888 Holdings PLC
Annual Report & Accounts 2017

LEADING THE FUTURE OF ONLINE GAMING

888 HOLDINGS

Welcome

888: SAFE AND SECURE ONLINE GAMING ENTERTAINMENT

OUR MISSION

888's mission is to supply its customers with a safe and secure environment in which to enjoy quality online gaming entertainment. 888 continually invests time and resources in protecting its customers and, by successfully doing this, the 888 business will continue to grow and prosper.

OUR DIFFERENCE

At the heart of 888's business is its leading-edge proprietary gaming technology and associated platforms. 888's operations are directed by highly sophisticated business analytics which underpin the Group's approach to product development, marketing and customer relationship management. These strengths enable 888 to deliver to customers and business to business ("B2B") partners alike first-class and innovative online gaming entertainment products and solutions.

OUR FOCUS

888's firm focus is on growing in markets where there are regulatory frameworks that protect customers and provide clarity for operators. 888 has a presence across four key product verticals, nine regulated markets globally and with both business to customer ("B2C") and B2B customers.

OVERVIEW OF 888

888 HOLDINGS

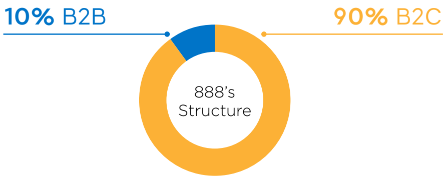
888'S B2B OFFERING

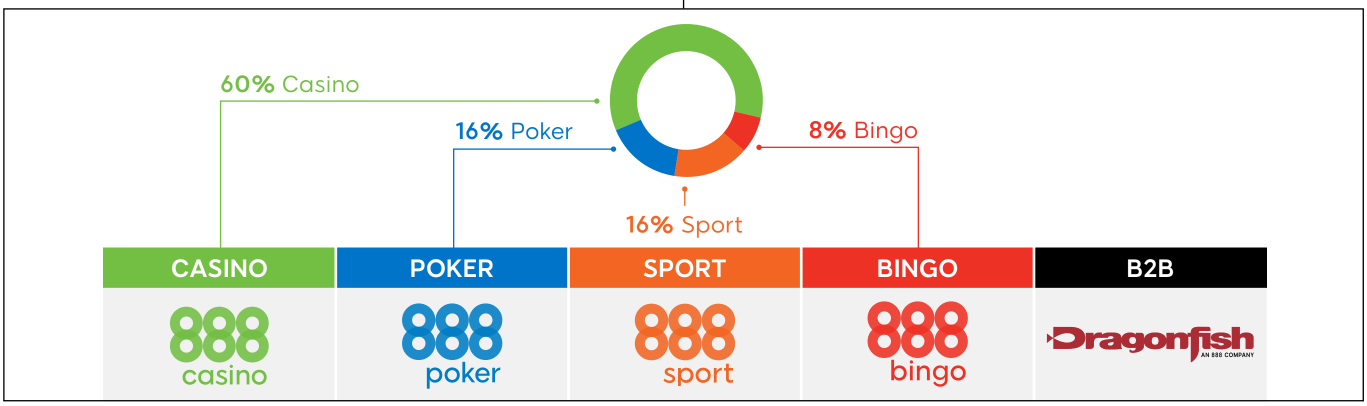
Dragonfish

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

OVERARCHING 888 BRAND

888





LEADING THE FUTURE OF ONLINE GAMING

PEOPLE ORIENTATED

888 has been at the forefront of the online gaming industry since its inception. Much has changed and developed during this time but one thing has remained constant: our customers remain at the very heart of everything we do.

TECHNOLOGY-LED

The bedrock of 888's business is our cutting-edge, proprietary online gaming technology. This underpins the Group's competitive advantages and our ability to entertain and protect customers, operate efficiently and adapt to new regulations.

DIVERSIFIED

888 is a truly diversified operator with both B2C brands and a B2B division, Dragonfish. This enables the Group to target and exploit multiple growth opportunities. The Group has successful operations under ten licences and across four major online gaming product verticals.

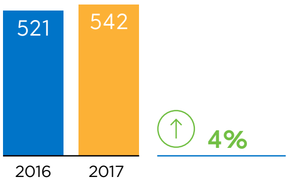
* This Annual Report may contain statements which are not based on current or historical fact and which are forward-looking in nature. These forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and 888 Holdings plc (the "Company") and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

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

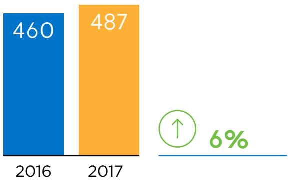
FINANCIAL HIGHLIGHTS

Another successful year for 888

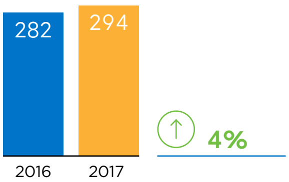
Revenue
US$ million



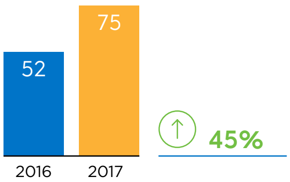
Revenue – B2C
US$ million



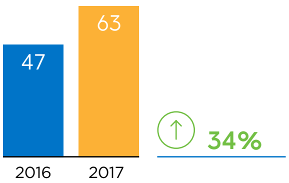
B2C - Casino
US$ million



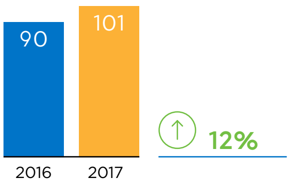
Revenue – B2C Sport
US$ million



Revenue – Spain
US$ million

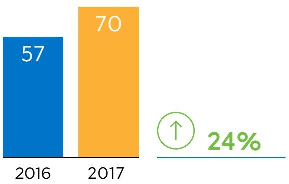


Adjusted EBITDA[1]
US$ million

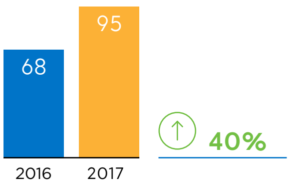


1 As defined in table set out on page 24.

Dividend payment during the year
US$ million



Net cash generated from operating activities
US$ million



KEY TRENDS IN A GLOBAL MARKET

The online gaming industry began to develop in the mid-1990s and, since then, has experienced rapid growth. Technological changes such as faster and more reliable internet connections as well as the increasing adoption and sophistication of mobile and tablet devices, making online services more convenient and readily available, have supported this growth.

The online gaming market continues its journey towards global regulation. Governments are adopting new regulatory frameworks that are specific to online gaming. This can increase the costs of operation but helps to provide safety and security to customers and creates an environment in which operators with scale and technological advantages, such as 888, can prosper.

2017 GLOBAL ONLINE GAMBLING MARKET

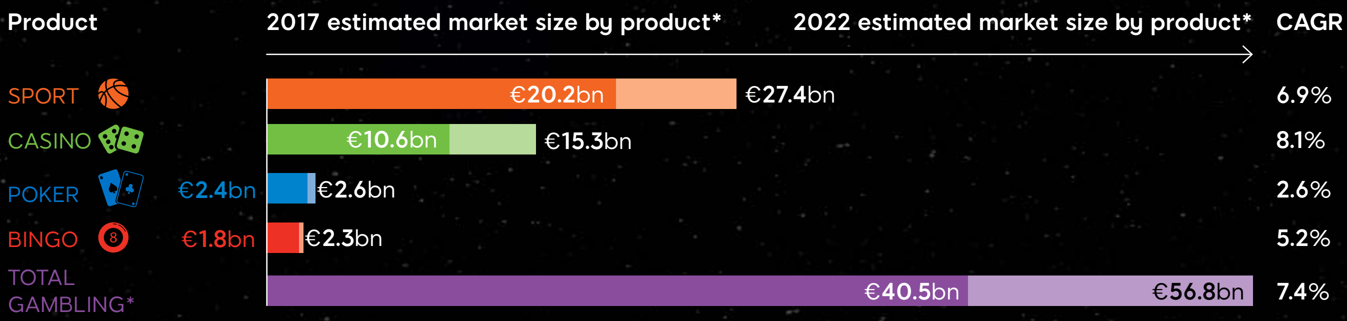
€40.5bn

36.3% from mobile

2022 ESTIMATED GLOBAL ONLINE GAMBLING MARKET

€56.8bn

49% estimated from mobile



* Also includes skill games, other gaming and lotteries.

Source: H2 Gambling Capital (1 March 2018).

SAFE AND SECURE ENTERTAINMENT

888 is resolutely committed to a proactive policy of corporate and social responsibility that reflects the high professional and ethical standards we set for ourselves. Conducting business responsibly is fundamental to the future success of 888 and we understand that a responsible approach is both the correct way to do business and one that enhances credibility with all stakeholders, thereby supporting 888's development.

Protecting the vulnerable

We are constantly developing new and innovative ways to deliver a responsible gaming environment. Our goal is to ensure that all those who visit our sites can do so with confidence and that those for whom our games are not intended, notably underage individuals and those vulnerable to addiction, will not be drawn into the gaming environment and those few customers who develop a gambling problem are quickly identified and helped by our trained team.

Fair play

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

Anti-crime

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

See page 35

Our Investment Case

MULTI PRODUCT AND MULTIMARKET ONLINE GAMING

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

1. PROPRIETARY GAMING TECHNOLOGY

At the core of 888's business is its leading-edge, proprietary gaming technology. This underpins the Group's ability to entertain and protect customers, operate efficiently and adapt to new regulations. Product innovation and leadership are central to 888's progress, and the Group is constantly evolving and developing its proprietary platforms and industry leading back office systems to maintain its competitive advantages.

2. BUSINESS ANALYTICS

888's team of highly skilled and experienced business analytics and data-mining professionals have analysed and learned from customer behaviour since 888's inception. 888's teams, from product development to marketing to customer support, draw on this extensive and constantly evolving data to drive 888's continued success.

3. HIGHLY SOPHISTICATED MARKETING

Marketing plays a critical role to 888's business. Drawing on the Group's analytics-driven insights and expertise, 888 is relentlessly focused on developing its marketing techniques and channels, both online and offline, that adhere to strict return-on-investment criteria. This marketing strategy supports brand development and helps to increase customer loyalty.

4. CUSTOMER RELATIONSHIP MANAGEMENT

Using its sophisticated data insights and statistical models, 888 can build a unique and detailed understanding of its customers. This understanding enables 888 to engage with customers in a personalised manner and understand their preferences, thereby enhancing the customer experience with 888.

5. CUSTOMERS

Customers are at the heart of 888's business and the Group is fully committed to providing a safe and secure environment in which to enjoy quality online gaming entertainment. The Group continuously invests time and resources in developing its products to enhance the experience with 888 and in caring for and protecting its customers.

6. B2B PARTNERS

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

Chairman's Statement

PUTTING PEOPLE AT THE HEART OF OUR BUSINESS

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

Brian Mattingley
Chairman

I am pleased to update 888's stakeholders on what has been another year of progress for the Group.

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

RESULTS AND DIVIDEND

888 has delivered further growth during 2017 with revenue increasing by 4% to US$541.8 million (2016: US$520.8 million). This resilient outcome was achieved despite the Group's withdrawal from certain markets[1] during the year which caused a 2% decrease in Group revenue, and reflects the strength of the Group's business model and strategy. 888's performance during the period was again driven by progress in Casino, momentum in Sport and further expansion in Continental European regulated markets, most notably Italy and Spain.

Adjusted EBITDA[2] increased by 12% to US$100.7 million (2016: US$90.2 million). Adjusted profit before tax[2] was 12% higher at US$78.3 million (2016: US$69.9 million). The Group remains highly cash generative with net cash generated from operating activities of US$95.5 million (2016: US$68.1 million). Exceptional charges of US$50.8 million (2016: US$3.9 million) were incurred in respect of potential past value added tax in Germany and US$5.5 million as part of a resolution of the UKGC licence review all as described in the CFO's Report below.

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

1 Poland, Australia, Slovenia, Slovakia, Czech Republic.
2 As defined on page 24.

STRATEGIC PROGRESS

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

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

With 888's diversification and exceptional, scalable technology, the Group remains able to evaluate M&A opportunities from a position of strength. We anticipate that potential regulatory changes in the UK, notably in relation to retail operators' Fixed Odds Betting Terminals, will impact the competitive dynamics of the gambling sector and, quite possibly, lead to further waves of consolidation.

REGULATED MARKETS

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

BOARD AND PEOPLE

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

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

We also strengthened our executive management team structure in October 2017 with the appointment of Itai Pazner as Chief Operating Officer.

Itai has in-depth and widespread understanding of both 888 and the online gaming industry having spent the past 16 years with the Group including more than six years as Senior Vice President of the B2C Division. Itai Pazner reports directly into CEO Itai Frieberger and is taking overall responsibility for day-to-day operations across marketing, product and technology development.

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

OUTLOOK

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

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

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

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

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

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

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

Brian Mattingley
Chairman
20 March 2018

Chief Executive Officer's Strategic Report

GROWING A RESPONSIBLE AND DIVERSIFIED BUSINESS

"888's mission is, above all else, to provide its customers with a safe and secure environment in which to enjoy first-class online gaming entertainment."

Itai Frieberger
Chief Executive Officer

OPERATIONAL OVERVIEW

70%
Revenue from regulated and taxed markets

+26%
Revenue growth in regulated markets excluding the UK

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

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

888'S MISSION: SAFE AND SECURE ENTERTAINMENT

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

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

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

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

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

888 Holdings is structured into two lines of business: B2C, under the 888 brands, and B2B, conducted through Dragonfish. Through its B2C business, which accounted for 90% of Group revenue in 2017, 888 operates popular and trusted online gaming brands across four product verticals: Casino, Sport, Poker and Bingo. Through Dragonfish, the Group offers gaming partners a comprehensive end-to-end solution encompassing technology, operations and advanced marketing tools, as well as online best practices. 888 owns and develops proprietary online gaming technology and associated platforms. This provides the bedrock of the Group's success with the ability to develop and enhance our own tools and solutions being a competitive advantage in such a dynamic and rapidly changing industry. Owning technology enables 888 to develop new and differentiated games and products, adapt to regulatory changes effectively and quickly respond to new opportunities.

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

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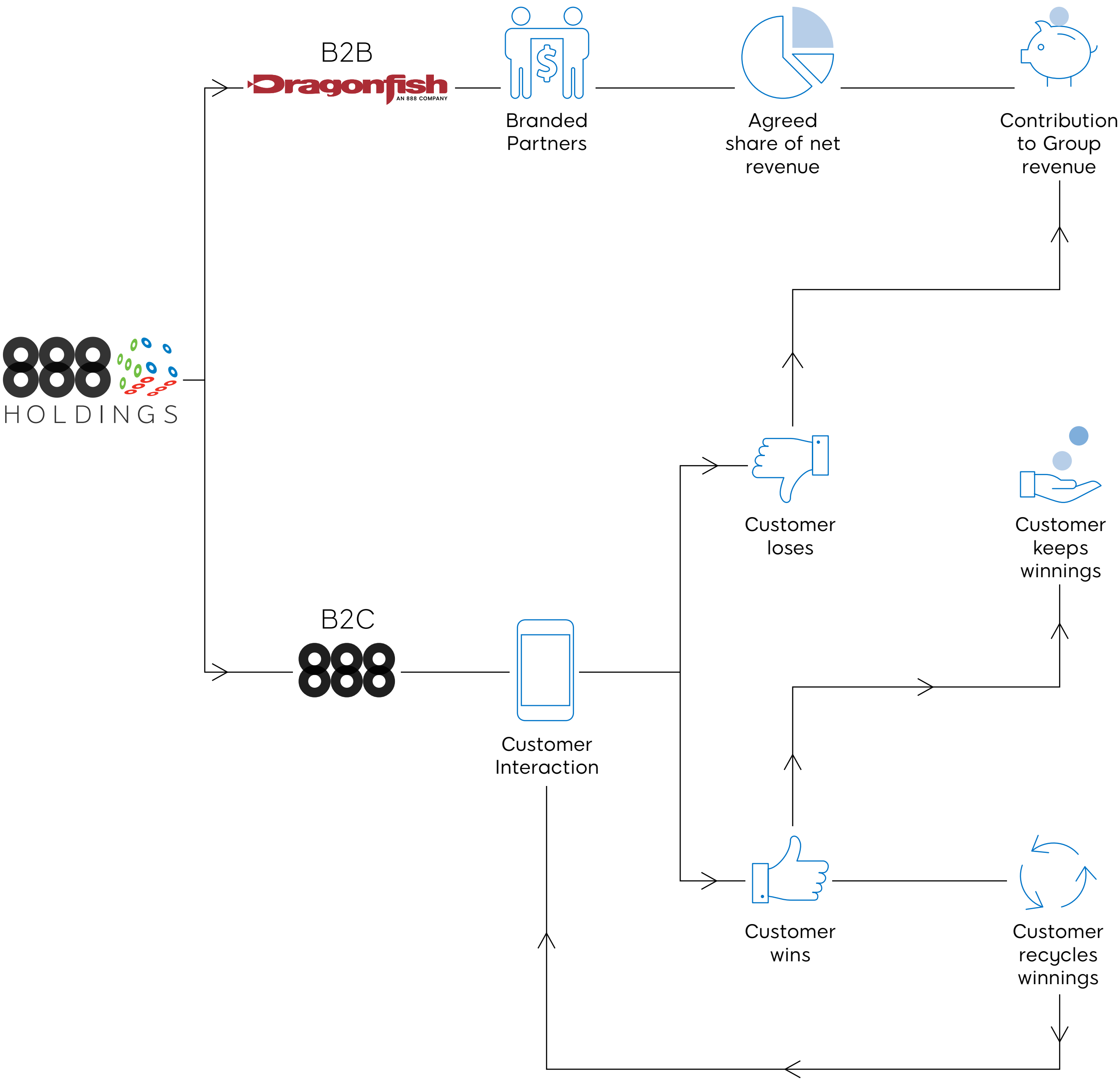
Chief Executive Officer's Strategic Report continued

888'S BUSINESS MODEL

HOW WE CREATE VALUE

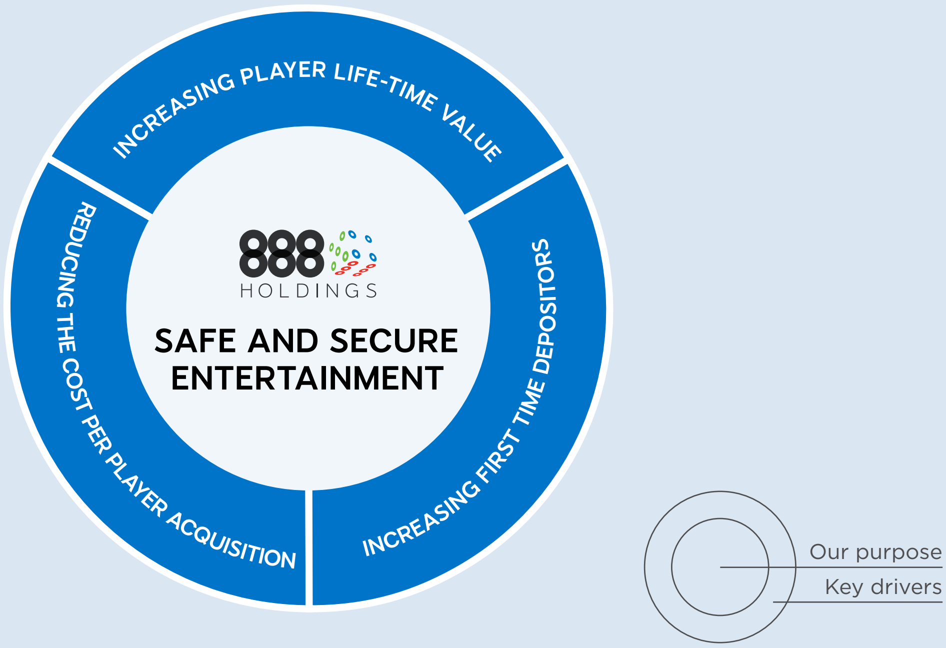


OUR GROWTH STRATEGY

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

See page 14 for more about our Growth Strategy

BUSINESS ACTIVITIES



INFLUENCING FACTORS

1. Maintaining our strong and trusted brand
A strong brand is a key advantage in what is a competitive global online gaming market. 888's consistently innovative and engaging brand is amongst the most trusted and recognised in the industry.

