increase in revenue of 5% mainly due to our successful launch in Nevada, Delaware and New Jersey where our Poker platforms have achieved market-leading positions as well as expanding operations with our Bingo partners.

Geographical Segmentation

888's turnover by geography is set out in the table below.

Revenue by geographical market:

	Year ended 31 December		
	2013 US \$ million	Revenue Growth on prior year	% from Total Revenue
UK	163.3	1%	41%
Europe (excluding UK)	161.7	14%	40%
Americas	46.4	22%	12%
Rest of World	29.1	(14%)	7%
Total Revenue	400.5	7%	100%

Growth was achieved in most geographical segments with UK revenue up 1% (11% excluding Bingo) and Europe (excluding UK) revenue up 14%, driven by remarkable growth in the Spanish and Italian regulated markets. The increase in Italy is primarily a result of the launch of video slots and improved efficiency of marketing activity.

Since Spain became part of our regulated offering we have increased market share and maintained a leading position. Revenue from the Americas increased by 22% as a result of our successful launch in the US. Revenue from the Rest of the World, which was not a focus region for 888 in 2013, declined by 14%.

Expenses

Operating Expenses

Operating Expenses*, which include mainly employee related costs, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services, totaled US\$114 million (2012: US\$114 million) representing a lower proportion of revenues at 28% (2012: 30%), as a result of operating efficiencies and strict cost control.

Staff costs included in Operating Expenses totalling US\$51.8 million (2012: US\$48.4 million) increased by 7% mainly as a result of launched operations into the US.

The Group's chargebacks ratio continued to decrease from 1.0% in 2011 and 0.9% in 2012 to 0.8% in 2013, as a result of enhanced fraud and risk management mitigation systems, including the optimized use of the 3D Secure verification services offered by credit card schemes and continuous improvements to our in-house monitoring protocols.

The PSP commission ratio decreased to 5.5% (2012: 6.0%) reflecting the Group's stronger commercial terms with greater deposit volume.

Gaming Duties

Gaming duties levied in regulated markets reached \$14 million (2012: US\$12 million, excluding the payment of US\$11 million in 2012 back-dated duties imposed in Spain).

* As defined in the table above

Research and Development Expenses

Research and development expenses were US\$31 million (2012: US\$27 million), reflecting the Group's efforts to simultaneously launch operations in three regulated US states and the further development of our mobile offering. The introduction of "HTML5" technology on mobile devices has significantly reduced the effort required to customise the 888 offering to new devices as they are introduced to the market.

The Research and Development Expense charge does not include capitalised in-house development costs which totaled US\$ 10 million (2012: US\$8 million), with the increase attributable mainly to the launched operations in the US.

In addition, during 2013 the Group established a new research and development center in Eastern Europe which will enhance 888's ability to cope with market challenges and competition.

Selling and Marketing Expenses

Marketing expenses during the year reached a record US\$140 million (2012: US\$131 million) reflecting our continued investments in European markets where the strategy is focused on combining diverse customer recruitment channels. We also increased our poker marketing initiatives in our core UK market. Nevertheless, our marketing ratio to revenue remained stable at 35% (2012: 35%).

Administrative Expenses

Administrative expenses slightly increased to US\$27 million (2012: US\$26 million), mainly attributable to foreign exchange movement impact on salaries.

Share Benefit Charges

Equity settled share benefit charges were US\$3.3 million (2012: US\$0.9 million). A portion of the increased charge in 2013 relate to performance based awards granted in the past which vested during the year. Cash settled share benefit charges were US\$2.2 million (2012: US\$0.8 million), due to the higher fair value of the long term incentive plan. Further details are given in the Directors' remuneration report.

* As defined in the table above

Finance Income and Expenses

Finance income less Finance expenses resulted in an expense of US\$0.3 million (2012: income of US\$1.9 million). Most of this income and expense is attributable to the fair value of operational hedging instruments. The Group continually monitors foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level, inter alia by using foreign exchange forward contracts designed to fix the economic impact of known liabilities.

Adjusted EBITDA

As a result of revenue increase together with strict cost control a record Adjusted EBITDA of US\$76 million (2012: US\$67 million) was achieved. Adjusted EBITDA margin increased to 18.9% (2012: 17.8%).

Taxation

The tax charge for 2013 was US\$3.2 million (2012: US\$5.4 million). The decrease is a result of prudent provisions in respect of previous years' charges that were released this year.

Equity Accounted Joint Ventures

As stated above, in 2013 the Group entered into a joint venture agreement with Avenue. As a result, the Group's share of post-tax loss of this equity accounted joint venture was US\$4.1 million (2012: nil). In addition, the Group recognised a one time profit on acquiring 47% of the equity accounted joint venture of US\$1.9 million (2012: nil).

Earnings Per Share

Basic earnings per share rose 40% to 14.2¢ (2012: 10.2¢). Adjusted basic earnings per share rose 19% to 16.6¢ (2012: 13.9¢). We believe adjusted basic earnings per share excluding share benefit charges, retroactive duties and associated charges, movement in contingent and deferred consideration and impairment charges, better reflects the underlying business and assists in providing a clearer view of the performance of the Group.

Dividend

Given the strong cash generation during the year the Board of Directors declared an interim dividend of 3.0¢ per share that was paid on 4 October 2013. Taking into account the strong performance the Board is recommending a final dividend of 4.0¢ per share (which together with the interim dividend equals 7.0¢ per share in accordance with our pay-out policy) and an additional one-off 7.0¢ per share, bringing the total for the year to 14.0¢ per share (2012: 9.0¢ per share).

Cash Flow

The Group continues to generate substantial amounts of free cash with net cash generated from operating activities reaching a record of US\$90 million (2012: US\$71 million, after payment of retroactive duties and associated charges). The net increase in cash and cash equivalents in 2013 was US\$34 million (2012: US\$5.6), after dividend payments during the year of US\$33 million (2012: US\$8.7 million).

Balance Sheet

The Group's balance sheet remains strong, with no debt and ample liquid resources. The Group's cash position as at 31 December 2013 was US\$116 million (2012: US\$82 million). Balances owed to customers were US\$55 million (2012: US\$49 million).

Principal Risks and Uncertainties

The Group operates in a dynamic business environment. In addition to the day-to-day commercial risks faced by most enterprises such as fraud and theft, the online gaming industry faces particular challenges in respect of regulatory risk, reputational risk, information technology risk and taxation risk, each of which is detailed below. The Group considers that the nature of its principal risks has not undergone any significant change during 2013.

Regulatory risk

The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction could 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 many of those jurisdictions the Group holds licenses. However, in some cases, lack of clarity in the regulations, or conflicting legislative and regulatory developments, mean that the Group may risk failing to obtain an appropriate license, having existing licenses adversely affected, or being subject to other regulatory sanctions. Furthermore, legal and other action may be taken by incumbent gaming providers in jurisdictions which are seeking to regulate online gaming, in an attempt to frustrate the grant of online gaming licenses to the Group. A detailed regulatory

review is set out in the Regulation section above. The Group manages its regulatory risk by routinely consulting with legal advisors in the jurisdictions where its services are offered or are accessible, where necessary obtaining formal legal opinions from local counsel. Furthermore, the Group 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. The Group constantly adapts and moderates its services to comply with legal and regulatory requirements. Finally, the Group blocks players from certain 'blocked jurisdictions' using multiple technological methods as appropriate.

Reputational risk

Under-age and problem gaming are inherent risks associated with the online gaming industry. The Group devotes considerable resources to putting in place prevention measures coupled with strict internal procedures designed to prevent under-aged players from accessing its real money sites. In addition, the Group promotes a safe and responsible gaming environment to its customers supplemented by its corporate culture. The Group has a dedicated Director of Responsible Gaming tasked with the responsibility of implementing such policies. Further details about the Group's responsible gaming initiatives are set out in the Social, Community and Human Rights Issue section above.

Information Technology risks

As a leading online business, the Group's IT systems are critical to its operation. The Group is reliant on the performance of these systems.

Cutting-edge technologies and procedures are implemented throughout the Group's technology operations and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices and Anti-Virus protection from leading vendors. Physical and logical network segmentation is also used to isolate and protect the Group'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 the Group'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 in a timely manner. The Group 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 the Group'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, the Group invests in network infrastructure redundancies whilst regularly reviewing its service providers. The Group has two internet service providers in Gibraltar in order to minimise reliance on one provider.