2. Innovative, driven marketing
888 is resolutely focused on devising and delivering return on investment driven marketing campaigns.

3. Product innovation and leadership
The ability to successfully develop "in-house" proprietary and innovative games on mobile and desktop platforms help to differentiate 888 from competitors.

4. A seamless customer experience
888 delivers its gaming entertainment products seamlessly and responsively across mobile and desktop platforms.

5. Customer relationship management leadership
Underpinned by sophisticated statistical models, 888 has a unique understanding of its customers, enabling 888 to deliver to customers personalised communications across relevant channels.

6. Cross-selling
888 is able to leverage the strength of the brands and customer proposition in each of its four major product verticals and, by using proven predictive modelling, cross-sell gaming entertainment to customers.

7. Excellent customer support
First-class customer support is offered through telephone, email and online chat functions to customers around the world in nine different languages.

8. Customer protection
888 takes its duty as a responsible operator very seriously and takes comprehensive steps to minimise fraud, problem gaming and eliminate minors from using its services.

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

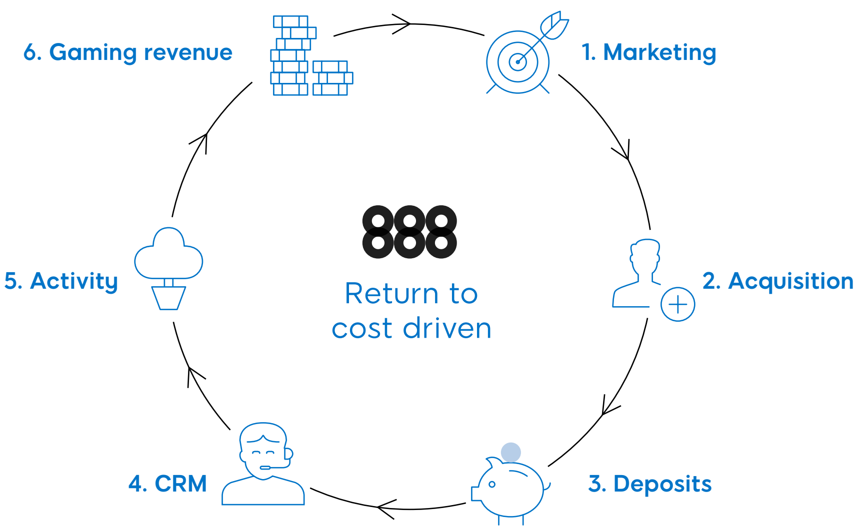
10. Dedicated VIP Support
Across 888's B2C brands there is dedicated VIP Support. The role of the VIP Support teams is to provide first-class support to "high roller" players and increase their loyalty to 888.

Chief Executive Officer's Strategic Report continued

THE ONLINE GAMING CYCLE

888 employs an extensive team of highly trained and experienced business analytics and data-mining professionals who have analysed and learned from customer behaviour since 888's foundation.

888's highly trained workforce and its internally generated know-how remain major drivers of the Company's value, and 888 carefully manages and sustains these resources. Details of actions taken in 2017 are set out in the Corporate Responsibility Report on pages 32 to 37. Teams across 888 from product development, to marketing, to customer support, leverage this extensive and constantly evolving data and, by applying robust statistical models and subject always to our responsible gaming policies, influence the following factors in the online gaming cycle:



1. MARKETING

Central to 888's approach is an unwavering focus on return to cost driven marketing. The Group continually evolves its marketing techniques, both online and offline, to support its brands and increase customer loyalty. The returns to cost of all marketing campaigns are rigorously tested against strict criteria before being extended to their target markets. This ensures that 888's marketing spend is both cost efficient and effective.

4. CUSTOMER RELATIONSHIP MANAGEMENT ("CRM")

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

2. ACQUISITION

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

5. ACTIVITY

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

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

3. DEPOSITS

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

6. GAMING REVENUE

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


TEAM
888
poker

Chief Executive Officer's Strategic Report continued

888'S STRATEGY AND PROGRESS

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

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

DEVELOPMENT OF CORE B2C BRANDS

We continue to develop our B2C brands to ensure that we offer customers the most enjoyable online gaming entertainment possible.

888 has established leading brands in Casino, Poker and Bingo as well as the fast-growing and rapidly developing 888sport.

B2C revenue growth continues to be driven by Casino, Sport and regulated territories with a 6% increase compared to 2016:

- 8% increase in B2C revenue at constant currency and when adjusted for the Group's withdrawal from certain markets
- 15% increase outside the UK
- 12.5% CAGR since 2010
- Increase in average active days per player and average revenue per player

Casino revenue increased 4% reflecting continued focus on regulated markets:

- Casino revenue increased 17% outside the UK
- 18% increase in average active days per Casino player reflecting outstanding CRM capabilities

+45%

Sport revenue growth YOY

Sport revenue up 45%:

- Continued investment in marketing and brand positioning driving customer recognition of 888sport as a credible sports betting brand across regulated markets
- Average revenue per Sport player increased by 45%; active days per sport player increased 6%
- Improving and expanding customer offer with live events comprising approximately 70% of bet volume

Poker revenue decreased 8%:

- Revenue decrease by just 1% at constant currency and when adjusted for Group's withdrawal from certain markets, demonstrating the resilience of the brand and its continued appeal to recreational players
- Mobile share reached 17% of Poker revenue (2016: 14%) and 29% of Poker revenue in the UK (2016: 25%) reflecting product development focused on mobile devices
- Average active days per player and average revenue per player each increased more than 20%

Bingo revenue decreased 6%:

- Decrease was only 1% at constant currency, in part reflecting successful bonus optimisation efforts that reduced activity from unprofitable bonus abusers
- Mobile revenue continued to increase across core gaming verticals (Casino, Poker, Bingo, Sports), increasing to 70% of UK B2C revenue (2016: 60%)

EXPANSION IN REGULATED MARKETS

888's focus is on driving growth in markets where there is a sustainable regulatory framework for online gaming and where we are able to benefit from marketing opportunities for our brands. 888 has a proven track record in successfully and efficiently launching and growing in attractive regulated markets.

- Revenue from regulated and taxed markets comprised 70% of Group revenue (2016: 71%)
- Diversification strategy continues with the UK now representing 37% of Group revenue, down from 43% in 2016
- Strategic decision to withdraw from certain markets during the year
- Revenue from Spain and Italy, the Group's two fastest growing regulated markets, increased by 34%
- Spain expanded to represent 12% of Group revenue
- Poker launched in Italy at the beginning of 2018 (post year-end)

+34%

Revenue growth from Spain and Italy YOY

* Against comparable 2016 data.

B2B THROUGH DRAGONFISH

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

B2B Revenue down 9%:

- Revenue decreased by 5% at constant currency
- Revenue reduction reflects:
  - Significant reduction of marketing by one of our B2B partners. Excluding this partner, overall B2B Revenue would have increased compared to previous year
  - Bonus optimisation efforts reducing activity from unprofitable bonus abusers
- 30 new skins added to the Dragonfish Bingo network
- 12 of these new skins launched on the Casino Flex platform

+30

New skins added to Dragonfish Bingo network

ENHANCING EFFICIENCIES

Management remain steadfastly focused on maximising operational efficiencies, including by constantly developing and refining marketing approaches and driving increased volumes.

- Revised senior management structure to support 888's continued growth with the appointment of Itai Pazner as COO
- Marketing ratio decreased to 30% of revenue (2016: 33%) reflecting efficient and targeted marketing on growth areas including regulated markets, Casino and Sport
- Overall cost ratio reduced to 81% of revenue (2016: 83%)
- Cost ratio reductions achieved despite increased gaming tax burden

CONTINUE TO PROTECT OUR CUSTOMERS, EMPLOYEES, COMMUNITY AND ACT RESPONSIBLY

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

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

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

Significant focus on developing and enhancing 888's responsibility tools and processes during the year to:

- better identify vulnerable or potentially vulnerable players
- better identify customers with multiple accounts; and
- check customer source of funds.

Investment in training our team to help them identify and interact better with vulnerable or potentially vulnerable customers.

Due diligence processes are in place with regard to the Company's anti-bribery policy and anti-modern slavery policy. Particular focus is given to bribery risks involved in dealings with foreign government officials and brokers, and to human slavery risks in respect of service providers to the Group's offices in less developed countries.

Chief Executive Officer's Strategic Report continued

OUR B2C BRANDS

PRODUCT	OUR OFFER	HOW WE GENERATE REVENUE
1. Casino		
	888casino is one of the most recognised and longest standing online casino brands in the market, and the winner of numerous prestigious awards. 888casino is known for its generous jackpot prizes and aims to provide the most enjoyable online experience available by combining exclusive in-house developed games alongside branded video slots and 'live' Casino games, which offer high-quality video streamed casino games with a range of professional dealers.	Online casinos replicate the real-life casino experience with players playing against 'the house' across online versions of classic casino table games such as roulette and blackjack as well as slot and video games. In these games, the house has a statistical advantage or 'edge'. Casino gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.
2. Poker		
	888poker is a multi-award-winning poker destination, offering a first-class poker environment that enables players of all abilities to enjoy the games of their choice alongside a variety of innovative features. Formats and features include BLAST (combining gaming with poker, allowing players to compete for a randomly drawn prize pool of up to 10,000 times the player's 'buy-in' in a time-limited game). 888poker offers Texas Hold'em, Omaha Hi'Lo, 7 Card Stud and other poker variations in Pot Limit, Fixed Limit and No Limit formats.	In online poker, the operator acts as the virtual host for the game and provides a platform that enables customers to play various forms of poker against each other. Poker revenue represents the commission (or 'rake') charged from each poker hand in ring games, and entry fees for participation in Poker tournaments.
3. Bingo		
	888's leading bingo brands each have engaging themes, a variety of games and a strong sense of community, replicating the experience of traditional bingo halls. The Group's bingo brands also benefit from an extensive range of 888-developed slot games, casino games and scratch cards that are offered alongside traditional bingo formats. 888's portfolio of brands includes 888 Ladies and Wink bingo.	As with traditional bingo halls, online bingo rooms offer customers the chance of winning prizes by purchasing tickets and playing their bingo format of choice. Bingo online gaming revenue is represented by the difference between the amounts of tickets purchased by customers less amounts won.
4. Sport		
	888sport is a fast-growing sports betting destination. At the heart of the 888sport offer is genuine passion for sport, with thousands of live and pre-event betting markets on offer across hundreds of events, from the obvious to the obscure.	Sportsbook online gaming revenue comprises bets placed less pay-outs to customers. 888 pays a share of net gaming revenue to its third-party sports betting platform provider.

B2B – DRAGONFISH, THE PARTNER OF CHOICE

Under its Dragonfish arm, the Group offers gaming partners a comprehensive end-to-end solution, encompassing technology, operations and advanced marketing tools, as well as online best practices.

Drawing on two decades of 888's track record and reputation in online gaming, the Dragonfish team is uniquely placed to support its partners and deliver a cutting-edge online proposition.

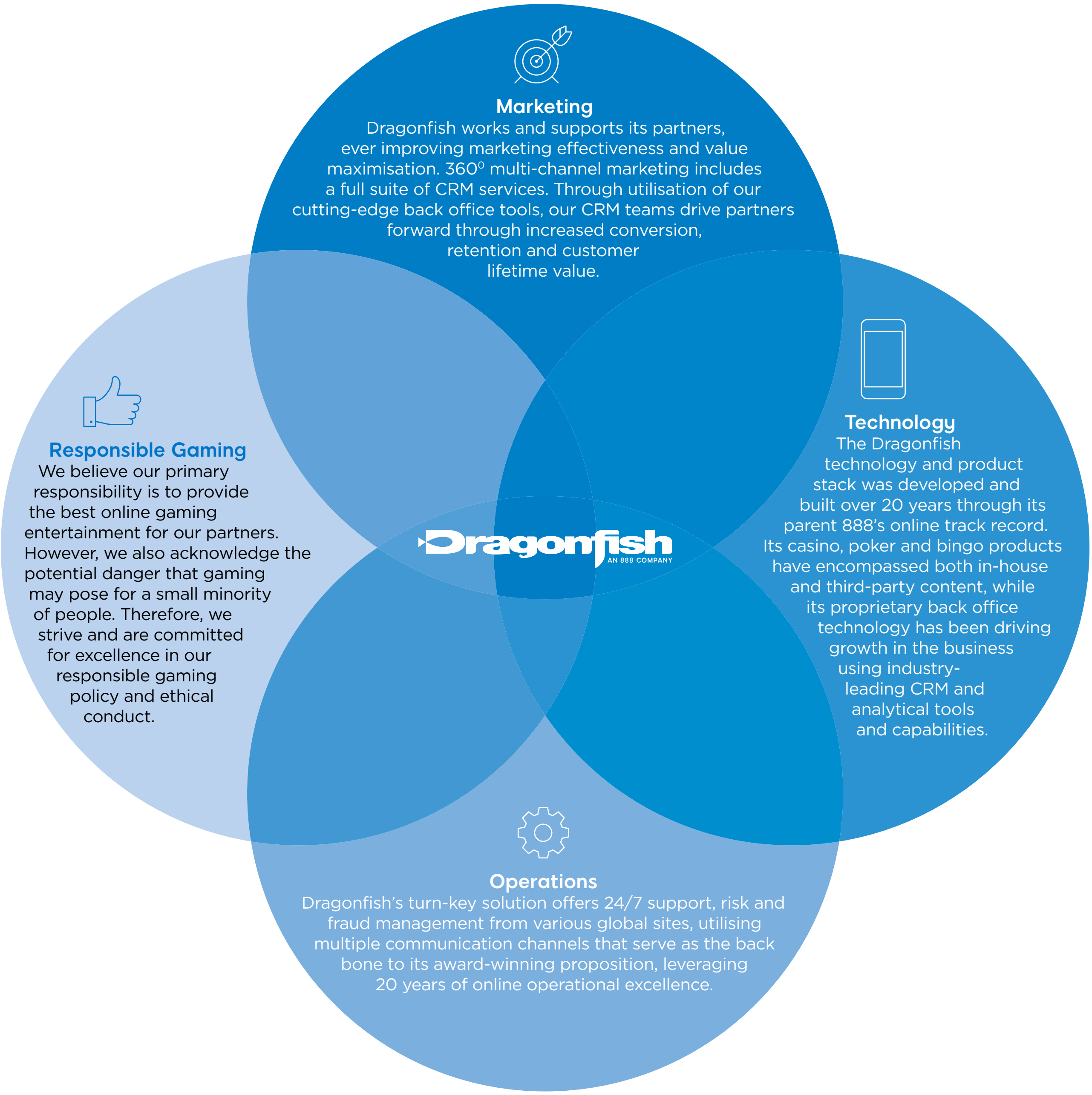
Dragonfish's flexible platform and tools have been developed and certified to meet the rigorous regulatory requirements of the different jurisdictions in which its partner operate.

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

Dragonfish is home to the world's leading bingo network, providing bingo software to some of the biggest names in bingo. Dragonfish offers its partners a wide range of more than 400 games, including video slots, progressive jackpots, Live Dealer, video poker, table games and branded titles.

Dragonfish/888 is also the only provider of poker and casino solutions across all three regulated US states – New Jersey, Nevada and Delaware.

Dragonfish has powered some of the most prominent gaming brands in this space, such as Foxy Bingo, Moon Games, Costa Bingo and World Series Of Poker ("WSOP").



Chief Executive Officer's Strategic Report continued

IDENTIFYING AND MANAGING OUR RISKS

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

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

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

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

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

Please see page 19 for further details of the review conducted in 2017.

RISK APPETITE

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

Category of risk	Tolerance	Risk parameters
Strategic	Medium	During development and implementation of new propositions and assessing new opportunities including potential transactions, we are prepared to accept medium risks that support our pursuit of growth.
Operational	Low to medium	When operating within our business, we have a low to medium tolerance for risk. We will take a cautious approach to risk within our operations, but consider that certain risks will be taken in order to achieve our strategic objectives and maintain our competitive position.
Financial	Low	We consider that robust financial controls are necessary to manage our business effectively. All of our operating processes are based around policies and procedures that minimise the risk of a loss of financial control.
Compliance	Extremely low	We have an extremely low to zero tolerance when complying with laws and regulations that relate to bribery, corruption and anti-money laundering. We have controls in place that are designed to mitigate these risks, and detailed and tested procedures in place for dealing with these types of scenarios when they arise. We are particularly sensitive to compliance risks in our key regulated markets including the UK.

888 faces the following significant risks:

KEY OF CHANGE

↑ Increased ↓ Decreased → Remained stable

1. REGULATORY RISK

Change

↑

The risk:

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

Relevance to strategy:

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

How the risk is managed:

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

What happened in 2017:

The UKGC's licence review served as a catalyst for a comprehensive review of 888's compliance, responsible gaming systems, Anti-Money Laundering and "Know Your Client" checking processes, marketing practices and data protection systems, as well as for implementing the organisational changes described above in order to clarify responsibilities and reporting lines in critical areas, as detailed more fully in the CEO's Strategic Report on page 08, the Corporate Responsibility Report on pages 32 to 37 and in note 5 to the consolidated financial statements. Enforcement action in the UK online gaming market has been declared a priority, with the UKGC taking a proactive role to drive change and the UK Competition and Markets Authority ("CMA") investigating possible violations of consumer rights in the gaming industry. In Germany, the Company was served on 6 March 2018 with a detailed ruling of the German Federal Administrative Court in a case to which a subsidiary of the Group was a party, pertaining to a prohibition order which prohibits offering online gaming services in the state of Baden Württemberg. The ruling was founded on a finding of law contrary to previous EU and German court rulings, upholding the current German ban of remote casino and restricting remote sports betting activity, rendering the offering of online gaming in Germany in general as prohibited under the German Inter-State Gambling Treaty. The Group has been advised that this ruling could result in increased enforcement measures in connection with the provision of its services to German customers. Furthermore, in recent months, other providers (in the online and land-based sectors) have withdrawn from the German online gaming market, and recently, payment institutions facilitating approximately 9% of deposits for the Group in Germany in 2017 have decided to cease providing certain services with respect to the German online gaming market. Certain other payment institutions have notified the Group that they are considering their position. As a result of these developments, the Company, together with its legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market. In Canada, the Group's fifth largest market, the anticipated request for proposal ("RFP") process by Loto-Québec to invite private companies to provide it with remote gambling services has yet to come to fruition. Similar initiatives that arose in Canada in previous years, as well as lack of liberalisation efforts in the Canadian remote gambling market, suggest that future efforts to restrict offering of online gambling services through local monopolies are a valid possibility. In addition, the applicability of Canadian penal law to offshore remote gambling operators remains untested, with no enforcement action being taken against such operators. Regulatory developments in Germany and Canada may present new opportunities for the Group, but may conversely make it harder or impossible for the Group to offer its services there. The latter change could have a material adverse impact on the Group's revenues. During 2017, 888 took the decision to withdraw from certain markets where changes to the market's regulatory framework or enforcement policy were viewed as potentially of material adverse effect on business volume and financial performance. In the Netherlands, the regulator has put in place stricter rules aimed at restricting operators from targeting the local market. Finally, Russian authorities approved a ban prohibiting the carrying out of transactions relating to foreign operators of online gambling to be implemented in mid-2018.

Chief Executive Officer's Strategic Report continued

2. BREXIT-RELATED RISKS

Change

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

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

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

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

3. INFORMATION TECHNOLOGY AND CYBER RISKS

Change

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

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

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

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

What happened in 2017:
At 888, IT security is deeply embedded within the organisation, and security projects are implemented on a constant ongoing basis. Awareness training is carried out for Group personnel at all office locations by the Chief Information Security Officer. Software development personnel are trained in IT security and computerised systems monitor coding vulnerabilities in real time and provide timely notifications to management. Various IT security projects were implemented by 888's IT Department under the guidance of its IT Security Committee. 888 continued to undergo regular IT security audits, including reviews by the internal IT team and external audits by gaming regulators.

KEY OF CHANGE

Increased Decreased Remained stable

4. TAXATION RISK

Change

Increased

The risk:

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

Relevance to strategy:

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

How the risk is managed:

888 aims to ensure that each legal entity within its Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. In addition, 888 consults with tax advisers not only in jurisdictions in which its Group companies are incorporated and in which it has personnel, but also in major markets in which it has customers, in order to comply with its legal obligations whilst taking such action as it is necessary to prevent the improper imposition of unlawful or double taxation.

What happened in 2017:

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

Chief Executive Officer's Strategic Report continued

5. DATA PROTECTION RISK*

Change

↑

The risk:

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

Relevance to strategy:

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

How the risk is managed:

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

What happened in 2017:

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

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

6. REPUTATIONAL RISK

Change

↑

The risk:

The reputation of 888 is affected by the profile of both other online gaming and betting operators, as well as the gaming and betting industry as a whole. In addition to the UKGC licence review that 888 underwent in 2017, the UKGC has since announced that it is considering five licence reviews of five other companies in the online gaming industry and has written to a further 12 online casino operators to raise concerns about the sector's approach to anti-money laundering and social responsibility. There is a perception that minors and vulnerable players are not adequately protected. There could also be claims for damages due to compulsive gambling. It is also difficult to ensure that affiliate marketers ethically source reliable data for marketing purposes such that advertising codes can be strictly adhered to and only appropriate age groups or demographics are targeted and that B2B partners engage solely in compliant marketing practices.

Relevance to strategy:

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

How the risk is managed:

In 2017, 888 devoted even more resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update their procedures to ensure that minors are unable to access their gaming sites. Staff are trained to provide a safe gaming experience to customers and to recognise and take appropriate actions if they identify compulsive or underage activity. 888 also complies with eCOGRA guidelines to protect customers. Web links to professional help agencies are provided on 888's real money gaming sites, and 888 has a dedicated website which provides information regarding responsible gaming. Players can also limit their play pattern or request to be self-excluded. 888 furthermore – directly or via industry bodies – seeks to ensure that legislators and regulators are provided with accurate and useful information regarding protections against problem and underage gaming.

What happened in 2017:

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

KEY OF CHANGE

↑ Increased ↓ Decreased → Remained stable

7. PARTNERSHIP RISK

Change

↑

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

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

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

What happened in 2017:
During the year, 888 maintained its ongoing dialogue with major B2B partners, with a view to continued renewal of contracts aligned with 888's strategy. However, some of these partners now own their own technological platforms and may migrate their businesses to such platforms, and therefore some of 888's major B2B contracts may not be renewed in the near term.

The Strategic Report, from pages 08 to 23, was reviewed, approved by the Board and signed on its behalf on 20 March 2018.

Itai Frieberger
Chief Executive Officer

CFO's Report

2017 BUSINESS & FINANCIAL REVIEW

"Continued growth and record breaking revenue performance despite regulatory and compliance challenges."

Aviad Kobrine
Chief Financial Officer

INTRODUCTION

2017 was yet another successful year for 888 with continued growth and record-breaking revenue performance despite regulatory and compliance challenges, primarily in the UK, and the Group's withdrawal from certain markets. 888's continued increase in revenue was achieved by leveraging its analytical marketing expertise while maintaining effective cost control.

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

1 Totals may not sum due to rounding.

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

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

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

5 Excluding share benefit charges of US$8.5 million (2016: US6.7 million).

6 As defined in the table above.

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

8 Exceptional charges of US$45.3 million in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015 all as described in note 5 to the financial statements and US$5.5 million in lieu of a fine as part of a resolution of the UKGC licence review (2016: US$3.0 million in respect of gaming taxes relating to activity in prior years and US$0.9 million in respect of exceptional legal and professional costs).

RECONCILIATION OF PROFIT BEFORE TAX TO EBITDA AND ADJUSTED EBITDA

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

FINANCIAL RESULTS AND DIVIDEND

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

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

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

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

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

As at 31 December 2017, the Group's financial position remained strong with cash and cash equivalents of US$179.6 million (2016: US$172.6 million) and US$71.7 million liabilities to customers (2016: US$75.7 million). Net cash (calculated as cash net of liabilities to customers) increased to US$107.9 million (2016: US$96.9 million) after dividend payments during the year of US$70.5 million (2016: US$56.6 million).

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

B2C OVERVIEW

B2C revenue during the year was US$486.6 million, representing a 6% increase compared to the prior year (2016: US$460.2 million) and 90% of total Group revenue (2016: 88%). B2C growth was achieved despite the Group's decision to withdraw from certain markets during the year which caused a 2% reduction in B2C revenue, and heightened regulatory scrutiny which impacted revenue from the UK.

It was underpinned by continued momentum in Casino, further outstanding growth in Sport, with a 45% revenue increase building on exceptional growth in 2016, as well as growth across several regulated markets.

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

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

Continues overleaf

CFO's Report continued

B2C - PRODUCT SEGMENTATION

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

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

CASINO

Results overview

Casino continued its strong momentum with a 4% increase in revenue to US$293.9 million (2016: US$282.1 million). This is a result of continued development of the mobile platform: a successful Live Casino offering; further expansion across a number of regulated markets, most notably Spain and Italy; and effective cross-sell from other verticals, primarily Sport. Casino revenue increased 17% when excluding the UK market.

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

Product overview

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

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

POKER

Results overview

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

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

Product overview

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

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

SPORT

Results overview

888's momentum in Sport continued during the year with a major focus on further developing the Group's presence in this strategically significant vertical. Sport revenue increased 45% to US$75.5 million (2016: US$51.9 million). This momentum was derived from successful marketing; a wider portfolio of events for customers to bet on; live betting; and enhanced analytics that enabled 888 to offer "tailor-made" bets to customers. The progress during the year was achieved despite strong comparatives from the prior year, which included the European football championships, in addition to the absence of a major sporting tournament during 2017. 888sport's continued growth therefore demonstrates the effectiveness of the Group's marketing and CRM.

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

Product overview

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

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

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

BINGO

Results overview

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

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

Product overview

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

B2B REVIEW

Results overview

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

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

Operational overview

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

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

Revenue by geographic market

Table of revenue by geographical market:

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

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

During the year revenue from regulated markets continued to represent the majority of the Group's revenue. In 2017, revenue from regulated markets represented 59% of the Group's revenue (2016: 61%), the decrease is a result of the weaker Sterling and heightened regulatory scrutiny impacting revenue from the UK. Regulated and taxed markets[1] represented 70% of Group revenue (2016: 71%).

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


LIVE
LIVE
King's
Kara

Europe Other

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

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

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

UK

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

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

Spain

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

US

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

The Group has a unique position in the US market which was further developed in the first half of the year with the introduction of the BLAST poker product to New Jersey.

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

EXPENSES OVERVIEW

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

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

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

Operating expenses

Further growth in 888's Casino offering resulted in higher commissions and associated charges in respect of the Live Casino third-party platform.

In addition, while Sport revenue increased significantly during the year, associated royalty costs payable to Kambi, the Group's sport platform provider were lower as a result of new and improved terms negotiated during H2 2017.

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

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

* As defined in the table set out on page 24.
** "Chargeback" refers to a demand by a credit card provider for a retailer to make good the loss on a fraudulent or disputed transaction.

Gaming taxes and duties

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

Research and development expenses

Research and development expenses increased 3% to US$35.4 million (2016: US$34.3 million). This is a result of the Group's continued investment in the development of new products and games as well as implementing new technologies and tools to further enhance customer protection.

CFO's Report continued

In addition, research and development expenses were also affected by the strengthening of the ILS against the Group's reporting currency. The research and development expenses to revenue ratio remained stable at 7% (2016: 7%).

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

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

* As defined in the table set out on page 24.

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

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

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

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

Equity-settled share benefit charges of US$8.5 million (2016: US$6.7 million) mainly comprise of the full year effect of awards granted in previous year. Further details are given in the Directors' Remuneration Report on pages 63 to 76 and in note 21 to the financial statements.

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

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

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

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

Adjusted profit after tax[1] increased by 16% to US$72.1 million (2016: $62.2 million). Profit after tax was US$12.6 million (2016: $51.5 million) as a result of the Exceptional charges outlined above.

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

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

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

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

Aviad Kobrine
Chief Financial Officer

1 As defined in note 9 of the financial statements.


888
sport
mitre

Corporate Responsibility

DOING BUSINESS RESPONSIBLY

We are committed to a proactive policy of corporate and social responsibility, which reflects the high professional and ethical standards we have set for ourselves.

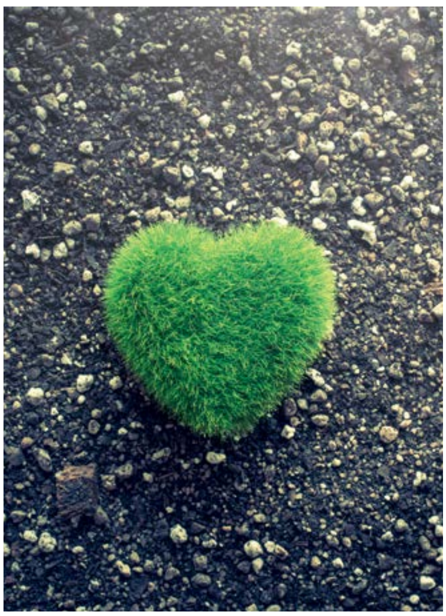
888+ responsible

ENVIRONMENTAL IMPACT

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

- Energy consumption: we continuously monitor our energy consumption to help us ensure we are being as energy efficient as possible;
- Water: we use only ecological detergents in our offices and use water saving devices in most of our locations; and
- Travel: to minimise the impact of travel on the environment we encourage employees to either cycle to work and, in certain locations, provide buses for commuters. We also continue to invest in the state-of-the-art technology to help meetings occur remotely.

888 commissioned a study by AVIV AMCG to provide quantitative information regarding its environmental impact, as reflected through 888's greenhouse gas emissions for the period 1 January to 31 December 2015, and to assist it in finding ways to further reduce its greenhouse gas emissions. Details of the results were set out in the Company's 2015 Annual Report. Whilst 888 is committed to complying with UK disclosure requirements and appropriately managing its greenhouse gas emissions, given that 888 has low emissions, that little has changed in the way it conducts its business, and in light of the costs involved in monitoring and measuring such emissions, the Board has concluded that a review will be carried out once every several years rather than annually. The Board acknowledges its overall responsibility for environmental issues and monitors 888's environmental performance in light of internal targets.



EMPLOYEE ENGAGEMENT

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

FOCUS ON TALENT

The competition for talent intensified over 2017 requiring us to think outside of the box about the processes of identification and recruitment. Throughout 2017 we have focused on positioning 888 as an "employer of choice" and rebuilding the 888 employer brand. New marketing initiatives have also been introduced using digital channels, proactive sourcing, improved job websites and new employee referral programmes.

Managing employee performance is an important topic on the Company's agenda, and in 2017 we laid out the infrastructure for a new performance-based evaluation process changing our performance values to align our focus on excellence and team success. Ultimately, this new process is aimed at achieving a more agile and goal-oriented dialogue between managers and employees and is intended to allow us to better link our compensation approach to employee delivery.

Managerial development:
Throughout 2017, the Company's mid-level management ("Business Leaders Forum" or "BLF") received special attention. In Q2, we held a global BLF conference that included business relevant materials and activities as well as strategic updates led by the Chief Executive Officer. This forum has also started to meet on a regular basis, connecting managers across the board with relevant business agenda. In addition, the connection between the senior managers in the Product, Technology and Marketing groups was strengthened with a dedicated enrichment learning programme aimed at professional topics to reinforce their collaboration.

To encourage our employees' professional growth and personal development, in 2017 we continued to focus on internal mobility and career development. Our internal mobility programme in 2017 included over 180 employee career moves. We are also heavily investing in growing managerial skills and capabilities by addressing professional development using external training, professional forums and panoramic learning sessions – our very own internal knowledge sharing programme.

Finally, our dynamic managerial programme for new entry managers will be launched globally for the first time in 2018 with comparable managerial learnings across all sites.

Corporate Responsibility continued

PEOPLE AT THE HEART OF 888

At 888 we are fully committed to maintaining a high standard of corporate and social responsibility.

EMPLOYEE EXPERIENCE

2017 was a launching point for employee experience enhancing employee engagement to increase pride and motivation. Throughout 2017, we aligned our welfare plans across all 888 sites, celebrating successes and special events in unique ways. Such new events included recognition of tenure, celebrating National Women's Day and marking the Company's 20th year in operation.

In addition, in 2017, we initiated divisional gatherings throughout the year sharing professional learnings and vision as well as recognising special contributions of employees.

ORGANISATIONAL DEVELOPMENT:

As our business landscape continues to change and adapt, so does our organisational structure. 2017 included many changes to our divisional working structures allowing us to maintain our dynamic business edge.

Towards Q4, we changed the structure of our senior managerial group promoting a Chief Operating Officer from within the Company's operational management, Itai Pazner. This process brought along with it additional changes in the remaining divisions creating internal shifts and succession within the BLF managerial group.

HR TOOLS

This year we turned our attention to providing the organisation with real-time insights about our employee workforce using digital analytics tools to enable better decision-making processes.

888 takes its employees' health and safety seriously and has written policies in place with regard to occupational health and safety issues in its major offices. The Board will consider setting targets with regard to occupational health and safety issues in order to monitor performance. The Board acknowledges its overall responsibility for human resources issues within 888, including for human resources and labour standards, implementing management structures and systems to monitor and evaluate employee performance and satisfaction, promoting diversity at all levels of 888 and within 888's supplier base, providing employees with the opportunity to have formal input into matters that affect them, oversee and allocate resources to employee training, and to monitor key health and safety performance goals and indicators. During 2017, there were no material labour disputes, litigation, or health and safety related fines or sanctions imposed on 888. 888 has adopted a written Board diversity policy, in addition to statutory requirements in this respect in certain of its locations. During 2017, steps were taken to maintain and develop arrangements to provide information to employees regarding financial and economic factors affecting 888's performance, including divisional and Company-wide seminars, email communications and publication of pertinent public financial information on the 888 internal portal. 888, furthermore, makes contributions to employee pensions in accordance with applicable law and practice.