As a part of its monitoring system, the Group deploys set user experience tests which measure performance from different locations around the world. Network-related performance issues are addressed by rerouting traffic using different routes or providers. 888 operates a 24/7 Network Operations Centre (NOC). The NOC's role is to conduct real time monitoring of production activities using state-of-the-art systems. These systems are designed to identify and provide alerts regarding problems related to systems, key business indicators and issues surrounding customer usability experience.

The IT environment tracks changes, incidents and SLA KPIs in order to ensure that client experience is consistent and well managed. As part of these procedures, capacity planning takes place and infrastructure is built accordingly. System-wide availability and business-level availability is measured and logged in the IT information systems.

Taxation risk

The Group aims to ensure that each legal entity within the Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. While the Group's customers are located worldwide, certain jurisdictions may seek to tax the Group's activity which could have a material adverse effect on the amount of tax payable by the Group or impose tax by reference to customers' activity. Furthermore, jurisdictions in which online gaming is regulated may impose gaming duties on licenced operators. Commencing in December 2014, the United Kingdom is expected to impose gaming tax on a point of consumption basis, which is expected on the one hand to lower margins, but on the other, to continue the trend toward consolidation in that market. The Group actively monitors taxation risk in the relevant jurisdictions and takes such steps as it considers necessary to minimise such risks.

Financial risks

The Group considers its exposure to financial risks, including country risk and exposure to trading counterparties, to be low. During 2013, the Group hedged its foreign currency risks solely with leading banks including Barclays plc and Royal Bank of Scotland plc.

Partnership risks

In line with its strategy, the Group has consolidated its position in the B2B market to be focused on fewer, larger B2B contracts. However, this strategy also gives rise to commercial risks in that the Group is more exposed to non-renewal or termination of existing contracts.

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

By order of the Board of Directors:

Brian Mattingley
Chief Executive

25 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Revenue	3	400.5	375.8
Operating expenses		128.0	128.3
Gaming duties		13.7	22.6
Research and development expenses		30.7	27.2
Selling and marketing expenses		139.9	131.2
Administrative expenses		32.0	29.6
Operating profit before impairment charges, retroactive duties and associated charges and share benefit charges		61.7	51.9
Impairment charges		-	(2.2)
Retroactive duties and associated charges		-	(11.1)
Share benefit charges		(5.5)	(1.7)
Operating profit	4	56.2	36.9
Finance income	6	7.2	4.6
Finance expenses	6	(7.5)	(2.7)
Movement in contingent and deferred consideration	21	(0.5)	2.0
Profit on acquisition of equity accounted joint venture	13	1.9	-
Share of post-tax loss of equity accounted joint ventures	13	(4.1)	-
Profit before tax		53.2	40.8
Taxation	7	3.2	5.4
Profit after tax for the year attributable to equity holders of the parent		50.0	35.4

	Note	Year ended 31 December 2013 US \$	Year ended 31 December 2012 US \$
Earnings per share	8		
Basic		14.2¢	10.2¢
Diluted		14.0¢	10.1¢

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Profit for the year		50.0	35.4
Items that may be reclassified subsequently to profit or loss			
Group share of equity injections by joint venture partner in equity accounted joint venture	13	6.1	-
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension plan	5	(0.5)	(0.7)
Total other comprehensive income for the year		5.6	(0.7)
Total comprehensive income for the year attributable to equity holders of the parent		55.6	34.7

Consolidated Balance Sheet

At 31 December 2013

	Note	31 December 2013 US \$ million	31 December 2012 US \$ million
Assets			
Non-current assets			
Intangible assets	11	155.7	147.7
Property, plant and equipment	12	19.1	18.3
Investment in equity accounted joint venture	13	3.9	-
Available for sale investment	14	0.2	0.2
Deferred taxes	15	1.2	0.4
		180.1	166.6
Current assets			
Cash and cash equivalents	16	115.8	81.5
Short term investments	17	3.9	3.5
Trade and other receivables	18	31.4	26.2
Corporate taxes		1.0	3.5
Fair value of derivative financial instruments	27	-	3.3
		152.1	118.0
Total assets		332.2	284.6
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	19	3.2	3.2
Share premium		0.9	0.1
Retained earnings		170.6	144.9
Total equity attributable to equity holders of the parent		174.7	148.2
Liabilities			
Current liabilities			
Trade and other payables	20	92.5	83.1
Fair value of derivative financial instruments	27	4.2	-
Corporate taxes		1.9	2.3
Customer deposits	22	55.4	49.5
Contingent and deferred consideration	21	0.4	0.7
		154.4	135.6
Non-current liabilities			
Share benefit charges - cash settled	24	3.1	0.8
Total liabilities		157.5	136.4
Total equity and liabilities		332.2	284.6

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital US \$ million	Share premium US \$ million	Retained earnings US \$ million	Total US \$ million
Balance at 1 January 2012	3.2	0.1	118.0	121.3
Dividend paid			(8.7)	(8.7)
Equity settled share benefit charges	-	-	0.9	0.9
Issue of shares (See note 19)	-	-	-	-
Profit after tax for the year attributable to equity holders of the parent	-	-	35.4	35.4
Other comprehensive income for the year	-	-	(0.7)	(0.7)
Balance at 1 January 2013	3.2	0.1	144.9	148.2
Dividend paid	-	-	(33.2)	(33.2)
Equity settled share benefit charges	-	-	3.3	3.3
Issue of shares (See note 19)	-	0.8	-	0.8
Profit after tax for the year attributable to equity holders of the parent	-	-	50.0	50.0
Other comprehensive income for the year	-	-	5.6	5.6
Balance at 31 December 2013	3.2	0.9	170.6	174.7

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

Share capital — represents the nominal value of shares allotted, called-up and fully paid.

Share premium — represents the amount subscribed for share capital in excess of nominal value.

Retained earnings — represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Cash flows from operating activities		
Profit before income tax	53.2	40.8
Adjustments for:		
Impairment charges	-	2.2
Depreciation	8.3	9.2
Amortisation	5.6	5.6
Interest received	(0.3)	(0.3)
Interest expense	-	1.1
Foreign exchange differences on deferred consideration	-	0.5
Fair value movements on unrealized foreign exchange derivatives	7.5	(3.3)
Share of post- tax loss of equity accounted joint venture	4.1	-
Profit on acquisition of equity accounted joint venture	(1.9)	-
Movement in contingent and deferred consideration	0.5	(2.0)
Share benefit charges	5.5	1.7
	82.5	55.5
Increase in trade receivables	(0.7)	(2.9)
Increase in other accounts receivables	(2.0)	(0.4)
Increase in customer deposits	5.9	4.6
Increase in trade and other payables	8.8	18.9
	94.5	75.7
Cash generated from operations	94.5	75.7
Income tax paid	(4.3)	(5.0)
Net cash generated from operating activities	90.2	70.7
Cash flows from investing activities		
Consideration paid on acquisitions (See note 21)	(0.8)	(36.7)
Purchase of property, plant and equipment	(9.1)	(10.6)
Decrease (increase) in short term investments	(0.4)	2.5
Interest received	0.3	0.3
Acquisition of intangible assets	(0.8)	(0.3)
Internally generated intangible assets	(12.7)	(10.5)
Net cash used in investing activities	(23.5)	(55.3)
Cash flows from financing activities		
Interest paid	-	(1.1)
Issue of shares	0.8	-
Dividends paid	(33.2)	(8.7)
Net cash used in financing activities	(32.4)	(9.8)
Net increase in cash and cash equivalents	34.3	5.6
Cash and cash equivalents at the beginning of the year	81.5	75.9
Cash and cash equivalents at the end of the year	115.8	81.5

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2013 or the year ended 31 December 2012, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2012 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 2013 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2013 and 2012 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 and originally operated as a holding company domiciled in the British Virgin Islands. On 12 January 2000, the Company was continued in Antigua and Barbuda as a corporation under the International Business Corporation Act 1982 with registered number 12512. On 17 December 2003, the Company re-domiciled to Gibraltar with the Company number 90099. On 4 October 2005, the Company listed on the London Stock Exchange.

The Group is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet including Casino and games, Poker, Bingo and Emerging Offering which mainly comprises 888's Sportsbook, brand licencing revenue on third party platforms and Mytopia social games to end users and also provides these services through its business to business unit Dragonfish to business partners. 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 International Accounting Standard 27 'Consolidated and Separate Financial Statements' and whose accounts are consolidated with those of the Company).
Related parties	As defined in International Accounting Standard 24 - 'Related Party Disclosures'.
Jointly controlled entities	As defined in International accounting Standards 31 – 'Interests in Joint Ventures'.