OUR VALUES

At 888 we are fully committed to maintaining a high standard of corporate and social responsibility.

This ethos is part of our culture and permeates throughout our business into the everyday business decisions we make on a day-to-day basis.

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

PUTTING OUR CUSTOMERS FIRST

RESPONSIBLE GAMING

The CEO's Strategic Report on page 08 includes details of actions taken by 888 in 2017 to enhance its responsible gaming proposition.

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

Following a licence review carried out by the UKGC during 2017, during which 888 fully cooperated with the UKGC and which concluded in a voluntary regulatory settlement, 888 acknowledged historical failings highlighted by the review and accepted the conclusion of the review which recognised the significant lengths to which 888 had gone in order to address the concerns raised and to prevent the issues highlighted from reoccurring. This involved 888's senior management team devoting significant resources to assessing and delivering improvements to 888's responsible gaming tools, processes and technology, which is ongoing into 2018.

ADDITIONAL STEPS TAKEN IN 2017 INCLUDED

Decreased the amounts customers can deposit and gamble during various periods, through the imposition of updated and new deposit limits.

Improving anti-money laundering and "Know Your Client" checks, including an increase in the amount of information and supporting documentation requested from customers (or obtained from third parties) earlier in the customer life-cycle and updates to the various circumstances which trigger enhanced customer due diligence.

Implementing organisational changes in order to strengthen regulatory compliance oversight as well as to improve co-operation between the different departments and streamline the process of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests.

Improved the "Observer" tool (888's proprietary customer behaviour tracking system) so that it captures a broader range of changes in player behaviour.

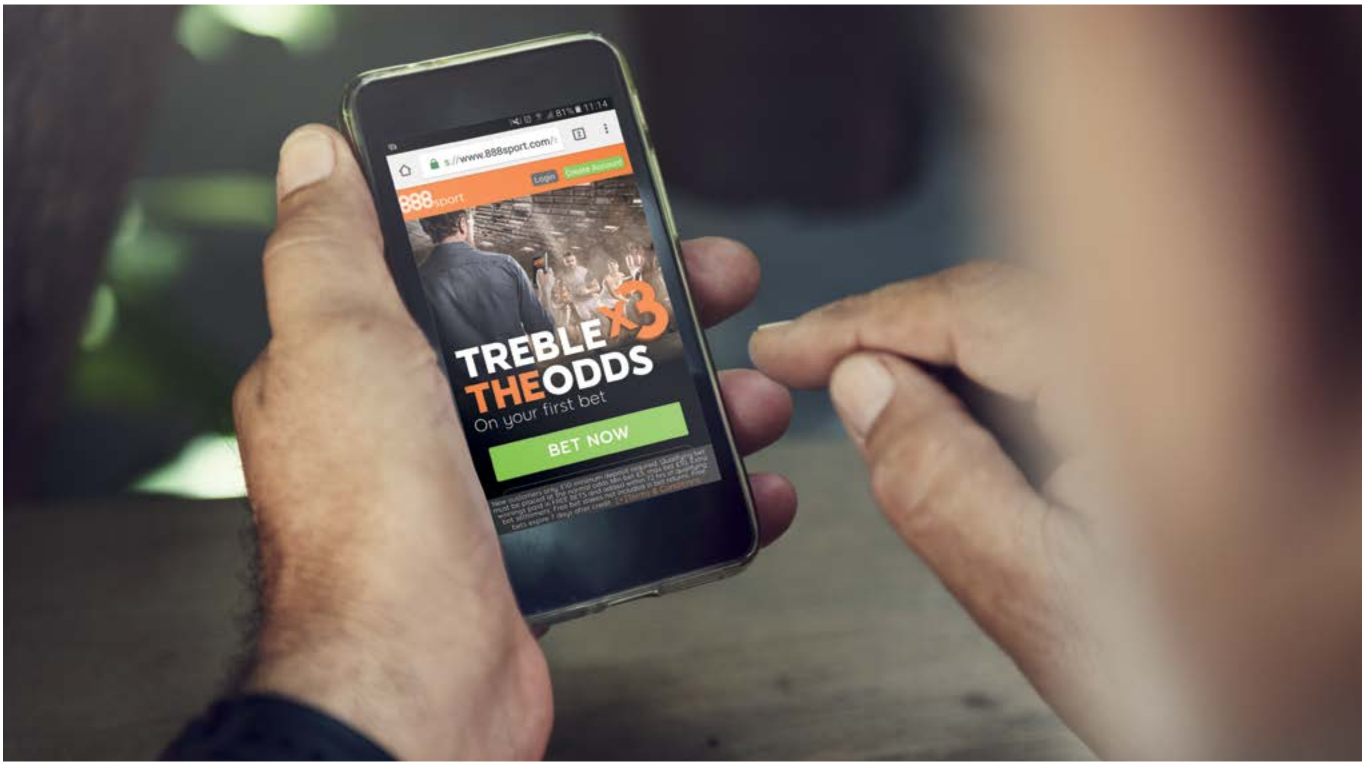
An external audit was carried out of 888's self-exclusion system, including the self-exclusion process on both the Bingo and the Casino, Poker & Sports platforms, pursuant to which the system was found to be fit for purpose and a number of recommendations were made to 888's senior management, all of which were implemented in full as of the date of this Annual Report.

Steps were taken to ensure 888's readiness to comply with the GDPR and strengthen 888's data protection policies, processes and systems generally.

888 continued its review of marketing practices for various marketing materials published in the UK, which included an extensive review and monitoring of marketing affiliates' and B2B partners' websites, as well as reducing the number of affiliates so that we can better monitor and supervise those affiliates that remain engaged; and 888 updated the terms and conditions that apply to UK customers with a view to improving the level of clarity and enhancing compliance with consumer protection regulations.

During 2018, 888 intends to continue to upgrade the "Observer", expand oversight over compliance of white label partners as well as marketing affiliates, and continue to strengthen technological quality assurance and processes which relate to regulation and compliance.

Corporate Responsibility continued



PROTECTING MINORS

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

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

888 RESPONSIBLE

888+ responsible

Protecting the vulnerable

Fair play

Anti-crime

For more information see our website:
888responsible.com

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

Community
888 is committed to supporting both the various local communities in which it operates and also the broader global community. Our community investment programme includes charitable donations and long-standing community involvement in our key areas across the world.

In line with the Company's increased awareness and focus on social responsibility, a new internal programme was launched in 2017 allowing employees to spend time 'giving back' to underprivileged sectors of the community (for example, people from minority groups or people with disabilities). The programme was kicked off in the Israeli subsidiary and will extend to remaining Group companies over the coming year.

888 made a donation in the amount of US$5.5 million to GambleAware in 2017 in connection with its voluntary settlement following the UKGC licence review.

Fiscal contributions
During the year the Group made fiscal contributions totalling US$92.1 million (2016: US$ 79.5 million) comprising of corporation tax of US$6.2 million (2016: US$7.7 million), VAT of US$10.7 million (2016: US$ 8.3 million) and gaming duties of US$75.2 million (2016: US$63.5 million).

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

Anti-bribery and corruption
We are committed to operating with integrity and complying with all relevant laws, including all applicable anti-corruption legislation. 888 has a zero-tolerance approach to bribery and corruption; a position clearly set out in our Anti-Bribery and Corruption Compliance Programme which applies to all 888 Group personnel. During 2017, the internal approvals process was implemented as regards gifts given and received as required pursuant to the programme.

Diversity
Diversity is important to us as we believe that only through access to the most diverse pool of people will we recruit and retain the most talented individuals to serve our customers. We actively seek to recruit and advance women into our top levels of management. A summary of the breakdown of men and women across 888 as of 31 December 2017, is as follows:

	Men		Women	
	Number	%	Number	%
Board of Directors	5	83.3%	1	16.7%
Senior Vice Presidents	4	66.6%	2	33.3%
Vice Presidents	16	72%	6	28%
Other Group Employees	787	60%	560	40%

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

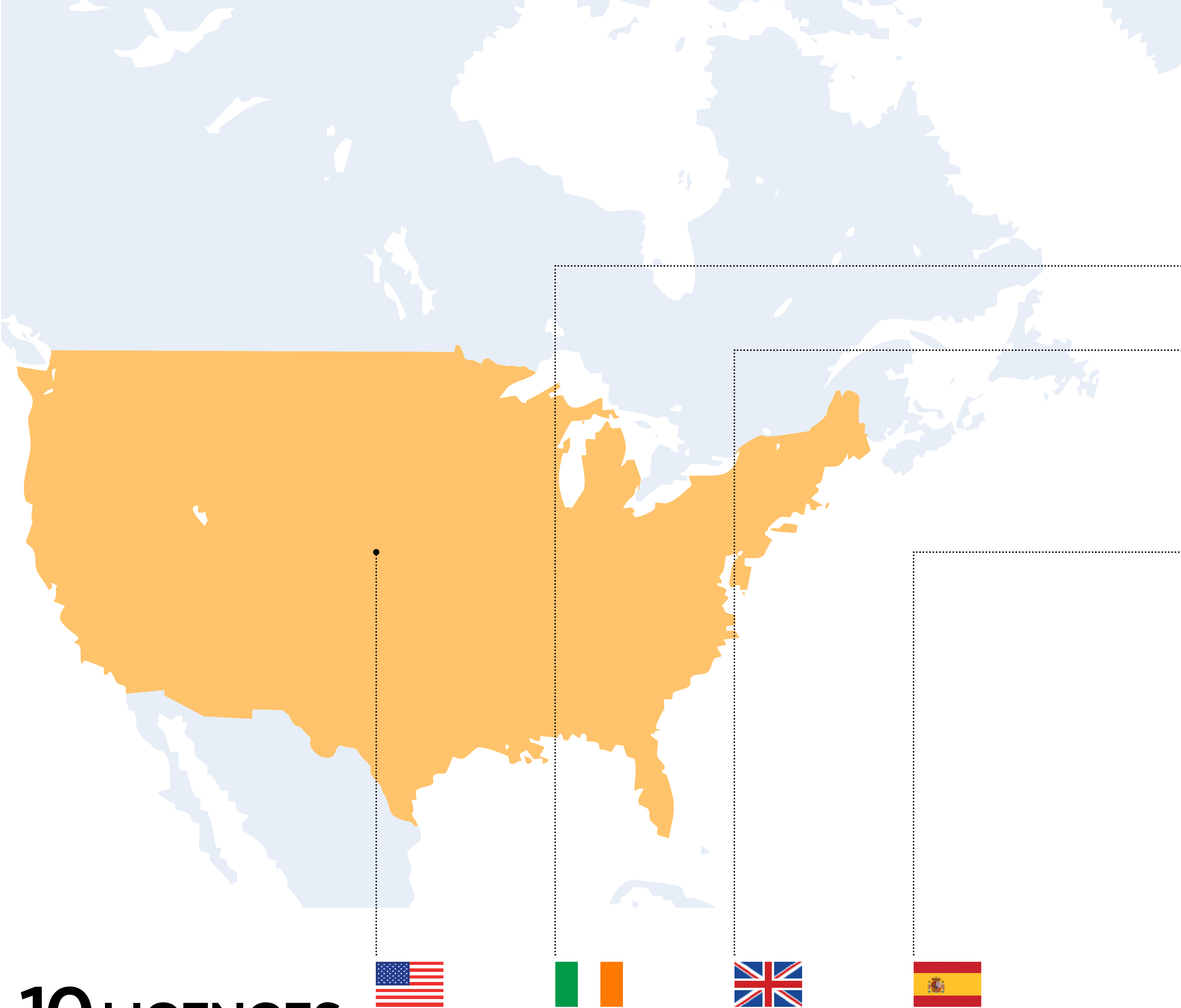
On behalf of the Board:

Brian Mattingley
Chairman
20 March 2018

Market Review

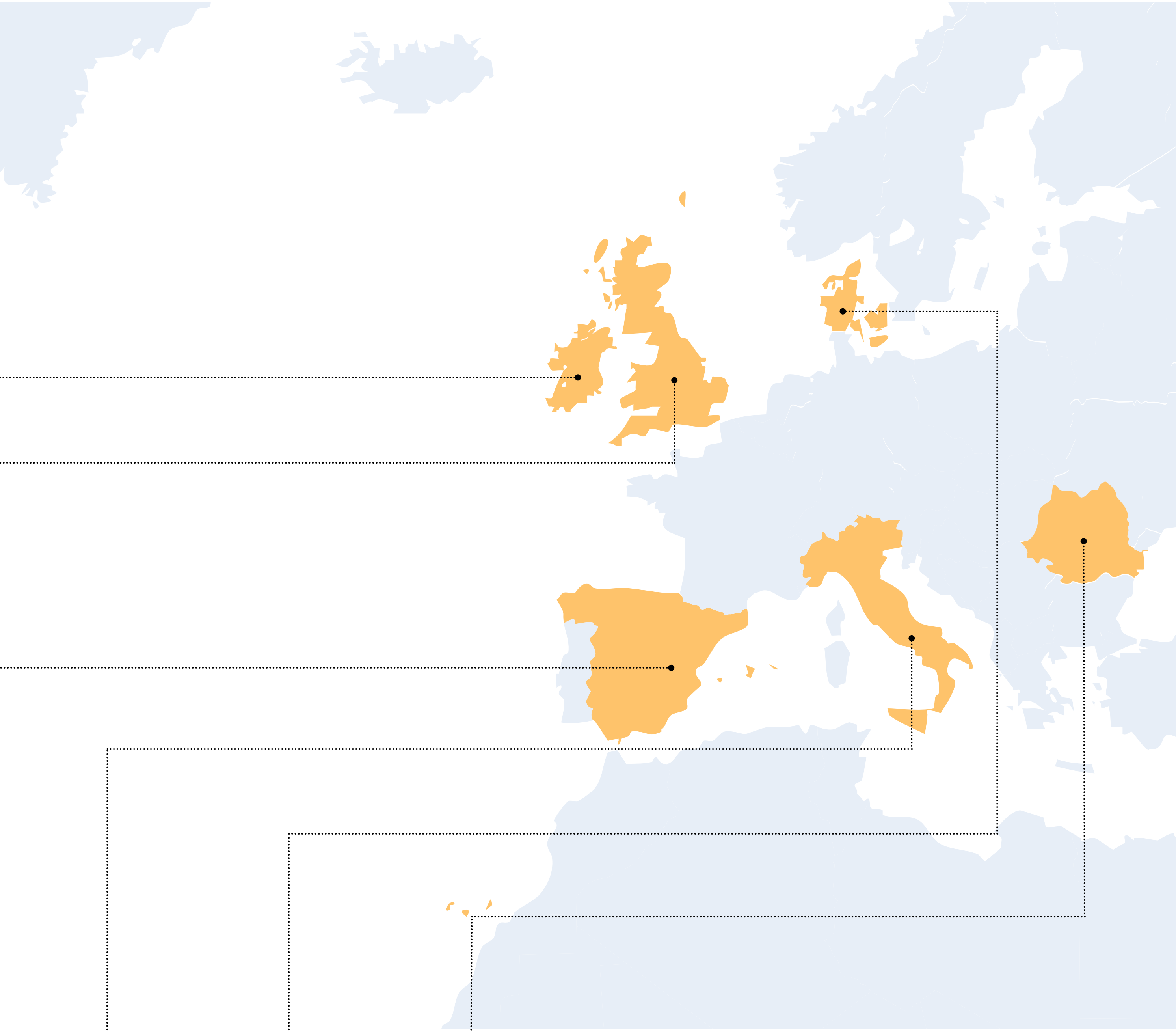
REGULATED 888: DIVERSIFIED, MULTI PRODUCT, FAST GROWING

The online market has benefited from structural migration from retail betting and has also driven an expansion of the total market.



10 LICENCES

- UK
- Gibraltar
- Ireland
- Romania
- Spain
- Italy
- Denmark
- US:
  - Nevada
  - Delaware
  - New Jersey



ITALY

DENMARK

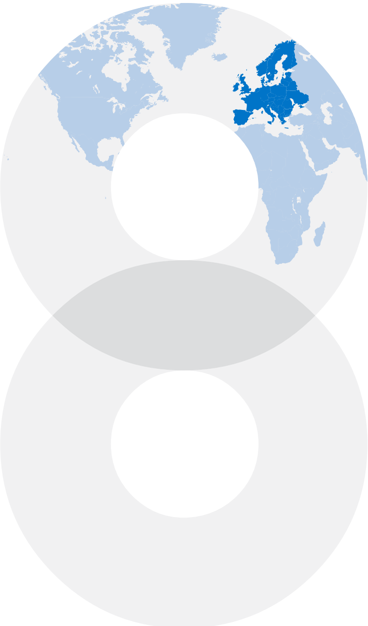
ROMANIA

70%

Revenue from regulated and taxed markets

Regulation and General Regulatory Developments

888 HAS CONTINUED ITS ADAPTATION TO CHANGING REGULATORY ENVIRONMENTS



2017 was an eventful year in the online gaming industry.

Global trends have had a significant effect on both the industry in general, and 888 in particular as a business deeply committed to regulatory compliance and whose revenue is derived from operating in various regulated environments.

888 continues to strive constantly to maintain the highest regulatory compliance standards and to contribute to the progress of the industry in this regard.

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

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

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

EUROPE

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

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

- In mid-2017, the European 4th Anti-Money Laundering Directive entered into force, strengthening anti-money laundering rules across the continent. As much of 888's business is derived from European states and is regulated in EU member jurisdictions, 888 underwent extensive preparations with the help of its legal counsel to ensure ongoing compliance and a seamless transition in the relevant jurisdictions.
- In December 2017, the European Commission announced it will close all pending infringement proceedings and complaints in the gambling sector, as they are not currently a priority for the Commission. Although this follows a trend in recent years of very little action taken by the European Commission in the field, this development is likely to cause member states whose gaming regulatory regimes are perceived as non-EU law compliant to become less motivated to make changes to their legislative framework. Nonetheless, the decision, which seems to reflect a political prioritisation decision within the European Commission, does not change the current legal situation. Prior rulings by the Court of Justice of the European Union ("CJEU") on the issue of state legislation's incompatibility with EU law remain valid, and the decision does not derogate from the CJEU's authority to strike down further state laws which contravene EU law principles.
- On the other hand, in June 2017, the CJEU handed down a judgement in C-49/16 Unibet, a case referred by a Hungarian court. The court found that the Hungarian laws relating to online gaming discriminated against operators from other member states and were unclear and non-transparent. On those grounds, the court ruled that the laws were in violation of EU law, and could not therefore give rise to any penalties - effectively striking down the Hungarian law and rendering it unenforceable. In addition, in February 2018, the CJEU handed down another judgement in C-3/17 Sporting Odds Ltd., another case referred by a Hungarian court. This time, the CJEU ruled that the Hungarian legislation restricting the grant of online gaming licences only to offline Hungarian casinos is discriminatory, and thus not EU law compliant. These rulings may influence the actions and decisions of other member states with respect to the enforcement of gaming laws that may be non-compliant with EU law.
- The GDPR will enter into force in May 2018. The new regulation will have a significant effect on the privacy and data protection practices of companies dealing with information relating to EU residents, as it introduces various changes to how personal information should be collected, maintained, processed and secured. Non-compliance may result in significant fines, running up to €20 million or 4% of the breaching Company's annual global turnover.

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

UK

In the UK, 888's main market, the Group continued adapting to meet the developing regulatory requirements, a process which continues to require significant efforts and the implementation of changes in many areas of the business. We continue to work to adapt our operations and working modalities to ensure ongoing adherence to the various (and evolving) requirements applicable to our UK operations.

- Towards the end of 2017, the UKGC unveiled its three-year strategy aimed at becoming more interventionist and taking precautionary action, which will include suspension or revocation of licences where "persistent or systemic failures" are identified. The strategy focuses on protecting consumer interests, preventing consumer harm and raising standards in the gambling market. These focal points will be monitored, as before, by both the UKGC and the CMA.
- Investigations carried out by the CMA into possible breaches of consumer protection laws by online gaming operators continued throughout 2017. In February 2018, the scope of investigations was broadened from initially reviewing sign-up promotions alone, to an investigation of operators' withdrawal policies as well. Further to the CMA investigation, three gambling companies (William Hill, Ladbrokes and PT Entertainment) committed to change their bonus offerings in early 2018. The CMA, together with the UKGC, considers the commitments made by the three companies as reflecting the appropriate industry standard, and requires all operators to uphold such standard.
- In October 2017, the UKGC issued a joint "call for action" letter to UK remote gaming operators about underage gambling. The letter called remote operators to ensure that their ads do not particularly appeal to persons under the age of 18. The letter was jointly issued with the British Advertising Standards Authority, the Committee of Advertising Practice and the Remote Gambling Association.
- The British Department for Digital, Culture, Media and Sport has issued a consultation aimed at reviewing social responsibility measures across the online gaming sector.
- In the first week of 2018, the UKGC announced it will launch investigations into 17 remote gaming operators on account of identifying failings related to anti-money laundering and social responsibility, and is considering a licence review for five of those operators.

Portugal

- During the course of 2017, the 888 Group applied to obtain a remote operating licence in Portugal and is now engaged in making the necessary arrangements for operation under such a licence (when granted).

Sweden

- Sweden has introduced a draft law aimed at liberalising the online gaming market, currently controlled by the two monopolies, Svenska Spel and ATG. The bill (if passed) is not expected to come into effect before 2019. Earlier in 2017, the Swedish Supreme Administrative Court upheld the local ban on offline advertising of unlicensed gambling operations, which has been under litigation for a long time.

Germany

- Germany's regulatory landscape remains riddled with uncertainty, although the market yielded a few regulatory and legal developments in 2017. The future of the German Inter-State Gambling Treaty continues to be a cause for friction between the German states. The draft for a new Treaty (which received criticism from the European Commission in 2016) was voted down in September by Schleswig-Holstein, one of the German states.

- After voting down the new Treaty, Schleswig-Holstein has also stated its intention to possibly implement a new regulatory regime, regulating not only sports betting but also online casino, potentially with other German states (namely North Rhine-Westphalia, Rhineland Palatine and Hesse).

  Finally, in October 2017, the German Federal Administrative Court issued a press release about its upcoming ruling validating the German Treaty's ban on the offering of remote casino and poker in Germany.
- The final ruling, which was only published in March 2018, upheld the current Treaty's compliance with EU law when it comes to its prohibition of remote casinos, scratch cards and poker games, and restricting sports betting (contrary to previous rulings by both German and EU courts). This ruling can be expected to influence other administrative courts' rulings, as well as lead to increased enforcement by German authorities via the issuing of prohibition orders to online operators offering either online casino or sports betting services.

Switzerland

- As a result of these developments, the Company, together with its legal counsel, is considering potential courses of action, which may include a petition to the German Federal Constitutional Court and is assessing the status and breadth of its offerings in the German market. Switzerland made further progress on its draft bill that would allow the country's casinos to offer online gaming. The bill passed both houses of the Federal Assembly of Switzerland in September 2017. Although implementation of this bill was expected in early 2019, this may now be delayed as the law will be subjected to a national referendum in 2018.

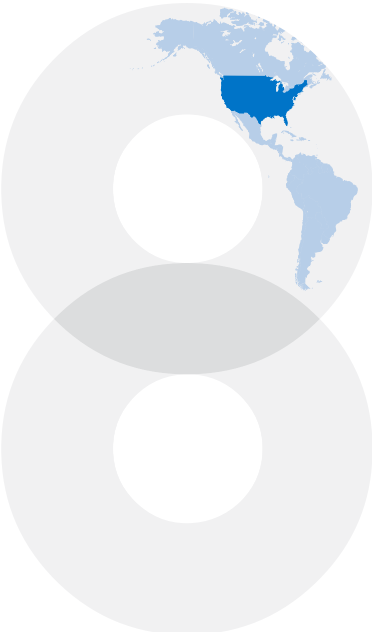
The Netherlands

- Regulatory reform in The Netherlands is still pending, after the Dutch lower house of parliament passed a bill to regulate online gambling in July 2016, which is now pending before the Senate. 888 continued to conduct its operations in the Netherlands in accordance with interim guidelines issued by the local authorities, which became more restrictive in June 2017, and awaits developments in this important market.

Other European markets

- Further to the discussions carried out during 2016, in the course of 2017, European regulators from Italy, France, Portugal and Spain have signed an agreement that will allow for shared liquidity in online poker. While legislative implementation in Italy was put on hold due to political challenges, Portugal has approved its participation in the scheme. Nonetheless, legislation in France and Spain has progressed significantly, and shared poker liquidity offerings between the two jurisdictions commenced during January 2018, with Portugal expected to join shortly thereafter.

Regulation and General Regulatory Developments continued



THE UNITED STATES

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

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

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

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

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

Since the 2016 elections, there is uncertainty about changes that may take place in the US approach (federal and state alike) towards gambling in coming years. US Attorney General, Jeff Sessions, commented in his 2017 Senate confirmation hearing that he intended to review the US Department of Justice's ("DOJ") position on the interpretation of the Federal Wire Act. As yet, the position of the Trump administration on gambling issues remains uncertain. The 2011 DOJ position on the Federal Wire Act has not been revisited by the Attorney General, despite calls to do so by several US senators and Republican congressmen.

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

FURTHER AFIELD

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

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

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

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

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

Viability Statement

888 WILL BE ABLE TO CONTINUE IN OPERATION AND MEET ITS LIABILITIES

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

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

Management currently forecasts as part of the business planning process and capital investment cycle over a varying period. A detailed bottom up model is used to budget the business for a period of one year in advance and a top down model for a period of three years. A longer forecasting period might be required in the context of equity or debt financing, however the Company has not completed any such financing since its initial public offering ("IPO") in 2005, and believes that the level of certainty over any such longer period decreases to such a level as not to be useful for planning purposes.

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

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

- 888's resilience to threats to its viability in severe but plausible scenarios;
- Both qualitative and quantitative analyses, including the combined impact of the crystallisation of multiple risks simultaneously, as well as stress testing, reverse stress testing and sensitivity analyses, which the Directors consider sufficiently robust to make a sound statement; and
- A broad range of relevant matters that may threaten 888's viability.

The severe but plausible scenarios considered by the Directors included: exit/closure of major markets due to regulatory or legal events, loss of major B2B customers, a major cyber-attack and/or data protection violation, and anticipated tax developments together with the crystallisation of tax risks. In addition, a "reverse stress test" was carried out in order to analyse combinations of risks which could bring about insolvency of the Company unless capital were raised; in such cases it is anticipated that mitigation measures (including reduction in dividends and overheads) could be implemented in order to forestall such an outcome.

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

In light of the foregoing, the Directors confirm they have a reasonable expectation that 888 will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2020.

Details of 888's risk management strategy and how it manages and mitigates its risks are set out in the Risk Management Strategy on page 18.


adidas
BIRMINGHAM CITY
FOOTBALL CLUB
- 1875 -
888
sport

Board of Directors

EXPERIENCED AND EFFECTIVE MANAGEMENT

BRIAN MATTINGLEY

Chairman
Age: **66**

Relevant skills and experience

Brian Mattingley was Deputy Chairman of the Company and Senior Independent Non-Executive Director from March 2006 until March 2012, and was then Chief Executive Officer until March 2016. He joined the Board in August 2005. He was previously Chief Executive of Gala Regional Developments Limited until 2005. From 1997 to 2003 he was Group Finance and Strategy Director of Gala Group Plc, prior to which he was Chief Executive of Ritz Bingo Limited. He has held senior executive positions with Kingfisher Plc and Dee Corporation Plc.

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

Read more from Brian on pages 06 and 07

ITAI FRIEBERGER

Chief Executive Officer
Age: **47**

Relevant skills and experience

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

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

Read more from Itai on pages 08 to 23

AVIAD KOBRINE

Chief Financial Officer
Age: **54**

Relevant skills and experience

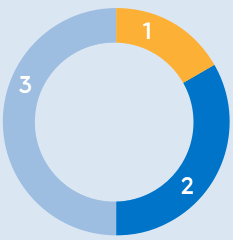
Aviad Kobrine has been Chief Financial Officer of the Company since June 2005, and was appointed to the Board in August 2005. From October 2004 he was a consultant to the Company. Previously, he was a banker with the Media Telecoms Investment Banking Group of Lehman Brothers and prior to that, he was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

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

Read more from Aviad on pages 24 to 30

BOARD DIVERSITY

The Board has a balanced and diverse range of skills and experience. All Board appointments are made on merit, in the context of the diversity of skills, experience, background and gender required to be effective.



Board composition

Chairman	1
Executive	2
Non-Executive Directors	3

Gender balance

5:1

Male:Female

STRATEGIC REPORT
GOVERNANCE & DIRECTOR'S REPORT
FINANCIAL STATEMENTS

COMMITTEE KEY

A Audit Committee | R Remuneration Committee | N Nominations Committee | G Gaming Compliance Committee | ● Chairman of Committee | ○ Member of Committee

RON MCMILLAN

Non-Executive Senior Independent Director
Age: **65**

Relevant skills and experience

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

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

Ron McMillan was appointed as Non-Executive Director on 15 May 2014, and Senior Independent Director on 9 May 2016.

Committee membership

A (Chairman) R N G

Read more from Ron on page 77

ZVIKA ZIVLIN

Independent Non-Executive Director
Age: **52**

Relevant skills and experience

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

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

Committee membership

A R (Chairman) N (Chairman) G

Read more from Zvika on pages 62 to 76

ANNE DE KERCKHOVE

Independent Non-Executive Director
Age: **45**

Relevant skills and experience

Anne de Kerckhove is currently the CEO of Iron Group – a startup studio specialised in digital subscription - where she also spearheads Iron Capital. Previously, she was the Managing Director EMEA for Videology, Global Director of Reed Elsevier, and COO and International Managing Director at Inspired Gaming Group. Ms. de Kerckhove is also an angel investor and mentor for early-stage startups and entrepreneurial funds including Metail, CRE and Daphni, and holds board positions with 7digital, WeMoms and Snowite. She holds a Bachelor of Commerce from McGill University and an MBA from INSEAD. Ms. de Kerckhove is a member of the Company's Remuneration Committee, Audit Committee and Nominations Committee, and is expected to join the Gaming Compliance Committee during 2018.

Committee membership

A R N G

Length of tenure

0-3 years	3	
3-10 years	1	
>10 years	2	

Industry/background experience

Political/Regulatory	2 (33%)	Assurance	1 (17%)
Gaming	3 (50%)	Technology	3 (50%)
Operational	1 (17%)	Commerce	1 (17%)
Financial	4 (67%)		

INTERVIEW WITH ZVIKA ZIVLIN AND ANNE DE KERCKHOVE

"888 is a company focused on innovation and technology, and I'm very excited to be part of such a forward-thinking business."

Anne De Kerckhove
Independent Non-executive Director

Q **What attracted you to the NED role at 888?**

A Zvika Zivlin
888's global presence, regulated profile and leading position within the gaming industry appealed to me. My background is in the technology industry, and 888 really excited me as a company that is a fast-growing business with technology and data analytics at its core. I was also attracted by the exceptional talent of 888's employees who are the driving force behind the business and it growth.

Anne de Kerckhove
I am interested in the complexity and challenges faced by the gaming industry and it is very appealing to work with a leading global player. 888 is a company focused on innovation and technology, and I'm very excited to be part of such a forward-thinking business. As a large number of 888's customer base are women, I believe it's important to have a female voice on the Board, and I feel very privileged to have this role.

Q **What benefit do you think NEDs add to Board discussions?**

A Zvika Zivlin
NEDs can come from a wide variety of business disciplines, each with a breadth of experience in a variety of business environments, so can add valuable experience to boardroom discussions. We can bring different perspectives to the executive Directors who are focused on the day-to-day running of the business. Part of our role is to challenge the executive team to ensure the business is running to its maximum potential.

Anne de Kerckhove
Diversity of backgrounds and experiences is vital to informed and effective decision-making. That's our role as NEDs: to constructively challenge the executive team by bringing an external perspective. We also allow the executive team to step back from the Company's daily activities and think about strategy on a longer-term basis.

Q **What skills and experience do you bring to 888?**

A Zvika Zivlin
My detailed, all-round commercial knowledge and involvement in the Israeli technology industry and the global gaming sector can add a lot of value to the Board of 888. I have worked across the global markets, and am well placed to support the executive management team through the next stage of 888's growth.

Anne de Kerckhove
I previously worked in the gaming space for seven years and have worked in digital marketing and technology for over 15 years. A particular focus throughout my career has been helping to drive international expansion – something I expect to be pertinent to 888 in the years to come. This work has exposed me to a plethora of global markets, including in the United States.

DIRECTORS' REPORT

The Directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2017. The Strategic Report, Corporate Governance Statement and Directors' Remuneration Report on pages 08, 55 and 62 respectively, form part of this Directors' Report.

Results

The Group's profit after tax for the financial year of US$12.6 million (2016: US$51.5 million) is reported in the consolidated income statement on page 90. The Board is recommending a final dividend of 5.9¢ per share plus an additional one-off 5.6¢ per share (which together with the interim dividend equals 15.5¢ per share for the year (2016: 19.4¢ per share).

Directors and their interests

Biographical details of the current Board of Directors, setting out their relevant skills and experience and their professional commitments, are shown on pages 46 and 47. The Directors who served during the year are shown below. In line with the UK Corporate Governance Code and as required by the Company's Articles of Association ("Articles"), all Directors retire at each Annual General Meeting and those who wish to continue to serve offer themselves for re-election.

Brian Mattingley (first appointed 30 August 2005).
Itai Frieberger (first appointed 13 May 2015).
Aviad Kobrine (first appointed 30 August 2005).
Ron McMillan (first appointed 15 May 2014).
Amos Pickel (first appointed 14 March 2006, stepped down 9 May 2017).
Zvika Zivlin (first appointed 9 May 2017).
Anne de Kerckhove (first appointed 28 November 2017).

The beneficial and non-beneficial interests of the Directors and their closely associated persons (pursuant to Article 19 of the European Market Abuse Regulation) in shares of the Company are set out in the Directors' Remuneration Report on pages 63 to 76. There has been no change in the interests of Directors in shares of the Company between 31 December 2017 and the date of this Report.

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

Share capital

Changes in share capital of the Company during the financial year are given in the Consolidated Statement of Changes in Equity. As at 31 December 2017, the issued share capital of the Company comprised 359,679,561 Ordinary Shares of GBP £0.005 each ("Ordinary Shares").

At the Annual General Meeting held in May 2017, the Board was empowered to allot securities of a value up to 66.66% of the Company's ordinary share capital in issue as at 31 March 2017, provided that, in accordance with institutional guidelines issued by the Investment Association, this would permit up to a maximum nominal value of £1,198,150.18 (66.66%) to be allotted pursuant to a rights issue and up to a maximum nominal value of £599,075.09 (33.33%) to be allotted otherwise. Furthermore, the Board was empowered to allot equity securities of the Company for cash without application of pre-emptive rights under the Company's Articles, provided that such power is limited:

(a) to the allotment of equity securities in connection with an offer or issue of equity securities to or in favour of: (i) Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them; and (ii) holders of other equity securities if this is required by the rights of those securities, or if the Directors consider it necessary, as permitted by the rights of those securities; so that the Directors may make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

(b) to the allotment (otherwise than pursuant to sub-paragraphs (a) above and (c) below) of equity securities up to an aggregate nominal value of £89,870.25; and

(c) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities in connection with an acquisition or specified capital investment up to an aggregate nominal value of £89,870.25;

and shall expire upon the earlier of: (i) the conclusion of the next Annual General Meeting of the Company after passing the resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired; and (ii) 30 June 2018.

In paragraph (c) "specified capital investment" means one or more specific capital investments in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to those assets is made available to shareholders to enable them to reach an assessment of the potential return.

In 2017, the Company did not exercise any of the foregoing powers and authorities.

The Directors do not have any power in relation to the buy back by the Company of its own Ordinary Shares. In 2017, the Company did not seek authority to and did not purchase any of its own Ordinary Shares.

Rights attaching to Ordinary Shares in the Company

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

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

DIRECTORS' REPORT
continued

Memorandum & Articles of Association
The Memorandum & Articles of the Company can only be amended by a special resolution at a general meeting of shareholders. There were no changes to the Memorandum & Articles of the Company during 2017.