2 Significant accounting policies

The significant accounting policies applied in the preparation of the 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, including International Accounting Standards ('IAS') and Interpretations, adopted by the International Accounting Standards Board ('IASB') and endorsed for use by companies listed on an EU regulated market.

The significant accounting policies applied in the financial statements of the Group in the prior years are applied consistently in these financial statements, without any material change.

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

The consolidated financial statements comply with the Gibraltar Companies (Accounts) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act.

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) have been adopted by the Group during the year with no significant impact on its consolidated results or financial position:

- Amendments to IAS 1 – Presentation of items of Other Comprehensive Income (effective for accounting periods beginning on or after 1 July 2012).
- IFRS 13 - Fair Value Measurement.
- Amendments to IAS 19 – Employee Benefits: Accounting for defined benefit pension schemes.
- Amendments to IFRS 7 – Disclosures Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2013).
- Improvements to IFRSs (2009–2011 cycle) – This annual improvement project clarifies the requirements of IFRSs and eliminates inconsistencies within and between standards. The relevant changes included amendments to IAS 1 ‘Presentation of financial statements’, IAS 16 ‘Property, plant and equipment’, IAS 32 Financial instruments and IAS 12 ‘Income taxes’.

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as they were not effective for the year 2013. The Group is currently assessing the impact these standards and interpretations will have on the presentation of, and recognition in, its consolidated results in future periods:

- IFRS 10 - Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 11 - Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 12 - Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014).
- IAS 27 - Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014).
- IAS 28 - Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 36 - Recoverable amounts disclosures for non-financial assets (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 9 - Financial Instruments (the effective date is to be determined). This amendment has not yet been endorsed for use in the EU.
- IFRIC 21 Levies- Interpretation of IAS 37: Accounting for levies imposed by governments (effective for accounting periods beginning on or after 1 January 2014). This amendment has not yet been endorsed for use in the EU.

- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.
- Improvements to IFRSs (2010-2012 cycle and 2011-2013 cycle) –This annual improvement project clarifies the requirements of IFRSs and eliminates inconsistencies within and between standards. The relevant changes included amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 2 'Share-based Payment', IFRS 3 'Business Combinations', IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement', IAS 16 'Property, Plant and Equipment', IAS 24 'Related Party Disclosures', IAS 38 'Intangible Assets' and IAS 40 'Investment Property' (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.

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

Included in this note are accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

	<u>Note</u>
Taxation	7
Intangible assets	11
Impairment of goodwill and intangible assets	11
Investment in equity accounted joint ventures	13
Share-based payments	24
Contingent liabilities and regulatory compliance	29

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 the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date the parent gained control until such time as control ceases.

The financial statements of the 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.

Inter-company 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 bonuses granted to customers and after adding the management fees and charges applied to customer accounts, and is measured at the fair value of the consideration received or receivable.

Revenue consists of income from online activities and that generated from processing customers' cross currency deposits and withdrawals, 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.

Where the Group is using a third-party platform and is not deemed to be the principal the recognised income is the net revenue share earned from that activity.

Poker

Poker online gaming revenue represents the commission charged from each poker hand in ring games and entry fees for participation in Poker tournaments. In Poker tournaments entry fee revenue is recognised when the tournament has concluded.

Emerging Offerings

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

- Sportsbook online gaming revenue comprises net house win adjusted for the fair value of open betting positions.
- Social games revenue comprises the Group's share from the sale of virtual goods to customers playing the Group's games.
- Revenue derived from brand licensing on third party platforms represents the Group's net revenue share from that activity.

B2B

- Where the Group is considered to be the principal, income is recognised as the gross revenue generated from use of the Group's platform in online gaming activities with the partners' share of the revenue charged to operating expenses.
- In other cases income is recognised as the Group share of the net revenue generated from use of the Group's platform.
- B2B also includes fees from the provision of certain gaming related services to partners.
- Customer advances received are treated as deferred income within current liabilities and released as they are earned.

Operating expenses

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

Administrative expenses

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

Foreign currency

Monetary assets and liabilities denominated in non-US Dollar currencies are translated into US Dollar equivalents 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 as appropriate.

The results and financial position of all Group entities that have a functional currency different from US Dollars are translated into the presentation currency as follows:

- (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. It is accounted for using the balance sheet liability method. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit 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.

Segment information

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

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

Intangible assets

Acquisitions

Identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The identified intangibles are amortised over the useful economic life of the assets. This has ranged between three months to four years for acquisitions to date. The exception is acquisitions of trade names, which have an indefinite useful economic life and therefore an annual impairment test is conducted.

Internally generated intangible assets

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the Company's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost 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. Where the fair value 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 income statement. In addition the direct costs of acquisition are charged immediately as an expense.

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 indications of impairment.

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

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

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually on 31 December, and where applicable an impairment loss is recognised immediately in the 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 (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

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 lowest group of assets in which the asset belongs for which there are separately identifiable cash flows).

Investment in equity accounted joint ventures

Jointly controlled entities (JCE) are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

JCEs are accounted for using the equity method (equity accounted investees) 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 JCEs are not recognised unless there is an obligation to make good those losses.

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

Any premium paid for a JCE 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 JCE. Where there is objective evidence that the investment in a JCE 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 a JCE are exceeded by the Groups 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 Groups share of additional equity contributions from other joint venture partners is taken to Other Comprehensive Income.

Trade receivables

Trade receivables are recognised at fair value and carried 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.

Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge operational risks associated with foreign exchange rates. Such derivative financial instruments are measured at fair value under IAS 39 and comprise level 2 fair value measurement instruments and are carried in the balance sheets 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.

A fair value measurement hierarchy is based on the inputs to valuation techniques used to measure fair value to increase consistency and comparability. The inputs are categorised into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority given to unobservable inputs. Level 2 inputs are inputs other than quoted prices included within level 1 that are either directly or indirectly observable for the asset or liability.

Short term investments

Short term investments are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognised at fair value, plus transaction costs directly attributable to their acquisition. They are subsequently carried at amortised cost using the effective interest rate method, less any provisions for impairment.

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, net of direct issue costs.

Trade and other payables

Trade and other payables are recognised at fair value and carried 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 management fees and charges applied to customer accounts, along with full progressive provision for jackpots. These amounts are repayable in accordance with the applicable terms and conditions.

Available-for-sale financial assets

Available-for-sale financial assets comprise non-derivative financial assets not included in any of the above financial asset categories and comprise principally the Group's investments in entities not qualifying as joint ventures or subsidiaries. They are carried at fair value with changes in fair value recognised directly in a separate component of equity. Where there is a significant decline in the fair value of an available-for-sale financial asset the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. On disposal of an available-for-sale asset any balance within equity is transferred to the income statement.

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 income 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 this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Share-based payments

• *Equity settled*

Where the Company grants its employees or contractors shares, or options, the fair value at the date of grant is charged to the income statement over the vesting period. Non-market performance 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. Market performance conditions are taken into account in determining the fair value at the date of grant.

• *Cash-settled*

For transactions treated as cash settled share based payment transactions, the Company recognises the services received, and a liability to pay for those services, as the employees render the service.

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

Severance pay schemes

Severance scheme surpluses and deficits are measured at:

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

Any difference between the expected return on assets and that actually achieved, and any changes in liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise.

Financial guarantee contracts

Where the Group enters into financial guarantee contracts the Group considers these to be insurance contracts and accounts for them as such. The Group treats the guarantee as a contingent liability until such time as it becomes probable that the Group will be required to make payments under the guarantee.

3 Segment information

Business Segments

	Year ended 31 December 2013					B2B	Consolidated	
	B2C				Total B2C			US \$ million
	Casino	Poker	Bingo	Emerging offerings				
Revenue	190.4	93.6	43.7	24.5	352.2	48.3	400.5	
Result								
Segment result					171.4	27.0	198.4	
Unallocated corporate expenses ¹							142.2	
Operating Profit							56.2	
Financial income							7.2	
Financial expenses							(7.5)	
Movement in contingent and deferred consideration							(0.5)	
Profit on acquisition of equity accounted joint venture							1.9	
Share of post-tax loss of equity accounted joint ventures							(4.1)	
Taxation							(3.2)	
Profit for the year							50.0	
Assets								
Unallocated corporate assets							332.2	
Total assets							332.2	
Liabilities								
Segment liabilities					52.1	3.3	55.4	
Unallocated corporate liabilities							102.1	
Total liabilities							157.5	

¹ Including share benefit charges of US\$5.5 million charged to administrative expenses.