Deadlines for exercising voting rights at the 2018 Annual General Meeting
Electronic and paper proxy appointment and voting instructions must be received by the Company's registrars not later than 9.00am CET (8.00am GMT) on 7 May 2018. Forms of Direction from persons holding depository interests in the Company in uncertificated form through CREST must be received by the Company's registrars not later than 9.00am CET (8.00am GMT) on 4 May 2018.

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

Requirements of gaming regulations
Amongst others, the Group:

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

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

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

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

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

Many jurisdictions require any person who acquires beneficial ownership of more than a certain percentage (typically 5%) of the Company's securities, to report the acquisition to the gaming authorities and apply for a finding of suitability. Many gaming authorities allow an "institutional investor" to apply for a waiver that allows such institutional investor to acquire up to a certain percentage of securities without applying for a finding of suitability, subject to the fulfilment of certain conditions. In some jurisdictions, suitability investigations may require extensive personal and financial disclosure. The failure of any such individuals or entities to submit to such background checks and provide the required disclosure could jeopardise the Group's eligibility for a required licence or approval.

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

The Company's Articles include provisions to ensure that 888 has the required powers to continue to comply with applicable gaming regulations.

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

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

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

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

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

Entities holding Company shares on behalf of Group employees
At 31 December 2017, Virtual Share Services Limited (a wholly owned subsidiary of the Company) held 3,277,821 Ordinary Shares in its administrative capacity in connection with the 888 All-Employee Share Plan and under the 888 Holdings plc Long Term Incentive Plan 2015. Full details are set out on page 65.

Substantial shareholdings

As at 31 December 2017, the Company had been notified of the following interests in 5% or more of its share capital under Disclosure Guidance and Transparency Rules ("DTR") Rule 5 of the UK Financial Conduct Authority:

Principal shareholders	Number of shares	% issued share capital	Nature of Holding
Sinitus Nominees Limited in trust on behalf of Dalia Shaked	86,283,534	24.1%	Indirect
Majedie Asset Management Limited	35,336,801	9.9%*	Indirect
Standard Life Investments Limited	17,996,793	5.0%	Indirect

* Holding disclosed under Rule 8.3 of the Takeover Code.

In accordance with DTR 5, Sinitus Nominees Limited as trustee of the O Shaked Shares Trust notified the Company that, in June 2017, it disposed of shares comprising 11.23% of the Ordinary Shares, and in October 2017 disposed of its remaining Ordinary Shares comprising 12.87% of the Company's issued share capital.

Between 31 December 2017 and the date of this Annual Report, a further notification was received from BlackRock, Inc., regarding its holdings comprising 5.0% of the Company's issued share capital. Information provided to the Company pursuant to the DTRs is publicly available via the regulatory information services and the Company's corporate website corporate.888.com.

Shareholder agreements and consent requirements

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

Relationship Agreement

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

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

- conduct all transactions and relationships with 888 Holdings plc and any member of the Group on an arm's length basis and on a normal commercial basis;
- not take any action which precludes or inhibits 888 Holdings plc, or any member of the Group, from carrying on its business independently of it;
- not take any action that would have the effect of preventing the Company, or any member of the Group, from complying with its obligations under the UK Listing Rules; and
- not propose or procure the proposal of any shareholder resolution which is intended, or appears to be intended, to circumvent any proper application of the UK Listing Rules.

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

The Amended Relationship Agreement also includes restrictions on the DS Trust's power to appoint Directors and includes obligations on the DS Trust to exercise its voting rights to ensure that the majority of the Board, excluding the Chairman, is independent.

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

Such restrictions and obligations apply in respect of the DS Trust whilst it holds not less than 7.5% of the issued share capital of the Company.

DIRECTORS' REPORT
continued

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

Confirmation of independence

As required pursuant to LR 9.8.4 R (14), the Board confirms with regard to the portion of financial year 2017 during which the Company had a controlling shareholder:

- the Company has complied with the independence provisions included in the Amended Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Amended Relationship Agreement have been complied with by the controlling shareholders and their associates; and
- so far as the Company is aware, none of the Principal Shareholder Trusts or any of their respective associates proposed or procured the proposal of any shareholder resolution which circumvented the proper application of the UK Listing Rules.

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

As a result of the sale of shares by O Shaked Shares Trust in the Company, as at the date of this Annual Report, the Company no longer has a controlling shareholder as defined under the UK Listing Rules.

Shareholders' Agreement

The Principal Shareholder Trusts and certain other shareholders entered into a shareholders' agreement on 14 September 2005 (the "Shareholders' Agreement"). However, following disposal of their Ordinary Shares in the Company, the obligations in the Shareholders' Agreement no longer apply to O Shaked Shares Trust and the Ben Yitzhak Family Shares Trust and it is referenced herein only in connection with the portion of 2017 prior to such disposals.

Change of control

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

Donations

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

Financial instruments

The Company considers the Group's exposure to financial risks, including exposure to specific countries and trading counterparties, to be low. During 2017, hedging of the Group's foreign currency risks was carried out solely with leading banks including Barclays plc. Further information on the Group's use of financial instruments is set out in note 24 to the annual accounts on page 120.

Directors' indemnities

The Company's Articles of Association permit the Company to indemnify its Directors in certain circumstances, as well as to provide insurance for the benefit of its Directors. The Company has undertaken to indemnify certain of its Non-Executive Directors: (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of such Non-Executive Director or in which such Non-Executive Director is acquitted; or (b) in connection with any application under Section 477 of the Gibraltar Companies Act (pursuant to which the court may provide relief to such Non-Executive Director in any proceedings for negligence, default, breach of duty or breach of trust on grounds that such Non-Executive Director has acted honestly and reasonably, and that, having regard to all circumstances of the case, including those connected with his appointment, he ought fairly to be excused from liability on such terms as the court thinks fit). The Company also undertook in favour of Aviad Kobrine to indemnify him to the fullest extent permitted by applicable law and 888's Articles in connection with the execution of his duties and/or exercise of his powers, authorities and discretions pursuant to his employment agreement. In addition, certain special indemnities were provided to the Executive Directors in connection with the compliance and licensing procedures relating to 888's business in the United States, details of which were provided in 888's 2011 Annual Report. Finally, the Company entered into qualifying third-party indemnity arrangements for the benefit of all of its Directors in a form and scope which comply with the requirements of the UK Companies Act 2006 and the Gibraltar Companies Act 2014 which were in force from 1 November 2017 and remain in force.

Corporate governance

The Corporate Governance Statement is on pages 55 to 61 and is incorporated in this Directors' Report by reference.

Going concern and viability statement

The going concern and viability statement required to be included in the Annual Report pursuant to the UK Corporate Governance Code are on page 44 and are incorporated in this Directors' Report by reference.

Principal subsidiary undertakings

The principal subsidiary undertakings are listed on page 116.

Research and development activities

In 2017, the Group maintained its focus on enhancing the products offered in regulated markets, expansion of the platform accessible on mobile devices and further development of gaming platform capabilities.

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

- Development of 888 Poker in Italy prior to launch in January 2018;
- Upgrade of 888 platform in New Jersey for both B2C and B2B partners;
- Major investment in compliance management and monitoring;
- Investment in real time marketing tools and communications which have increased players' engagement and response;
- Casino Races: a new, exciting feature offering Casino players a chance to win bonuses by playing slots in a race mode;
- Addition of more than 300 new games on PC and mobile platforms, with an emphasis on development in HTML5;
- A new and innovative poker variant (FlopOmania) – a twist to the traditional Texas Hold'em game, introducing a poker game in which the action starts when the flop is already open;
- Major enhancement of 888sport site to improve player experience, real time segmentation and marketing abilities and a new native 888sport application;
- In Bingo, 888 is now offering new bingo variants including "52-5 Bingo Candy" and has also added the ability to schedule and link together a number of bingo rooms at certain times of the day; and
- Expansion of 888 mobile products with additional mobile focused features as well as a successful launch of all 888 products on "Google Play".

Greenhouse gas emissions

Details of 888's greenhouse gas emissions are set out in the Corporate Responsibility section of the Strategic Report on page 32.

Auditors

A resolution for the reappointment of Ernst and Young LLP and EY Limited, Gibraltar, (together, EY), as auditors of the Company will be proposed at the 2018 Annual General Meeting.

During the year ended 31 December 2017, Ernst and Young LLP were reappointed as auditors for the purposes of the Company preparing financial statements as required pursuant to the UK Listing Rules and the DTRs. EY Limited, Gibraltar, which is approved as a registered auditor under the Gibraltar Financial Services (Auditors) Act 2009, is the statutory auditor of the Company including for the purposes of issuing an audit report pursuant to the Gibraltar Companies Act 2014.

During 2017, EY charged the Company US$0.4 million in audit fees and US$0.1 million in non-audit fees, and during 2016, EY charged the Company US$0.3 million in audit fees and US$0.3 million in non-audit fees.

Directors' statement of responsibilities

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

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

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the EU is insufficient to enable members to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

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

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Company in accordance with IFRSs as adopted by the EU and have also chosen to prepare financial statements for the Group in accordance with IFRSs as adopted by the EU.

DIRECTORS' REPORT
continued

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

(a) the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

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

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

On behalf of the Board:

Itai Frieberger
Chief Executive Officer
20 March 2018

CORPORATE GOVERNANCE STATEMENT

The Company's Ordinary Shares are admitted to the premium segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities. As such, despite being incorporated in Gibraltar, the UK Corporate Governance Code (the "Code" or "UK Corporate Governance Code") applies to the Company pursuant to the UK Listing Rules and is available at www.frc.org.uk. The version of the Code published in April 2016 applied to the financial year under review.

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

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

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

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

Statement of compliance with the UK Corporate Governance Code

During 2017, the Company was in material compliance with the UK Corporate Governance Code 2014, other than as regards the following:

- Prior to the appointment of the two new Non-Executive Directors, Zvika Zivlin and Anne de Kerckhove, and therefore for part of the year in 2017, there were only two Non-Executive Directors on both the Audit and Remuneration Committees.

Leadership

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

Board responsibilities and procedures

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

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

The Board has an established calendar of business. This covers the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar forms the basis for effective integration of business activities as between the Board and its principal Committees (see pages 57 and 61), which individually consider their own operating frameworks against the Board's business programme.

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

Reserved powers and delegation

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

Chairman and Chief Executive Officer

The Chairman, Mr. Mattingley, and the Chief Executive Officer, Mr. Frieberger, have a close working relationship to ensure the integrity of the decision-making process of the Board and the successful delivery of 888's strategy. There is a clear division of responsibilities between the Chairman and the CEO, which the Board considers an important part of its corporate governance.

CORPORATE GOVERNANCE STATEMENT
continued

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

Non-Executive Directors' independence
Ron McMillan was appointed Senior Independent Director during 2016 and the Board is confident that he is and remains independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement.

Two new Independent Non-Executive Directors – Zvika Zivlin and Anne de Kerckhove – were appointed during 2017. Prior to the appointment of the two new Non-Executive Directors, and therefore for part of the year in 2017, there were only two Non-Executive Directors on both the Audit and Remuneration Committees.

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

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

The Board was satisfied that during 2017, steps were taken to promote the diversity objectives of the policy, including the appointment of two independent Non-Executive Directors, Zvika Zivlin and Anne de Kerckhove, on 9 May 2017 and 28 November 2017 respectively.

Details of the Company's diversity position and involvement of women in management of the Group are set out in the Corporate Responsibility section of the Strategic Report on pages 32 to 37.

EFFECTIVENESS

Board composition
During 2017, the Board consisted of five (and later six) Directors, as follows: a Senior Independent Director (Ron McMillan), one independent Non-Executive Director who stepped down on 9 May 2017 (Amos Pickel), a Chairman (Brian Mattingley), and two Executive Directors (Itai Frieberger as the Chief Executive Officer, and Aviad Kobrine as the Chief Financial Officer). Two further independent Non-Executive Directors (Zvika Zivlin and Anne de Kerckhove) were appointed on 9 May 2017 and 28 November 2017 respectively.

The biographical details of all of the Directors, setting out their relevant skills and experience and their professional commitments, are given on pages 46 to 47.

Independent Directors
Currently, more than half of the Directors, excluding the Chairman, are Non-Executive Directors determined by the Board to be independent for the purposes of the UK Corporate Governance Code. During the year under review, at least half of the Directors, excluding the Chairman, were independent Non-Executive Directors (as required by the UK Corporate Governance Code).

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

Nominations Committee
The Board considers succession planning matters on an ongoing basis, with particular focus on succession planning for the CEO role as well as for senior management. At Board level, the Board has prioritised the recruitment of experienced Non-Executive Directors and has appointed two independent Non-Executive Directors in 2017.

An external search company, Tyzack Partners, which has no connection with the Company except for the provision of these recruitment services, assisted the Board in recruitment of the two Non-Executive Directors, and a structured process was followed in line with Board policies including its diversity policy.

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

During the year, the Nominations Committee comprised independent Non-Executive Director Amos Pickel (Chairman) (stepped down on 9 May 2017), independent Non-Executive Director Zvika Zivlin (Chairman) (appointed on 9 May 2017), Senior Independent Director Ron McMillan, and Independent Non-Executive Director Anne de Kerckhove (appointed on 28 November 2017).

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

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

The Nominations Committee is also responsible for pursuing diversity within the scope of its mandate, including setting measurable objectives and monitoring progress on achieving such objectives. In considering new Board appointments, diversity (including of gender, age and professional and educational background) is one of the criteria considered by the Nominations Committee in accordance with the Board's Diversity Policy. The Company's statement regarding diversity is set out in the Corporate Responsibility section of the Strategic Report on pages 32 to 37.

Re-election and appointment of Directors

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

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

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

Commitment

The opportunity to hold office as Non-Executive Directors of other companies enables the Directors of 888 to broaden their experience and knowledge, which benefits the Company. Executive Directors may be allowed to accept non-executive appointments with the Board's prior permission, so long as these are not likely to lead to any conflict of interest. Executive Directors may be required to account for fees received from such other companies. Non-Executive Directors are required to allocate sufficient time to perform all applicable roles and to both disclose any external appointments and consult with the Company prior to accepting any new, major external appointments.

The Chairman has disclosed details of his other significant commitments to the Board during 2017 and these are detailed in his biography on page 46.

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

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

Meetings and attendance

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

During 2017, the Board met seven times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2017.

Total number of meetings held during the year ended 31 December 2017 and the number of meetings attended by each Director

	Board	Audit Committee	Remuneration Committee	Nominations Committee	Gaming Compliance Committee
Total held in year	7	3	2	1	4
Brian Mattingley	7	N/A	N/A	1	N/A
Itai Frieberger	7	N/A	N/A	N/A	N/A
Aviad Kobrine	5	N/A	N/A	N/A	N/A
Ron McMillan	6	3	2	1	4
Amos Pickel	2	2	0	0	3
Zvika Zivlin	4	1	2	1	2
Anne de Kerckhove	0*	0*	0*	0*	0*

* Anne de Kerckhove was appointed to the Board on 28 November 2017 and therefore did not formally attend any Board or Committee meetings in 2017, but has begun to do so in 2018.

CORPORATE GOVERNANCE STATEMENT
continued

The Chairman has responsibility for ensuring that agendas for Board meetings are set in advance. Board papers are issued to Directors sufficiently in advance of meetings to facilitate both informed debate and timely decisions. If a Director is unable to attend a meeting, he or she is given the opportunity to raise any issues and give any comments to the Chairman in advance.

None of the Directors have raised any concerns about the running of the Company or a proposed action which needed to be recorded in the Board minutes of the Company or in a statement to the Chairman for circulation to the Board.

Meetings with Non-Executive Directors

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

The Non-Executive Directors meet once per year without the Chairman present in order to appraise the performance of the Chairman and take into account the views of the Executive Directors. Under the UK Corporate Governance Code, it is part of the role of the Senior Independent Director to lead this process.

Board evaluation

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

An externally facilitated high-level evaluation of the Board and its Committees relating to performance in 2017 was carried out between September and November 2017 following a fuller assessment carried out in September 2016. This included evaluation of the performance of the Board and each Committee as a whole as well as evaluation of individual Directors and the Chairman against criteria and minimum requirements set by the Board. The evaluation was carried out by Mr. Raymond Dinkin of Consilium Board and Leadership Development, a London based management consulting firm to Boards and executives which has no other connection with 888. The evaluation included questionnaires and face to face meetings with Board members, senior management and 888's external legal advisers. The next Board evaluation is scheduled for the end of 2018.

The evaluation culminated in a number of recommendations further to those proposed in 2016, including as regards succession planning, the structure of Board meetings, tracking of Board decisions, financial reporting to the Board, the composition of the Nominations Committee, and development of Company strategy. The Board adopted all recommendations which arose from the evaluation. The evaluation concluded that the Board and its Committees are well-balanced and effective, and are a forum for meaningful deliberation and constructive challenge with regard to the matters of strategic importance to the Company.

Following the evaluation, the Board was satisfied that each of the Non-Executive Directors continues to be effective and to demonstrate commitment to their respective roles, and proposes them for re-election or election at the 2018 Annual General Meeting.

Development and advice

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

All Directors have access to the advice and services of the Company Secretary[1] and the Company's nominated advisers, who are responsible for ensuring that Board procedures are followed. Directors are able to seek independent professional advice, if required, at the Company's expense provided that they have first notified the Company of their intention to do so.

Two new Directors were appointed during 2017. On 9 May 2017, Zvika Zivlin was appointed as Independent Non-Executive Director and on 28 November 2017, Anne de Kerckhove was appointed as Independent Non-Executive Director.

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

Information and support

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

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

Conflicts of interest

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

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

ACCOUNTABILITY

Risk management and internal control

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

The Directors monitor the Company's systems of internal control and risk management on an ongoing basis, including identifying, evaluating and managing the significant risks faced by the Company. The Board believes that its risk management process accords with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and carries out an annual review of its effectiveness covering all material controls, including financial, operational and compliance controls.

The annual review considers individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. Such a review was carried out in respect of the processes that were in place throughout 2017 up until the date of approval of the Annual Report and Accounts. Other than as arising from the UKGC licence review and as more fully described on page 18, no significant failings or weaknesses were identified in the review.

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

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

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

- Identification of significant risk and control areas of relevance to Group-wide accounting processes;
- Controls to monitor the consolidated accounting process and its results at the level of the Board and at the level of the companies included in the consolidated financial statements;
- Preventative control measures in the finance and accounting systems of the Company and of the companies included in the consolidated financial statements and in the operative, performance-oriented processes that generate significant information for the preparation of the consolidated financial statements including the Strategic Report, including a separation of functions and pre-defined approval processes in relevant areas;
- Measures that safeguard proper IT-based processing of matters and data relevant to accounting; and
- Reporting information of companies around the Group which enable the Company to prepare consolidated financial statements including management accounts.

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

Audit Committee and auditors

The Board has established an Audit Committee. Details of the Audit Committee's functions, together with its specific activities in 2017, are set out in the Audit Committee Report on pages 77 to 80.

During the year the Company's Audit Committee comprised Senior Independent Director Ron McMillan (Chair) and Independent Non-Executive Directors Amos Pickel (until 9 May 2017) and Zvika Zivlin and Anne de Kerckhove, after their appointments to the Board on 9 May 2017 and 28 November 2017, respectively.

During 2017, Deloitte carried out the Company's internal audit function, reporting to the Audit Committee; during 2017, the internal auditor provided fourteen reports to the Audit Committee and discussed the internal audit working plan for 2018.

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

Details of the Company's risk management strategy and the Board's assessment of the Company's viability in light of its risks are set out on pages 18 and 44 respectively.

Remuneration Committee

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

During the year the Company's Remuneration Committee comprised Independent Non-Executive Director Amos Pickel (Chair) (until 9 May 2017), Zvika Zivlin (Chair) (from 9 May 2017), Senior Independent Director Ron McMillan and Independent Non-Executive Director Anne de Kerckhove (from 28 November 2017).

The Remuneration Committee determines the Chairman's and Executive Directors' fees, whilst the Chairman and the Executive Directors determine the fees paid to the Non-Executive Directors. Further details are provided on page 70.

The Remuneration Committee continued to be advised during 2017 by New Bridge Street, a trading name of Aon Hewitt, being a subsidiary of Aon plc, which has no other connection with 888. Further details are provided on page 75.

CORPORATE GOVERNANCE STATEMENT
continued

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

The Directors' Remuneration Report, which outlines the Remuneration Committee's work and details of Directors' remuneration, is on pages 63 to 76. The Remuneration Committee's terms of reference are available on the Company's website, corporate.888.com.

Gaming Compliance Committee
In accordance with Nevada Gaming Control Board requirements, the Board has appointed a Gaming Compliance Committee. Its current members are Michael Alonso (an external consultant to the Company), Ron McMillan and Zvika Zivlin, and Amos Pickel was a member until 9 May 2017. It is intended that Anne de Kerchkove will join this Committee during 2018.

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

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

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

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

Routine reports but no red flag incidents were received under the whistle-blowing policy in 2017 and up to the date of this Annual Report.

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

The outcome of this dialogue and these meetings is reported to the Board. The programme includes formal presentations of full year and interim results, analysts' conference calls and periodic roadshows and discussion of the Company's strategy and governance. No material discussions were held with shareholder advisory bodies in 2017.

The Senior Independent Director and Non-Executive Director are available to talk to shareholders if they have any issues or concerns or if there are any matters where contact with the Chairman, Chief Executive Officer and Chief Financial Officer is inappropriate or where such contact has failed to resolve the issue.

All shareholders are welcome to attend the 2018 Annual General Meeting (scheduled to be held on 9 May 2018) and private investors are encouraged to take advantage of the opportunity given to ask questions. All Board members (including the Chairmen of the Audit, Remuneration and Nominations Committees) will attend the meeting and be available to answer questions.

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

Going concern
After careful review of the Group's budget for 2018, its medium-term plans, liquid resources and all relevant matters, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the approval of this Annual Report. They have therefore continued to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the Risk Management Strategy report on page 18.

Viability Statement

The Company's Viability Statement is set out on page 44.

Corporate Social Responsibility Statement

The Group's Chief Executive Officer is the Director responsible for monitoring corporate social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer. Further details are set out in the Corporate Responsibility section on pages 32 to 37.

Other disclosures

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

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

On behalf of the Board:

Brian Mattingley
Chairman
20 March 2018

Directors' Interests and their Remuneration

STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

"The Committee continued to ensure that decisions made during the year reflected our principles, Company performance and external considerations."

Zvika Zivlin
Chairman of the Remuneration Committee

DEAR SHAREHOLDER

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

As a company incorporated in Gibraltar, 888 Holdings plc is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of 888's Premium Listing on the London Stock Exchange and reflecting the Committee's approach to good governance, we have adopted in full the disclosure requirements of a UK incorporated company, and shareholders will be given the opportunity to approve our Annual Report on Remuneration, which is subject to an advisory vote at the 2018 Annual General Meeting.

Remuneration and strategy

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

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

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

Pay outcomes for 2017

888 continued to demonstrate impressive growth of its strong underlying business during 2017, despite the various challenges it faced which are detailed in the Strategic Report on page 08, with its share price continuing to grow, alongside major investments in improved protection of its vulnerable customers.

The annual bonus was focused on the achievement of stretching like-for-like Adjusted EBITDA growth[1] targets. Like-for-like Adjusted EBITDA growth in 2017 was 21.1%, resulting in bonuses to the Directors of 150% of salary, of which the excess portion exceeding 100% of salary is to be deferred into shares under the Deferred Share Bonus Plan ("DSBP"), reflecting the strong operational and financial performance of the Group during the year. For full details of Executive Directors' bonuses and the associated performance delivered see page 69.

In relation to long-term incentives, the awards granted in 2015 under the All Employee Share Plan vested based on a performance measure comprising 50% of an absolute EPS growth target and 50% on relative TSR. EPS growth performance was measured over the three-year period to 31 December 2017; EPS growth performance over this period was 82% against a target range of 15.76% (5% p.a. compounded) to 72.80% (20% p.a. compounded). TSR performance was measured over three years to 31 December 2017; TSR performance was 138%, putting it above the stretch target. This will result in 100% of the 2015 award vesting in 2018.

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

Remuneration Policy

No changes are proposed to the Remuneration Policy adopted by the Company at its 2017 Annual General Meeting, a summary of which is reproduced in the following pages for reference.

The second section of this report is the Annual Report on Remuneration which provides detailed disclosure on how the Remuneration Policy will be implemented for 2018 and how Directors have been paid in 2017. The disclosures provide shareholders with the information necessary to form a judgement as to the link between Company performance and how the Executive Directors were paid. This Annual Statement together with the Annual Report on Remuneration will be subject to an advisory vote and I hope that you will be able to support the resolution at the forthcoming AGM.

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

Zvika Zivlin
Chairman of the Remuneration Committee
20 March 2018

1 Like-for-like Adjusted EBITDA growth is calculated as the increase in Adjusted EBITDA. To enable a like-for-like comparison with the prior year, adjustments are made to take into account the Group's withdrawal from any markets during the year (to provide an assessment of the underlying performance of the core business) and to exclude any new gaming taxes introduced during the year that were not in force at the start of the year (to be comparable with the basis on which the growth targets were originally set). Like-for-like Adjusted EBITDA growth for the annual bonus is calculated on a constant currency basis.

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION POLICY

No changes are proposed to the Remuneration Policy adopted by the Company on 9 May 2016 at its 2016 Annual General Meeting (such policy being effective with respect to payments made after 9 May 2016 and detailed in the 2015 Annual Report). However, the Remuneration Policy table is reproduced below for convenience.

Remuneration Policy table

BASE SALARY	
Purpose and link to strategy	To recruit, motivate and retain high-calibre Executive Directors by offering salaries at market competitive levels. Reflects individual experience and role.
Operation	Reviewed annually with any changes normally effective from 1 January. Positioning and annual increases are influenced by: • our sector, where the market for executive talent is intense • the experience and performance of the individual; • changes in responsibility or position; • changes in broader workforce salary; and • the performance of 888 as a whole. Benchmarking is carried out on a total remuneration basis and takes into account pay levels for comparable roles at a range of organisations of similar size and sector – including pay practices in other UK listed companies and in the international gaming industry.
Opportunity	Any increase to Directors' salaries will generally be no higher than the average increase for other employees. However, a higher increase may be proposed in the event of a role change or promotion, or in other exceptional circumstances.
BENEFITS	
Purpose and link to strategy	Market competitive structure to support recruitment and retention. Medical cover aims to ensure minimal business interruption as a result of illness.
Operation	Executive Directors may receive various benefits in kind as part of their employment terms. These may include an accommodation allowance (where 888 has required the executive to relocate), use of a company car (or car allowance), health insurance (or a contribution towards a health insurance scheme), "study fund" (a common savings benefit in Israel), disability and life assurance, relocation expenses, directors' indemnities and directors' and officers' insurances to the extent permitted by law and other ad hoc benefits at the discretion of the Committee.
Opportunity	The value of benefits is based on the cost to 888 and there is no pre-determined maximum limit. The range and value of the benefits offered is reviewed periodically.
PENSION	
Purpose and link to strategy	Contribution towards the funding of post-retirement life.
Operation	888 offers a defined contribution pension scheme (via outsourced pension providers) or cash in lieu of pension.
Opportunity	Up to 15% of base salary.

DIRECTORS' REMUNERATION REPORT
continued

Remuneration Policy table continued

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

LONG TERM INCENTIVES PLAN ("LTIP")

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

SHARE OWNERSHIP GUIDELINES

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

DIRECTORS' REMUNERATION REPORT
continued

Remuneration Policy table continued

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

Approach to recruitment remuneration
The remuneration package for a new Executive Director would take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual. Salary would be provided at such a level as is required to attract the most appropriate candidate. The annual bonus and LTIP potential would be in line with the Policy. In addition, the Committee may offer additional cash and/or share based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would ensure that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, or adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. The Committee may agree that 888 will meet relocation expenses as appropriate.

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

Leaver on arranged terms or good leaver

If an Executive Director leaves on agreed terms, including compassionate circumstances, there may be payments after cessation of employment. Salary, pension and benefits will be paid up to the length of the agreed notice period or agreed period of gardening leave. Subject to performance, a bonus may be payable at the discretion of the Committee pro-rata for the portion of the financial year worked. Unvested deferred bonus shares will ordinarily vest in full at the end of the normal vesting period. All such vested awards must be exercised within 12 months of the vesting date. The Committee has discretion to permit such unvested awards to vest early rather than continue on the normal vesting timetable. Unvested LTIP awards under the 888 All-Employee Plan will generally automatically lapse, unless the Committee in its discretion determines otherwise. Unvested awards under the 2015 LTIP would normally vest on the normal vesting date unless the Committee determines that such awards shall instead vest at the time of cessation. Unvested awards will only vest to the extent that the performance conditions have been satisfied (over the full or curtailed period as relevant). A pro-rata reduction in the size of awards would normally apply, based upon the period of time after the grant date and ending on the date of cessation of employment relative to the normal vesting period. Depending upon circumstances, the Committee may consider other payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees.

Terms of appointment for Non-Executive Directors

The Non-Executive Directors serve subject to letters of appointment and are appointed subject to re-election at the AGM. The Non-Executive Directors are typically expected to serve for three years, although the Board may invite a Non-Executive Director to serve for an additional period. Their letters of appointment are available for inspection at 888's registered office and at each AGM. In accordance with best practice under the UK Corporate Governance Code, the Board proposes to submit the Directors individually for re-election by the shareholders at the 2018 Annual General Meeting.

How the views of shareholders are taken into account

888 engages with significant investors regarding remuneration issues and intends to continue doing so. Views of shareholders and their representative bodies expressed at the AGM and feedback received at other times will be considered by the Committee.

How the views of employees are taken into account

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

Annual Report on Remuneration

This Annual Report on Remuneration together with the Chairman's annual statement, as detailed on page 62 will be subject to an advisory vote at the 2018 AGM. The information on page 69 with respect to Directors' emoluments and onwards through page 76 has been audited.

Implementation of Remuneration Policy for 2018

In relation to the Remuneration Policy described in the previous section, the expected application of the Remuneration Policy for 2018 is set out below.

Base salary and fees

Executive Directors

Salaries for 2018 are set out below:

- CEO – Itai Frieberger: ILS 3,275,000 (2017: ILS 3,180,000).
- CFO – Aviad Kobrine: £450,000 (2017: £437,000).

Chairman and Non-Executive Director fees

The fees for 2018 are as follows:

- Chairman's fee: £305,000 (2017: £290,000);
- Non-executive Director fee: £90,000 (2017: £85,000); and
- Senior Independent Director fee: £110,000 (2017: £105,000).

As from 1 January 2017, an additional £10,000 is paid to a Non-Executive Director or Senior Independent Director who also serves as Chairman of any Board committees.

DIRECTORS' REMUNERATION REPORT
continued

DIRECTORS' SERVICE CONTRACTS

The unexpired term of the directors' service contracts or appointment letters are as follows:

NAME	POSITION	UNEXPIRED TERM OF SERVICE CONTRACT
Brian Mattingley	Chairman	Terminable at six months' prior written notice, subject to annual re-election at the Annual General Meeting. No remuneration is payable in respect of any unexpired portion of the term of the Chairman's appointment, including if the Chairman is asked to step down from the Board.
Itai Frieberger	Chief Executive Officer	Indefinite subject to termination provisions set out in his Agreement. Loss of office provisions are detailed above.
Aviad Kobrine	Chief Financial Officer	Indefinite subject to termination provisions set out in his Agreement. Loss of office provisions are detailed `above.
Ron McMillan	Senior Independent Director	Until 15 May 2020, subject to re-election at each Annual General Meeting. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.
Zvika Zivlin	Non-Executive Director	Until 8 May 2020. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.
Anne de Kerckhove	Non-Executive Director	Until 27 November 2020. No remuneration is payable in respect of any unexpired portion of the term of the Director's appointment, including if the Director is asked to step down from the Board.

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

Annual bonus

For 2018, the CEO and CFO will have a bonus opportunity of 150% of salary.

Bonus will be based on a sliding scale range of like-for-like EBITDA targets, which will be disclosed retrospectively in next year's annual report on remuneration. No bonus will become payable unless budgeted Adjusted EBITDA for 2018 is achieved.

Any bonus above 100% of salary will be deferred into equity awards of the Company in the form of nil cost options or share awards, in accordance with the Company's DSBP. Awards under the DSBP are generally granted within 42 days of the Company's results announcement, subject to any applicable dealing restrictions. All such equity awards vest in equal tranches over three years from the date of grant, without the application of performance conditions but subject to leaver and clawback provisions. In order to grant awards under the DSBP, the Group purchases shares on the open market, all of which are initially recognised as treasury shares of the Company.

Long-term incentive plan

Award levels

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

Performance conditions

2018 LTIP awards will be subject to EPS and relative TSR performance conditions, each with a 50% weighting. These metrics were chosen as EPS provides a focus on 888's underlying financial performance, and relative TSR provides an objective reward for delivering value to shareholders compared to 888's peers.

Detail and target ranges

EPS target range for 2018 awards:

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

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

TSR target for 2018 awards:
888's TSR will be compared against a comparator group comprising five peer companies as follows: GVC Holdings plc, Sportech plc, Playtech plc, Paddy Power, Betfair plc, William Hill plc.

- 0% will vest if 888's TSR is below the TSR of the median company in the comparator group;
- 25% will vest if 888's TSR is equal to the TSR of the median company in the comparator group ("Threshold"); and
- 100% will vest if 888's TSR is 33% (i.e. 10% per annum) or more above the TSR of the median company in the comparator group ("Maximum");
- Vesting will be on a proportionate basis for performance between Threshold and Maximum.

Pension

888 offers a defined contribution pension scheme (via outsourced pension providers) or cash in lieu of pension. In accordance with standard practice in Israel, Itai Frieberger is granted personal pension scheme contributions in an amount of 14.27% of base salary, in addition to 0.6% of base salary contribution for loss of working capacity. Aviad Kobrine receives a cash payment in lieu of pension in the amount of 15% of base salary.

Remuneration paid to Executive Directors for service in 2017

The following table presents the Executive Directors' emoluments in respect of the year ended 31 December 2017 (all amounts are in US$ 000).

Executive Directors[1]		Salary[3] US$ 000	Taxable benefits[4] US$ 000	Annual bonus[5] US$ 000	Long-Term Incentives[6] US$ 000	Pension US$ 000	Total US$ 000
Itai Frieberger, CEO[2]	**2017**	**885**	**197**	**1,371**	**1,104**	**132**	**3,689**
	2016	769	169	1,153	899	110	3,100
Aviad Kobrine, CFO	**2017**	**563**	**51**	**885**	**885**	**84**	**2,468**
	2016	564	49	769	686	85	2,153

1 Directors' remuneration is converted into US Dollars from Sterling and New ILSs at the average rate of exchange for the relevant month it was paid save for the annual cash bonus which is converted into US Dollar at the year-end exchange rate. The recorded increase in Itai Frieberger's salary, pension and annual bonus amounts reflect fluctuations in the USD:ILS exchange rate in addition to an increase in the ILS amounts.
2 Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016.
3 Salaries for 2017 were ILS 3,180,000 for Itai Frieberger and £437,000 for Aviad Kobrine. Salaries for 2016 were ILS 3,024,495 for Itai Frieberger (on appointment as Chief Executive Officer) and £416,000 for Aviad Kobrine.
4 Benefits for Aviad Kobrine include car allowance and health, disability and life insurance; and for Itai Frieberger include convalescence and health insurance for Itai Frieberger and his family, contribution to "study fund" up to the Israeli tax-free ceiling with the excess up to 7.5% of Itai Frieberger's salary paid in cash, car allowance and gross-up thereof, and a meal allowance provided to Israeli employees.
5 A breakdown of the 2017 annual bonus targets and the extent of their achievement is set out overleaf. In 2017, a bonus in the amount of 150% of salary was awarded to both Itai Frieberger (ILS 4,770,000; 2016: ILS 4,423,473) and Aviad Kobrine (GBP 655,500; 2016: GBP 624,000) of which an amount equal to 100% of salary (ILS 3,180,000 for Itai Frieberger; GBP 437,000 for Aviad Kobrine) is paid in cash, and the excess portion above 100% of salary (ILS 1,590,000 for Itai Frieberger; GBP 218,500 for Aviad Kobrine) is to be deferred into shares under the DSBP.
6 Performance-based long-term incentives are disclosed in the year in which they vest. A breakdown of the basis for the payments under long-term incentives is set out on pages 71 to 72. In 2017, 248,845 nil-cost options granted to Aviad Kobrine, and 310,697 Ordinary Shares granted to Itai Frieberger on 28 March 2014 and due to vest on 28 March 2017 subject to fulfilment of the performance conditions set out in the Directors' Remuneration Report in 2016, vested in full.