	Year ended 31 December 2012					B2B	Consolidated
	B2C						
	Casino	Poker	Bingo	Emerging offerings	Total B2C		
US \$ million					US \$ million		
Revenue	165.5	87.5	51.8	25.0	329.8	46.0	375.8
Result							
Segment result before impairments					157.3	26.7	184.0
Impairments					(0.6)	(1.6)	(2.2)
Segment result					156.7	25.1	181.8
Unallocated corporate expenses ¹							144.9
Operating Profit							36.9
Financial income							4.6
Financial expenses							(2.7)
Movement in contingent and deferred consideration							2.0
Share of post-tax profit of equity accounted joint ventures							-
Profit on acquisition of equity accounted joint venture							-
Taxation							(5.4)
Profit for the year							35.4
Assets							
Unallocated corporate assets							284.6
Total assets							284.6
Liabilities							
Segment liabilities					46.5	3.0	49.5
Unallocated corporate liabilities							86.9
Total liabilities							136.4

¹ Including share benefit charges of US\$1.7 million charged to administrative expenses.

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

Geographical information

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

Revenue by geographical market

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Revenue by geographical market		
UK	163.3	161.8
Europe (excluding UK)	161.7	142.1
Americas	46.4	38.2
Rest of World	29.1	33.7
Total Revenue	400.5	375.8

3 Segment information cont.

Assets by geographical location

	Carrying amount of segment assets by location		Additions to property, plant and equipment	
	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2012
	US \$ million	US \$ million	US \$ million	US \$ million
Europe (including UK)	248.4	226.6	3.8	5.4
Americas	26.8	9.5	3.0	2.5
Rest of world	57.0	48.5	2.3	2.7
Total assets by geographical location	332.2	284.6	9.1	10.6

4 Operating profit

	Year ended 31 December 2013	Year ended 31 December 2012
	US \$ million	US \$ million
Operating profit is stated after charging:		
Staff costs	89.5	80.1
Audit fees to BDO LLP	0.3	0.3
Audit fees to BDO Limited	0.1	0.1
Other fees paid to BDO LLP- other assurance related matters	0.1	0.1
Depreciation (within operating expenses)	8.3	9.2
Amortisation (within operating expenses)	5.6	5.6
Chargebacks	3.1	3.3
Payment service providers' commissions	21.5	21.7
Retroactive taxes and associated charges	-	11.1
Impairment costs (within administrative expenses – see notes 11 and 13)	-	2.2

5 Employee benefits

Staff cost including Executive Directors' remuneration comprises the following elements:

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Wages and salaries	89.9	79.9
Social security	3.8	3.3
Pension costs	6.0	4.9
	99.7	88.1
Staff costs capitalised in respect of internally generated intangible assets	(10.2)	(8.0)
	89.5	80.1

In the income statement total staff costs, excluding share benefit charges of US\$5.5 million (2012: US\$1.7 million), are included within the following expenditure categories:

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Operating expenses	51.8	48.4
Research and development expenses	19.8	15.0
Administrative expenses	17.9	16.7
	89.5	80.1

Average headcount number of employees by category:

	2013 Number	2012 Number
Operations	736	671
Research and development	279	224
Administration	115	115
	1,130	1,010

At 31 December 2013 the Group employed 1,253 (2012: 1,035) staff.

Severance pay liability - Israel

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

The method used to determine the current service cost and the present value of the defined benefit obligation, according to IAS 19 'Employee Benefits' is the Projected Unit Credit actuarial cost method. Actuarial gains and losses are recognised by the Group using the equity method.

5 Employee benefits (Cont.)

The following table summarises the employee benefits figures as included in the Group's financial statements for 2013 and 2012, respectively:

	2013 US \$ million	2012 US \$ million
Severance pay liability (within trade and other payables)	1.2	1.0
Income statement charge	3.3	2.8
Actuarial movements on severance pay liability (included in statement of comprehensive income)	0.5	0.7

Movement in severance pay liability:

Severance pay plan assets

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
At beginning of year	10.4	8.4
Expected return	0.4	0.4
Contributions	3.6	3.0
Benefits paid	(1.7)	(1.7)
Actuarial gain (loss) on assets	0.8	0.1
Exchange differences	0.6	0.2
At end of year	14.1	10.4

Severance pay plan liabilities

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
At beginning of year	11.4	9.0
Interest cost	0.4	0.4
Current service costs	3.3	2.8
Benefits paid	(1.8)	(1.8)
Actuarial loss on obligations	1.3	0.8
Exchange differences	0.7	0.2
At end of year	15.3	11.4

Severance pay plan trends

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US \$ million				
Plan assets	14.1	10.4	8.4	8.3	6.8
Plan liabilities	(15.3)	(11.4)	(9.0)	(8.6)	(7.0)
Severance pay liability	(1.2)	(1.0)	(0.6)	(0.3)	(0.2)

5 Employee benefits (Cont.)

Experience gains and losses on scheme assets and liabilities:

	Year ended 31 December				
	2013	2012	2011	2010	2009
	US \$ million				
On plan assets	0.6	0.1	(0.3)	0.2	0.9
On plan liabilities	(1.1)	(0.8)	(0.1)	(0.5)	(1.1)
	(0.5)	(0.7)	(0.4)	(0.3)	(0.2)

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. Cumulative actuarial losses recognised in other comprehensive income amount to US\$3.0 million (2012: US\$2.5 million). The expected contribution for 2014 is US\$4.3 million.

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

	2013	2012
	%	%
Discount rate (nominal)	3.53	3.80
Estimated increase in employee benefits costs	3.71	3.82
Voluntary termination rate	70	70
Estimated rate of return on assets	3.8	4.34
Inflation rates based on Israeli government bonds	2.18	2.28

6 Finance income and finance expenses

Finance income:

	Year ended	Year ended
	31 December	31 December
	2013	2012
	US \$ million	US \$ million
Interest income	0.3	0.4
Fair value movements on foreign exchange derivatives	-	3.3
Foreign exchange gains	6.9	-
Fair value movements of foreign exchange derivatives on deferred consideration	-	0.9
Finance income	7.2	4.6

Finance expenses:

	Year ended	Year ended
	31 December	31 December
	2013	2012
	US \$ million	US \$ million
Interest expense on deferred consideration	-	1.1
Fair value movements on foreign exchange derivatives	7.5	-
Foreign exchange losses	-	1.6
Finance expenses	7.5	2.7

7 Taxation

Corporate taxes

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Current tax	4.0	5.4
Deferred tax	(0.8)	-
Taxation expense	3.2	5.4

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

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Profit before taxation	53.1	40.8
Tax at effective tax rate in Gibraltar (2013:10%, 2012: 10%)	5.3	4.1
Effect of overseas taxation	1.4	2.3
Effect of deferred tax originating in overseas jurisdictions	0.2	0.1
Permanent disallowable expenditure	0.3	1.7
Non-taxed income	(3.2)	(3.7)
Adjustments to prior years tax charges	(0.8)	0.9
Total tax charge for the year	3.2	5.4

Current tax is calculated with reference to the profit of the Company and its subsidiaries in their respective countries of operation:

Gibraltar - Gibraltar companies are subject to a corporate tax rate of 10%.

Israel - The domestic corporate tax rate in Israel from 2013 is 25% (2012: 25%). The Company's Israeli subsidiary had entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner, which were effective until the end of 2010. The subsidiary has recently concluded an assessment agreement with respect to all tax years up to and including 2012.

UK - 888's subsidiary in the UK pays corporate tax in the UK at the applicable rate of 23.25% (For period April 1, 2012 - March 31, 2013: 24%; for period April 1, 2013 - March 31, 2014: 23%)

8 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33, 'Earnings per share', the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise it into shares, in the case of options. The number of equity instruments excluded from the diluted EPS calculation is 2,259,924 (2012: 6,363,756).

	Year ended 31 December 2013	Year ended 31 December 2012
Profit for the period attributable to equity holders of the parent (US\$ million)	50.0	35.4
Weighted average number of Ordinary Shares in issue	350,909,199	348,880,677
Effect of dilutive Ordinary Shares and Share options	5,443,710	2,665,293
Weighted average number of dilutive Ordinary Shares	356,352,909	351,545,970
Basic	14.2¢	10.2¢
Diluted	14.0¢	10.1¢

Adjusted earnings per share

The Directors believe that EPS excluding share benefit charges, retroactive taxes and associated charges, movement in contingent and deferred consideration, impairment charges share of post-tax loss of equity accounted joint ventures and profit on acquisition of equity accounted joint venture ("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 share benefit charges, retroactive taxes and associated charges, movement in contingent and deferred consideration, impairment charges, share of post-tax loss of equity accounted joint ventures and profit on acquisition of equity accounted joint venture ("Adjusted profit"):

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Profit for the period attributable to equity holders of the parent	50.0	35.4
Share benefit charges	5.5	1.7
Retroactive taxes and associated charges	-	11.1
Movement in contingent and deferred consideration	0.5	(2.0)
Impairment charges	-	2.2
Share of post-tax loss of equity accounted joint ventures	4.1	-
Profit on acquisition of equity accounted joint venture	(1.9)	-
Adjusted Profit	58.2	48.4
Weighted average number of Ordinary Shares in issue	350,909,199	348,880,677
Weighted average number of dilutive Ordinary Shares	356,352,909	351,545,970
Adjusted basic earnings per share	16.6¢	13.9¢
Adjusted diluted earnings per share	16.3¢	13.8¢

9 Dividend

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Dividends paid	33.2	8.7

An interim dividend of 3.0¢ per share was paid on 4 October 2013.

In 2012 an interim dividend of 2.5¢ per share was paid on 18 October 2012 and a final dividend of 6.5¢ per share was paid on 13 June 2013.

The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2013, comprising 4.0¢ per share, and an additional one-off 7.0¢, which will be recognised in the 2014 financial statements once approved.

10 Acquisitions

Acquisitions completed in prior years

Internet domain name and brands

During the prior year the Group acquired one of its former B2B customers domain name and brands for cash consideration of US\$0.6 million, and contingent consideration based on a percentage of revenue receivable originally estimated at US\$0.9 million. All amounts, except for goodwill arising of \$0.3m, were attributed to intangible assets acquired, comprising customer information and brands. During the year 2012 the contingent consideration payable was increased by US\$0.4 million and during the year 2013 by US\$0.5 million. The acquisition is deemed immaterial in respect of IFRS3 disclosure requirements.

Wink online Bingo business

On 31 December 2009 the Group acquired the trade and assets comprising the Wink online Bingo business of Daub Limited ('Wink Bingo Business') for an all cash consideration.

During the prior year, the Group paid an amount of US\$35.5 million and completed the settlement of the deferred consideration payable in respect of the Wink acquisition. Following negotiations with the vendors the final amount payable was reduced and as a result US\$2.4 million was released to the consolidated Income Statement in 2012.

11 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 2012	145.8	9.2	20.2	175.2
Additions	-	-	10.5	10.5
Acquisitions	0.3	1.5	-	1.8
At 31 December 2012	146.1	10.7	30.7	187.5
Additions	-	0.9	12.7	13.6
At 31 December 2013	146.1	11.6	43.4	201.1
Amortisation and impairments:				
At 1 January 2012	20.7	7.0	5.6	33.3
Impairment	-	-	0.9	0.9
Amortisation charge for the year	-	1.7	3.9	5.6
At 31 December 2012	20.7	8.7	10.4	39.8
Amortisation charge for the year	-	0.8	4.8	5.6
At 31 December 2013	20.7	9.5	15.2	45.4
Carrying amounts				
At 31 December 2013	125.4	2.1	28.2	155.7
At 31 December 2012	125.4	2.0	20.3	147.7
At 31 December 2011	125.1	2.2	14.6	141.9

Analysis of goodwill by cash generating units:

	Bingo online business US \$ million	Other US \$ million	Total Goodwill US \$ million
Carrying value at 1 January 2012	125.1	-	125.1
Acquisition of internet domain name and brands	-	0.3	0.3
Carrying value at 1 January 2013	125.1	0.3	125.4
Carrying value at 31 December 2013	125.1	0.3	125.4

Impairment

In accordance with IAS36 and the Group's stated accounting policy an impairment calculation is carried out annually on the carrying amounts of goodwill and any other intangible assets that shows indication of impairment. A review was carried out at 31 December 2013 to assess whether there was any indication that its other intangible assets and property plant and equipment had been impaired. Where an impairment calculation was carried out, the carrying value in use of the assets was determined by discounting the future cash flows of the relevant cash generating unit to their present value.

Goodwill

Bingo Online Business

Goodwill and intangible assets associated with the online Bingo business unit relates to the acquisition of the online Bingo business of Globalcom Limited during 2007 and the acquisition of the Wink Bingo business in 2009. The income streams generated from the bingo business, comprising the B2C Bingo cash generating unit and the B2B cash generating unit, have been treated together as the risks and rewards associated with those income streams are deemed to be sufficiently similar. Cash flow projections have been prepared covering the following five year period prior to assuming a long term growth rate. Underlying growth rates as shown in the table below have been applied to revenue and are based on past experience, the reorganisations that have taken place within the B2C Bingo cash generating unit during the year, the positive results of which have been seen in recent months, and projections of future changes in the online gaming market.

Having applied conservative estimates, certain B2B contracts due to end in the next two years have not been projected to be renewed and have been assumed to gradually decline over the period to contract end. The discount rate that is considered by the Directors to be appropriate is the Group's specific weighted average cost of capital which also applies to the online Bingo cash generating units.

Key assumptions used

	Discount rate applied ¹	Underlying growth rate year ¹	Underlying growth rate years 2-5	Underlying growth rate year 6+	Operating expenses ² increase years 1-5	Operating expenses ² increase year 6+
At 31 December 2013	9%	2%	1%	1%	3%	1%
At 31 December 2012	10%	2%	0%	1%	6%	1%

¹ The discount rate is recalculated every year by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost Of Capital applied to the group.

² Operating expenses exclude marketing costs which were included in the projections throughout the period on a slowly declining percentage of revenues

Under the key assumptions above, the Bingo unit recoverable amount exceeds its carrying amount by US\$49 million. A 1% increase in the discount rate, or a 1% reduction in the underlying growth rate over the forecast period would reduce this excess by US\$17 million and US\$13 million respectively.

Internally generated Intangible assets

Other intangible assets

No impairment tests were considered to be required at 31 December 2013 and the carrying value of other intangible assets is considered to be appropriate.

Licenses- prior year impairment

During the year 2012, the Group requested the French licence to be revoked given the impact of high gaming duty rates imposed in France which ultimately rendered the offering of the Group's online gaming services in that jurisdiction not economically viable. As a consequence no future income arises from these assets and the Group made a full impairment charge of US\$0.8 million in respect of the French licence costs and other intangible assets of US\$0.1 million.

12 Property, plant and equipment

	IT equipment US \$ million	Office furniture and equipment US \$ million	Motor vehicles US \$ million	Leasehold improvements US \$ million	Total US \$ million
Cost					
At 1 January 2012	40.6	2.8	0.5	13.3	57.2
Additions	10.3	0.1	0.1	0.1	10.6
Disposals	(0.4)	-	-	-	(0.4)
At 31 December 2012	50.5	2.9	0.6	13.4	67.4
Additions	8.2	0.2	0.1	0.6	9.1
Disposals	-	(0.1)	(0.2)	(0.2)	(0.5)
At 31 December 2013	58.7	3.0	0.5	13.8	76.0
Accumulated depreciation					
At 1 January 2012	30.5	1.9	0.4	7.3	40.1
Charge for the year	7.4	0.2	0.1	1.5	9.2
Disposals	(0.2)	-	-	-	(0.2)
At 31 December 2012	37.7	2.1	0.5	8.8	49.1
Charge for the year	6.9	0.2	-	1.2	8.3
Disposals	-	(0.1)	(0.2)	(0.2)	(0.5)
At 31 December 2013	44.6	2.2	0.3	9.8	56.9
Carrying amounts					
At 31 December 2013	14.1	0.8	0.2	4.0	19.1
At 31 December 2012	12.8	0.8	0.1	4.6	18.3
At 31 December 2011	10.1	0.9	0.1	6.0	17.1

13 Investment in equity accounted joint ventures

The following entities meet the definition of Jointly Controlled Entities and have been equity accounted in the consolidated financial statements:

Name	Country of incorporation	Effective interest 31 December 2013	Effective interest 31 December 2012
Technology Solutions (Gibraltar) Limited	Gibraltar	50%	50%
AAPN Holdings LLC	USA	47%	-
AGN LLC	USA	47%	-
AAPN New Jersey LLC	USA	47%	-

Technology Solutions (Gibraltar) Limited (“TSG”)

In 2010 the Group obtained a licence to operate online poker games in France.

High gaming duty rates imposed in France rendered the offering of the Group's online gaming services in that jurisdiction not economically viable. Accordingly, in 2012, the Group requested its local licence to be revoked following agreement to terminate the joint venture. Consequently, in 2012, the Group impaired the full amount of its investment in the joint venture in the amount of US\$1.3 million.

USA Jointly Controlled Entities

On 11 March 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 that agreement the Group has a 47% interest in AAPN. AAPN is funded by Avenue as defined in the JVA.

AAPN New Jersey LLC (“AAPN NJ”) is the entity which contracted with an Atlantic City casino licensee in connection with the operation of a B2C gaming offering in New Jersey (an offering which launched in November 2013). AGN LLC is the entity which contracted with a Las Vegas casino licensee in connection with the operation of a B2C gaming offering in Nevada (this offering has not yet launched).

As at December 31 2013, AGN LLC and AAPN NJ (together, the "Operating Entities") were 100% owned by 888 US Inc. However, both are regarded as jointly controlled entities, as the Group has agreed that so long as the Operating Entities remain wholly owned by the Group, they will be operated in a manner consistent with the contractual arrangements in place within the AAPN JVA. The Group also has an irrevocable commitment to contribute 100% of the interests in AAPN NJ and AGN LLC, to AAPN for no consideration, upon fulfillment of certain conditions.

On this basis the three entities, (the “US Joint venture”) have been equity accounted for reflecting the Groups effective 47% interest in their aggregated results and assets.

On 8 July 2013, AGN LLC obtained the required licences by the Nevada Gaming Commission enabling it to provide online gaming services in the State of Nevada in accordance with the stipulations of the licenses.

On 8 November 2013, AAPN NJ obtained the transactional waiver by the New Jersey Division of Gaming Enforcement enabling it to provide online gaming services in the State of New Jersey for a period of six months from the date of the waiver and subject to final approval by the New Jersey Division of Gaming Enforcement.

Amounts relating to the joint ventures and the Groups share of net assets and post-tax losses of the joint venture are as follows:

	US Joint Ventures	TSG	Total 2013	Total 2012¹
	US \$ million	US \$ million	US \$ million	US \$ million
Net assets of Joint ventures				
Non-current assets	5.9	-	5.9	2.3
Current assets	6.0	-	6.0	-
Current liabilities	(3.6)	-	(3.6)	(2.2)
Net assets of joint ventures	8.3	-	8.3	0.1
Group effective interest in joint ventures	47%	50%		
Group share of net assets of joint ventures	3.9	-	3.9	-
Income statement of Joint Ventures				
Income	-	-	-	0.2
Expenses	(8.7)	-	(8.7)	(0.2)
Post tax losses of joint ventures	(8.7)	-	(8.7)	-
Group share of effective interest	47%	50%		
Group share of Post-tax losses of joint ventures	(4.1)	-	(4.1)	-

¹ Amounts in 2012 relate solely to TSG.

During 2013 the US JV launched regulated license gaming offering in the states of Nevada and New Jersey. As a result substantial marketing costs were incurred in order to facilitate the penetration into these newly opened markets.

On acquisition of the interest in AAPN the difference of US\$1.9 million between the consideration paid of nil and the share of net assets of the entity of US\$1.9 million was accounted for as a profit on acquisition in line with IAS31.

The Group's share of subsequent increases in the net assets of AAPN arising from equity injections by its JV partners, amounting to US \$6.1 million has been accounted for through Other Comprehensive Income.

A reconciliation of the movements in the Groups interest in equity accounted joint ventures is shown below

Movements in interest in equity accounted joint ventures

	US Joint Ventures	TSG	Total
	US \$ million	US \$ million	US \$ million
Investment in equity accounted joint ventures			
At 1 January 2012	-	1.3	1.3
Impairment	-	(1.3)	(1.3)
At 31 December 2012	-	-	-
Profit on acquisition of equity accounted joint venture	1.9	-	1.9
Group share of equity injections by joint venture partner in equity accounted joint venture	6.1	-	6.1
Share of post-tax loss of equity accounted joint ventures	(4.1)	-	(4.1)
	3.9	-	3.9

14 Financial Assets – Available for sale investments

	31 December 2013 US \$ million	31 December 2012 US \$ million
Balance at the beginning and end of the year	0.2	0.2

Available-for-sale assets comprise of unquoted securities. The fair value of these has been determined on the basis of expected cash flows discounted using a rate based on the market interest rate and a premium specific to the unlisted securities. Fair value movements for 2012 and 2013 were insignificant.

15 Deferred taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets resulting from temporary differences are as follows:

	31 December 2013 US \$ million	31 December 2012 US \$ million
Accrued severance pay	0.4	0.4
Property, plant and equipment	0.9	0.6
Intangible assets	(1.3)	(0.8)
Provision for share benefit charges	0.1	0.2
Provision for vacation	0.7	0.3
Hedging gains	0.4	(0.3)
	1.2	0.4

16 Cash and cash equivalents

	31 December 2013 US \$ million	31 December 2012 US \$ million
Cash and cash equivalents	111.2	78.1
Restricted cash	4.6	3.4
	115.8	81.5

Restricted cash represents customers' funds held in designated accounts under regulated market licence requirements.

17 Short term investments

	31 December 2013 US \$ million	31 December 2012 US \$ million
Deposits	3.9	3.5

Short term investments primarily relates to deposits held by banks to support guarantees in respect of regulated markets licence requirements.

18 Trade and other receivables

	31 December 2013 US \$ million	31 December 2012 US \$ million
Trade receivables	20.9	20.1
Other receivables and prepayments	10.5	6.1
	31.4	26.2

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.

19 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2013 Number	31 December 2012 Number	31 December 2013 US \$ million	31 December 2012 US \$ million
Ordinary Shares of £0.005 each	426,387,500	426,387,500	3.9	3.9

	Allotted, called up and fully paid			
	31 December 2013 Number	31 December 2012 Number	31 December 2013 US \$ million	31 December 2012 US \$ million
Ordinary Shares of £0.005 each at beginning of year	349,688,356	347,687,468	3.2	3.2
Issue of ordinary shares of £0.005 each	2,288,919	2,000,888	-	-
Ordinary Shares of £0.005 each at end of year	351,977,275	349,688,356	3.2	3.2

The following tables include details on issue of ordinary shares of £0.005 each as part of the Group's employee share option plan (see note 24) during 2013 and 2012:

Issued during 2013	Ordinary shares of £0.005 each
February	51,087
March	125,734
April	577,874
May	865,357
June	33,783
July	19,046
August	97,787
September	8,102
October	129,837
November	376,873
December	3,439
Shares issued during 2013	2,288,919
Issued during 2012	Ordinary shares of £0.005 each
January	76,816

April	362,612
May	1,106,071
June	194,988
August	161,468
October	98,933
Shares issued during 2012	2,000,888

During 2013, the Company issued 461,406 shares (2012: nil) in respect of employees' exercising market value options giving rise to an increase in share premium of US\$0.8 million.

Shares issued are converted into US\$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US\$3.2 million (2012: US\$3.2 million) and is split into 351,977,275 (2012: 349,688,356) ordinary shares. The share capital in UK sterling (GBP) is £1.8 million (2012: £1.7 million) and translates at an average exchange rate of US\$1.82 (2012: US\$1.82) to GBP.

20 Trade and other payables

	31 December 2013 US \$ million	31 December 2012 US \$ million
Trade payables	31.3	33.1
Other payables, accrued expenses and deferred income	61.2	50.0
	92.5	83.1

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

21 Contingent and deferred consideration

	31 December 2013 US \$ million	31 December 2012 US \$ million
Other contingent consideration	0.4	0.7

The Group has recognised contingent and deferred consideration on an acquisition in the year 2012. Further details are given in note 10.

Contingent and deferred consideration- movements in the year

	Wink Bingo business ¹ US \$ million	Others US \$ million	Total US \$ million
Contingent and deferred consideration at 1 January 2012	37.4	-	37.4
Other contingent and deferred consideration arising on acquisitions	-	1.5	1.5
Paid in year – Capital amounts	(35.5)	(1.2)	(36.7)
Movement in contingent and deferred consideration	(2.4)	0.4	(2.0)
Foreign exchange differences on deferred consideration	0.5	-	0.5
Contingent and deferred consideration at 31 December 2012	-	0.7	0.7
Paid in year – Capital amounts	-	(0.8)	(0.8)
Movement in contingent and deferred consideration	-	0.5	0.5
Contingent consideration at the end of the year	-	0.4	0.4

¹ During the year 2012, the Group paid an amount of US\$35.5 million and completed the settlement of the deferred consideration payable in respect of the Wink acquisition. Following negotiations with the vendors the final amount payable was reduced and as a result US\$2.4 million was released to the consolidated Income Statement.

22 Liabilities to customers and progressive prize pools

	31 December 2013 US \$ million	31 December 2012 US \$ million
Liabilities to customers	51.1	44.1
Progressive prize pools	4.3	5.4
	55.4	49.5

23 Investments in significant subsidiaries

Name	Country of incorporation	Percentage of equity interest		Nature of business
		2013 %	2012 %	
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar and main trading company
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Dixie Operation Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia.
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
Virtual Marketing Services Italia SRL	Italy	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
Virtual IP Assets Limited	BVI	100	-	Holder of group IP assets
888 Virtual Limited	Gibraltar	-	100	Holder of group IP assets
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	-	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 US Inc.	Delaware, USA	100	100	Providing US-based services for US operations

24 Share-based payment

The Company has two equity-settled employee share incentive plans - the 888 All-Employee Share Plan and the Long-term Incentive Plan. The 888 All-Employee Share Plan is open to all employees and Executive Directors of the Group who are not within six months of their normal retirement age, at the discretion of the Remuneration Committee. Awards under this scheme will vest in installments over a fixed period of up to four years subject to the relevant individuals remaining in service. Certain of these awards are subject to performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the directors Remuneration Report.

Details of equity settled Shares and Share Options granted as part of the 888 All-Employee Share Plan are set out below:

Share options granted

	31 December 2013		31 December 2012	
	Weighted average exercise price	Number	Weighted average exercise price	Number
Outstanding at the beginning of the year	£ 1.41	3,141,422	£ 1.41	3,645,044
Market value options lapsed during the year	£ 1.47	(112,399)	£ 1.41	(503,622)
Market value options exercised during the year	£ 1.21	(468,423)	-	-
Outstanding at the end of the year ^{1,2,3}	£ 1.44	2,560,600	£ 1.41	3,141,422

¹ Of the total number of options outstanding at 31 December 2013, 2,560,600 had vested and were exercisable (2012: 2,923,109).

² The range of exercise prices for options outstanding at 31 December 2013 is £1.02-£1.80 (2012: £1.02-£1.80).

³ The weighted average remaining contractual life at the year-end was 3.59 years (2012: 4.74 years)

Ordinary Shares granted (without performance conditions)

	31 December	
	2013 Number	2012 Number
Outstanding at the beginning of the year	2,654,091	5,192,919
Shares granted during the year	405,843	-
Lapsed future vesting shares	(24,462)	(537,940)
Shares issued during the year	(1,539,988)	(2,000,888)
Outstanding at the end of the year	1,495,484	2,654,091
Averaged remaining life until vesting	0.89 years	1.23 years

Shares are granted at a nominal exercise price.

Ordinary shares granted (subject to performance conditions)

	31 December	
	2013 Number	2012 Number
Outstanding at the beginning of the year	3,205,587	1,175,373
Shares granted during the year	1,049,059	2,134,719
Lapsed future vesting shares	(17,629)	(104,505)
Shares issued during the year	(287,529)	-
Outstanding at the end of the year	3,949,488	3,205,587
Averaged remaining life until vesting	1.22 years	1.71 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. The EPS growth target is taken into account when determining the number of shares expected to vest, 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:	31 December	
	2013	2012
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.14	£0.40
Number of shares granted	524,530	1,067,360
Average risk-free interest rate	0.73%	1.22%
Average standard deviation	53%	51%
Average standard deviation of peer group	34%	37%

Valuation information – Shares granted

	2013		2012	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Weighted average share price at grant date	£1.54	£1.63	-	£0.63
Weighted average share price at issue of shares	£1.60	£1.71	£0.72	-

Ordinary shares granted for future vesting without TSR performance conditions are valued at the share price at grant date which the Company 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 International Financial Reporting Standards a charge to the income statement in respect of any shares or options granted under the above schemes is recognised and spread over the vesting period of the shares or options based on the fair value of the shares or options at the grant date, adjusted for changes in vesting conditions at each balance sheet date. These charges have no cash impact.

Cash-settled share-based payment

On 27 March 2012, the Company awarded its Chief Executive Officer a cash settled share-based award (“Phantom award”). The phantom award will be fully vested in three years from the grant date, provided he remains in employment with the Company on the third anniversary of the grant date. Under specific terms, the phantom award will also vest if he leaves employment before the normal vesting date as detailed in the Directors remuneration report.

The amount payable is calculated on an incremental basis, based on the average share price of the Company over a period of 20 dealing days prior to the scheduled vesting date for the award. The minimum amount payable is £0.25 million and the maximum amount payable is £5.5 million if the share price is above £2.00.

Valuation information

	31 December	
	2013	2012
Option pricing model used	Monte Carlo	Monte Carlo
Share price at 31 December	£1.73	£1.19
Remaining life until vesting	1.24 years	2.24 years
Risk-free interest rate	0.46%	0.37%
Standard deviation	43.10%	50.31%

Cash settled share based payment charge for the year amounts to US\$2.2 million (2012: US\$0.8 million) and the liability recognised at 31 December 2013 amounts to US\$3.1 million (2012: US\$0.8 million).

Share benefit charges

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Equity settled		
Equity settled charge for the year	3.3	0.9
Cash settled		
Charges in respect of the phantom option awards	2.2	0.8
Total share benefit charges	5.5	1.7

25 Related party transactions

The aggregate amounts payable to the directors as well as their share-based charges are set out below:

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Short term benefits	3.1	2.9
Post-employment benefits	0.1	0.1
Share benefit charges –equity settled	1.0	0.3
Share benefit charges – cash settled	2.2	0.8
	6.4	4.1

Further details on directors' remuneration are given in the directors' remuneration summary.

During 2013 the Group charged the US Joint Venture for reimbursement of costs in the amount of US\$5.2 million, out of which the outstanding balance for 31 December 2013 is US\$1.9 million.

26 Commitments

Lease commitments

Future minimum lease commitments under property operating leases at the year end are as follows:

	Year ended 31 December 2013 US \$ million	Year ended 31 December 2012 US \$ million
Leases expiring within		
One year	4.0	3.3
Two to five years	8.3	9.2
	12.3	12.5

The amount paid in the year was US\$3.6 million (2012: US\$3.5 million).

Lease commitments on the Group's property are shown to the date of the first break clause.

27 Financial risk management

The Group is exposed through its operations to risks that arise from use of its financial instruments. Policies and procedures for managing these risks are set by the Board following recommendations from the Chief Financial Officer. The Board reviews the effectiveness of these procedures and, if required, approves specific policies and procedures in order to mitigate these risks.

The main financial instruments used by the Group, on which financial risk arises, are as follows:

- Cash and cash equivalents;
- Restricted cash;
- Short term investments;
- Trade and other receivables;
- Trade and other payables;
- Liabilities to customers;
- Available for sale financial investments

Detailed analysis of these financial instruments is as follows:

	31 December 2013 US \$ million	31 December 2012 US \$ million
Financial assets		
Trade receivables	20.9	20.1
Other receivables	6.2	3.2
Fair value of derivative financial instruments	-	3.3
Cash and cash equivalents	111.2	78.1
Restricted cash	4.6	3.4
Short term investment	3.9	3.5
Available for sale financial investments	0.2	0.2
	147.0	111.8

In accordance with IAS 39, all financial assets are classified as loans and receivables except for available-for-sale assets (2012: except for available-for-sale assets and US\$3.3 million relating to forward currency contracts to hedge risks associated with foreign exchange rates). Such derivative financial instruments are measured at fair value under IAS39 and comprise level 2 fair value measurement instruments.

Financial liabilities	31 December 2013 US \$ million	31 December 2012 US \$ million
Trade payables	31.3	33.1
Other payables and accrued expenses	51.8	40.7
Fair value of derivative financial instruments	4.2	-
Contingent and deferred consideration	0.4	0.7
Liabilities to customers	55.4	49.5
	143.1	124.0

In accordance with IAS 39, all financial liabilities are held at amortised cost, except for US\$0.4 million of contingent consideration arising on acquisitions and US\$4.2 million relating to the forward currency contracts to hedge risks associated with foreign exchange transactions which are recognised at fair value. Such derivative financial instruments are measured at fair value under IAS39 and comprise level 2 fair value measurement instruments (2012: except for US\$0.5 million of contingent consideration arising on acquisitions which are recognised at fair value).

At 31 December 2013 and 2012, the fair value and the book value of the Group's financial assets and liabilities were materially the same.

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 28, 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 due primarily 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 wallet with the Group. These are mainly intermediaries that transact on behalf of the main 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 those balances 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 result gain high degree of diversification.

The Group believes that based on the above and on extensive past experience, the PSP receivables are of good credit quality and there is no requirement to provide for any potential bad debts arising from a PSP failing to discharge its obligation. None of the balances owed by the various PSP are overdue or impaired (2012: nil).

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 a provision based on analysis of past transactions. This provision is netted off from the trade receivables balance and at 31 December 2013 was US\$1.2 million (2012: US\$1.1 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 out of its Gibraltar headquarters. Subsidiaries in its other main locations maintain minimum cash balances which are deemed required for their operations.

Cash settlement proceeds from PSPs, as described above, are paid into bank accounts controlled by the Treasury function.

The Group maintains its funds with highly reputable financial institutions and will not hold funds with financial institutions with low credit rating.

The Group maintains its cash reserves in highly liquid deposits and regularly monitors rates in order to maximize yield.

Restricted cash

Restricted cash represents customers' funds held for payment service provider transactions in respect of regulated markets.

Short term investments

Short term investments primarily relates to deposits held by banks for guarantees in respect of regulated markets licence.

The Group's maximum exposure to credit risk by type of financial instrument is summarised below:

	31 December 2013		31 December 2012	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	US \$ million	US \$ million	US \$ million	US \$ million
Trade receivables	20.9	20.9	20.1	20.1
Other receivables	6.2	6.2	3.2	3.2
Fair value of derivative financial instruments	-	-	3.3	3.3
Cash and cash equivalents	111.2	111.2	78.1	78.1
Restricted cash	4.6	4.6	3.4	3.4
Short term investment	3.9	3.9	3.5	3.5
Available for sale financial investments	0.2	0.2	0.2	0.2
	147.0	147.0	111.8	111.8

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:

	31 December 2013				
	Trade payables US \$ million	Other payables ¹ US \$ million	Contingent consideration US \$ million	Liabilities to customers US \$ million	Total US \$ million
On demand	6.3	3.3	-	55.4	65.0
In 3 months	23.0	39.5	0.1	-	62.6
Between 3 months and 1 year	2.0	10.1	0.3	-	12.4
More than 1 year	-	3.1	-	-	3.1
	31.3	56.0	0.4	55.4	143.1

¹ Includes other payables, accrued expenses, derivative financial liabilities and provisions, and excludes deferred income

	31 December 2012				
	Trade payables US \$ million	Other payables ¹ US \$ million	Deferred and contingent consideration US \$ million	Liabilities to customers US \$ million	Total US \$ million
On demand	6.9	2.1	-	49.5	58.5
In 3 months	24.8	33.3	0.3	-	58.4
Between 3 months and 1 year	1.4	4.5	0.4	-	6.3
More than 1 year	-	0.8	-	-	0.8
	33.1	40.7	0.7	49.5	124.0

¹ Includes other payables, accrued expenses and provisions, and excludes deferred income

Market risk

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\$0.4 million.

Currency risk

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

- Mismatch between balance sheet liabilities to customers which is predominantly denominated in US\$ and the net receipts from customers which are settled in the currency of the customer's choice, of which sterling (GBP) and Euros (EUR) are significant.
- Mismatch between reported revenue which is mainly generated in USD (the Group's functional and reporting currency) and a significant portion of deposits which are settled in local currencies.
- Expenses, the majority of which are denominated in foreign currencies including sterling (GBP), euro (EUR) and New Israeli Shekel (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, inter alia by using foreign exchange forward contracts designed to fix the economic impact of known liabilities. At 31 December 2013 the Group had entered into US Dollar/GB Pound and US Dollar/Euro forward contracts totaling US\$146 million regarding 2014 expected currency excess in GB Pound and Euro. The total fair value of the forward contracts was US\$4.2 million liability to be settled on a monthly basis throughout 2014. (During 2012 the Group had entered into Israeli shekel/US Dollar outstanding forward contracts totaling US\$81 million regarding 2013 operational business costs incurred in Israeli shekels. In addition the Group had entered into US Dollar/ GB Pound as well as US Dollar/Euro forward contracts totaling US\$140 million regarding 2013 currency excess in GB Pound and Euro. The total fair value of the forward contracts as at 31 December 2012 was US\$ 3.3 million asset which had been settled during the year 2013.)

The tables below detail the net financial position by currency at 31 December 2013 and 2012:

	31 December 2013					Total US \$ million
	GBP US \$ million	EUR US \$ million	ILS US \$ million	USD US \$ million	Other US \$ million	
Cash and cash equivalent	16.5	7.4	15.9	68.9	2.5	111.2
Restricted cash	-	4.6	-	-	-	4.6
Receivables	9.0	7.3	0.4	5.7	4.7	27.1
Short term investments	-	2.9	1.0	-	-	3.9
Available for sale financial investments	-	-	-	0.2	-	0.2
Net monetary assets	25.5	22.2	17.3	74.8	7.2	147.0
Payables	(36.7)	(16.5)	(24.3)	(64.2)	(1.4)	(143.1)
Net monetary liabilities	(36.7)	(16.5)	(24.3)	(64.2)	(1.4)	(143.1)
Net financial position	(11.2)	5.7	(7.0)	10.6	5.8	3.9

	31 December 2012					
	GBP US \$ million	EUR US \$ million	ILS US \$ million	USD US \$ million	Other US \$ million	Total US \$ million
Cash and cash equivalent	16.9	7.3	7.4	44.9	1.6	78.1
Restricted cash	-	3.4	-	-	-	3.4
Receivables	9.9	6.0	4.9	3.6	2.2	26.6
Short term investments	-	2.7	0.8	-	-	3.5
Available for sale financial investments	-	-	-	0.2	-	0.2
Net monetary assets	26.8	19.4	13.1	48.7	3.8	111.8
Payables	(21.3)	(17.3)	(20.5)	(63.1)	(1.8)	(124.0)
Net monetary liabilities	(21.3)	(17.3)	(20.5)	(63.1)	(1.8)	(124.0)
Net financial position	5.5	2.1	(7.4)	(14.4)	2.0	(12.2)

Sensitivity analysis

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

	Year ended 31 December 2013		
	GBP US \$ million	EUR US \$ million	ILS US \$ million
10% Strengthening	1.0	(0.6)	0.7
10% Weakening	(1.0)	0.6	(0.7)

	Year ended 31 December 2012		
	GBP US \$ million	EUR US \$ million	ILS US \$ million
10% Strengthening	(0.6)	(0.2)	0.7
10% Weakening	0.6	0.2	(0.7)

28 Fair value measurements

Materially, the Group's financial instruments carried at fair value are in respect of derivative foreign exchange contracts.

The carrying value of derivative foreign exchange contracts was a liability of US\$4.2m at 31 December 2013. (2012: an asset of US\$3.3m). These comprise level 2 fair value measurement instruments, valued using forward exchange rates that are quoted in an active market.

Other financial instruments carried at fair value are not considered material. There were no changes in valuation techniques or transfers between categories in the period.

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Customer deposits

The following table sets out the group's material liabilities that are measured and recognised at fair value at 31 December 2013:

As at 31 December 2013	Level 2 US \$ million
Financial liabilities	
<u>Derivatives at fair value</u>	4.2

29 Contingent liabilities and regulatory issues

- (a) As part of the Board's ongoing regulatory compliance and operational risk assessment process, the Board continues to monitor legal and regulatory developments, and their potential impact on the business, and continues to take appropriate advice in respect of these developments.
- (b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, the Board is unable to quantify reliably any material outflow of funds that may result, if any. Accordingly, no provisions have been made.
- (c) The Group operates in numerous jurisdictions. Accordingly, the Group is filing tax returns, providing for and paying all taxes and duties it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is periodically subject to audits and assessments by local taxing authorities. The Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments. Accordingly, no additional provisions have been made.