DIRECTORS' REMUNERATION REPORT
continued

Non-Executive Directors' and Chairman's fees

Current Non-Executive Directors and Chairman		Fee US$ 000	Other[1] US$ 000	Total US$ 000
Ron McMillan[2]	**2017**	148	–	148
	2016	132	–	132
Amos Pickel[3]	**2017**	38	–	38
	2016	115	–	115
Zvika Zivlin[4]	**2017**	81	–	81
	2016	–	–	–
Anne de Kerckhove[5]	**2017**	14	–	14
	2016	–	–	–
Brian Mattingley	**2017**	374	23	397
	2016	393	24	417

1 "Other" for Brian Mattingley reflects reimbursement of expenses connected with his role.
2 Ron McMillan was appointed as Senior Independent Director on 9 May 2016, and in that capacity his director fee was increased from GBP 85,000 to GBP 105,000. Mr. McMillan is also the Chairman of the Audit Committee and in that capacity received an additional GBP 10,000 Committee Chairmanship fee as from 1 January 2017.
3 Amos Pickel stepped down as a Non-Executive Director on 9 May 2017.
4 Zvika Zivlin was appointed as a Non-Executive Director on 9 May 2017 and was paid the pro-rata portion of his annual fee of GBP 85,000. Mr. Zivlin was also appointed Chairman of the Remuneration and Nominations Committees as from 12 July 2017, and in that capacity received the pro-rata portion of the GBP 10,000 Committee Chairmanship fee.
5 Anne de Kerckhove was appointed as a Non-Executive Director on 28 November 2017 and was paid the pro-rata portion of her annual fee of GBP 85,000.

Annual bonus payments in respect of 2017 performance

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

The annual bonus opportunity was 150% of base salary and the bonus was determined by reference to challenging like-for-like Adjusted EBITDA performance conditions.

EBITDA performance

The extent to which the EBITDA performance conditions in respect of 2017 performance were achieved is as follows:

Performance Measures	Threshold (25% pay-out)	Target (50% pay-out)	Max (100% pay-out)	Actual performance	Bonus awarded
Like-for-like Adjusted EBITDA growth per annum	5%	12.5%	20%	21.1%	150% of salary
					Itai Frieberger – ILS 4,770,000, of which ILS 3,180,000 is paid in cash and an amount equal to ILS 1,590,000 is deferred into shares under the DSBP.
					Aviad Kobrine – GBP 655,500, of which GBP 437,000 is paid in cash and an amount equal to GBP 218,500 is deferred into shares under the DSBP.

Insofar as Adjusted EBITDA for the year is not above the level specified in the budget, no bonus would have been payable; however, this hurdle was achieved in 2017.

To enable a like-for-like comparison with the prior year and to be comparable with the basis on which the growth targets were original set, EBITDA growth is adjusted to take into account of:
- the Group's withdrawal from any markets during the year, to provide an assessment of the underlying performance of the core business;
- any new gaming taxes introduced during the year that were not in force or anticipated at the start of the year when the targets were set; and
- movements in foreign exchange rates from budgeted rates (like-for-like Adjusted EBITDA growth is calculated on constant currency basis).

EBITDA performance continued

Taking into account the underlying financial and operational performance of the business during the year, including the significant resources devoted by the senior management team in assessing and delivering improvements to 888's responsible gaming tools, processes and technology, the Committee considered that the overall bonus out-turn was reflective of the strong performance of the Company and the management team over the year and that the pay-out levels were appropriate.

As noted on pages 68 to 69, the proportion of bonus awarded in excess of 100% of salary, will be deferred in shares under the Deferred Share Bonus plan. The deferred shares vest in equal tranches after one, two and three years. No further performance conditions apply to the release of the deferred shares.

Long-term incentive awards with performance periods ending in the year ended 31 December 2017

888 All Employee Share Plan

The 2015 All Employee Share Plan awards are due to vest in 2018. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number of awards vesting (with their estimated value).

	TSR[1]		Like-for-like EPS growth[3]	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%[2]	0%
Threshold	Median = 33%	25%	15.76%[2]	25%
Stretch or above	33% (i.e. 10% p.a.) above median = 70.5%	100%	72.8% or above[2]	100%
Actual achieved	138%	100%	82%	100%

1 Relative to a comparator group of five gaming companies – bwin.party digital entertainment plc (now GVC Holdings plc – see below), Sportech plc, Ladbrokes plc (now Ladbrokes Coral Group plc – see below), Playtech plc, and Paddy Power plc (now Paddy Power Betfair plc). On 1 February 2016, the acquisition of bwin.party by GVC Holdings plc was completed. As of such date, bwin.party was delisted and therefore peer group data reflects the share price of GVC Holdings plc from 2 February 2016. In addition, during 2016, Ladbrokes plc acquired Gala Coral and changed its listing to Ladbrokes Coral Group plc (Ladbrokes Coral Group plc was then acquired by GVC Holdings plc in December 2017); and Paddy Power plc acquired Betfair plc and changed its listing to Paddy Power Betfair plc. Playtech Ltd listed on 2 July 2012 and is referred to as Playtech plc.
2 15.76% aggregate EPS growth is the equivalent of 5% EPS growth compounded annually. 72.8% aggregate EPS growth is the equivalent of 20% EPS growth compounded annually.
3 Like-for-like EPS growth is calculated as the growth in adjusted EPS between 2014 (the base year) and 2017 (the final year of the performance period). To ensure that the comparison is made on a like-for-like basis, adjustments have been made to exclude the impact of the Group's withdrawal from certain markets and new gaming duties and taxes introduced during the period.

Details of the expected level of vesting for each Director in respect of awards granted under the 2015 All Employee Share Plan, based on the above, are shown in the table below:

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[2] US$	Value of awards including Dividend Accrual[1] US$
Itai Frieberger	2,500,000[3]	0	2,500,000	0	8,518,864
	249,424	0	249,424	0	849,924
Aviad Kobrine	245,201	0	245,201	0	835,534

1 The value of the vested shares is based on the share price on the date of vesting, being $3.41 market value (based on the exchange rate of 1.35) according to the last three months of 2017.
2 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employees.
3 Shares awarded to Itai Frieberger prior to his appointment as a director of the Company.

DIRECTORS' REMUNERATION REPORT
continued

Long-term incentive awards with performance periods ending in the year ended 31 December 2017

888 All Employee Share Plan

The 2014 All Employee Share Plan awards vested in full in March 2017. The tables below set out the achievement against the performance conditions attached to the award, resulting in aggregate vesting of 100%, and the actual number and value of awards vested.

	TSR		Like-for-like EPS growth	
Performance level	Performance required	% vesting	Performance required	% vesting
Below threshold	Below median	0%	Below 15.76%	0%
Threshold	Median = 30%	25%	15.76%	25%
Stretch or above	33% (i.e. 10% p.a.) above median = 43.9%	100%	72.8% or above	100%
Actual achieved	50%	100%	89%	100%

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

Executive	Number of awards at grant	Number of awards to lapse	Number of awards to vest	Dividend accrual on vested awards value[1] US$	Value of awards including Dividend Accrual[2] US$
Itai Frieberger	310,697	0	310,697	60,897	1,104,432
Aviad Kobrine	248,845	0	248,845	48,774	884,567

1 Dividends accrue on awards at the date of a dividend payment and upon exercise the cash value of the accrued dividends is paid to the employee on the number of vested awards.
2 The value of the vested shares is based on the share price on the date of vesting (28 March 2017), being $3.36 (based on the exchange rate of 1.242).

Scheme interests awarded during the year

The table below sets out the grants under the 888 Holdings plc Long-Term Incentive Plan 2015 and the Deferred Share Bonus Plan in 2017.

Executive	Award type	Grant date	Number of awards granted	Face value of awards granted[1]	Face value of awards as % salary	% vesting at threshold performance
Itai Frieberger	LTIP	7 April 2017	515,334[2]	US$1,740,429	200%	25%
Itai Frieberger	DSBP	28 June 2017	130,914[3]	US$373,112	N/A	N/A
Aviad Kobrine	LTIP	7 April 2017	240,110[2]	US$810,920	150%	25%
Aviad Kobrine	DSBP	28 June 2017	80,777[3]	US$230,219	N/A	N/A

1 Face value was calculated using share price on the date of grant, which was £2.73 (7 April 2017) and £2.203 (28 June 2017). The awards to Itai Frieberger on both 7 April 2017 and 28 June 2017 were awards of Ordinary Shares, whilst the awards to Aviad Kobrine on both 7 April 2017 and 28 June 2017 were Nil Cost Options.
2 These awards are due to vest subject to performance conditions being met at the end of the performance period ending 31 December 2019. 50% of an award is subject to an EPS performance condition requiring annual like-for-like adjusted EPS growth of between 5% and 20% p.a., and 50% is subject to a TSR performance condition versus a peer group comprised of GVC Holdings plc, Ladbrokes Coral Group plc (acquired by GVC Holdings plc in December 2017), Playtech plc, Paddy Power Betfair plc and William Hill plc (25% of the TSR awards vest for median performance with full vesting achieved for out-performance the median by 10% p.a.).
3 Granted on 28 June 2017 by way of deferral of the excess portion of the 2016 annual bonus into shares in accordance with the Company's Remuneration Policy and pursuant to the Company's Deferred Bonus Share Plan, and vesting in equal tranches over one, two and three years. No further performance conditions apply to the vesting of the awards however clawback provisions may apply in certain circumstances.

Loss of office payments

In 2017, no loss of office payments were made to Executive Directors, and no payments were made to past Executive Directors.

Details of all outstanding share awards

In addition to awards made during the 2017 financial year, the table below sets out details of all outstanding share based awards held by Directors.

Directors' shareholdings and share interests

A policy for formal shareholding guidelines was introduced with effect from 1 January 2016, requiring the Executive Directors to build and maintain a shareholding in 888 worth two-times their annual salary as set out in the Remuneration Policy.

Details of the Directors' interests in shares as at 31 December 2017 (or in the case of former Directors, the date on which they retired from the Board) are shown in the table below. There were no changes in the Directors' interests in shares between 31 December 2017 and the date of this Report.

	Number of Ordinary Shares							
	At 31 December 2017							
Director[3]	Legally owned	Unvested shares with performance conditions	Unvested shares without performance conditions	Unvested options with performance conditions[1]	Unvested options without performance conditions[1]	Vested unexercised options[1,2]	Total	% achievement against shareholding guideline[3]
Itai Frieberger	1,210,725	3,807,484	1,250,000	—	—	0	6,268,209	502%
Aviad Kobrine	—	—	—	801,349	81,301	3,011,728	3,894,378	1024%
Brian Mattingley	142,857	—	—	—	—	—	142,857	N/A
Amos Pickel	100,000	—	—	—	—	—	100,000	N/A
Ron McMillan	—	—	—	—	—	—	—	N/A
Zvika Zivlin	—	—	—	—	—	—	—	N/A
Anne de Kerckhove	—	—	—	—	—	—	—	N/A

1 Nil Cost Options.
2 The Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Shares counting towards this guideline include legally owned shares and fully vested but unexercised nil-cost options (valued on a net of tax basis). Achievement against the guideline holding is calculated using the share price at 31 December 2017.
3 Includes Closely Associated Persons in accordance with the EU Market Abuse Regulation.

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

Performance graph

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

Value of £100 Sterling in 888 1/1/2009 - 31/12/2017 v. FTSE 250

DIRECTORS' REMUNERATION REPORT
continued

Total remuneration history for CEO

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

	2009	2010	2011[1]	2012[2]	2013	2014	2015[3,4]	2016[5]	2017
Total remuneration (US$ 000)	1,168	958	3,783	1,060	1,275	1,331	5,415	1,855	2,584
Annual bonus (%)	100%	100%	100%	100%	100%	100%	100%	100%	100%
LTI vesting (%)	68%	0%	100%	0%	0%	0%	59%	N/A	N/A

1 Gigi Levy was the CEO of 888 from 2009 to 30 April 2011. There was no CEO from 1 May 2011 to 26 March 2012.
2 Brian Mattingley was CEO from 27 March 2012 to 13 May 2015.
3 Brian Mattingley's total remuneration in 2015 included a phantom award granted to him on 27 March 2012 and which vested on 27 March 2015.
4 Figures in 2015 reflect Brian Mattingley's tenure as CEO until 13 May 2015. There was no CEO from 14 May 2015 to 1 March 2016.
5 Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016. Figures reflect the period during which Itai Frieberger served as Chief Executive Officer and do not include LTIP awards granted during the period prior to his appointment as Chief Executive Officer.

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

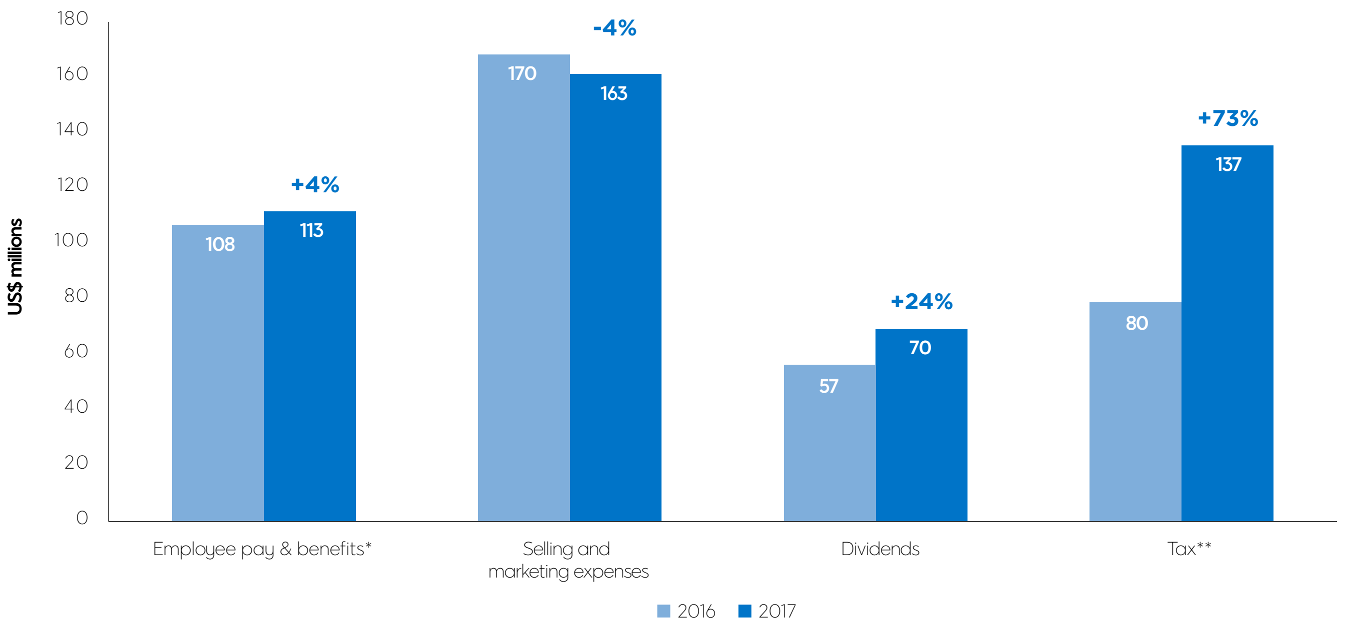
The following table sets out the percentage change in salary, taxable benefits and annual bonus from financial year 2016 to financial year 2017, for both the CEO and employees of the Group taken as a whole. Exchange rates were normalised for 2017 in order to neutralise foreign exchange effects.

	CEO[1]	Employees[2]
Salary[3]	5%	2%
Taxable benefits[4]	9%	0%
Annual bonus[5]	5%	-4%

1 Itai Frieberger was appointed as Chief Executive Officer on 2 March 2016. Figures for 2016 used in the percentage change comparison above were annualised.
2 Employee numbers were calculated on a per average head count basis.
3 The salary figure includes base salary together with other payments made to the employees (e.g. sick pay, vacation pay), but excluding discretionary bonuses.
4 The benefits figure includes benefits granted to employees which are not part of salary (e.g. medical insurance, meals, further education funds). Pension amounts are not included in benefits. Increase in CEO taxable benefits in 2017 related to specific contractual expense obligations.
5 The annual bonus figure solely includes bonuses, which are based on an estimation by the Company based on the bonus accrual, since bonuses are generally paid to Group employees in April in respect of the previous financial year.

Relative importance of spend on pay

The following graph sets out the actual expenditure by 888 in financial years 2016 and 2017 on items that were the most significant outgoings for 888 in the last financial year, including on remuneration to Group employees.



* Employee pay & benefits is calculated in accordance with note 6 of the financial statements, and includes Share benefit charges of US$8.5 million (2016: US$6.7 million).
** Includes Exceptional charges of US$45.3 million in respect of potential past VAT in Germany (2016: US$3.0 million in respect of respect of gaming taxes relating to activity in prior years in Switzerland and Belgium).

Relative importance of spend on pay continued

The comparables chosen were the following:

- The employee pay figure includes employee benefits in accordance with the financial statements (including both staff costs and share benefit charges).
- Sales and marketing expenses – this reflects the amount invested in development of the future revenue stream of 888 driven by customer acquisition.
- Dividends – this reflects amounts distributed to shareholders.
- Taxes and duties – this is a necessary cost of doing business in a regulated business environment.

Committee members, attendees and advice

The Remuneration Committee consists solely of Non-Executive Directors, currently Zvika Zivlin (Chair), Ron McMillan and Anne de Kerckhove. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on page 57. The Chairman and Company Secretary attend meetings by invitation.

The Remuneration Committee's remit includes such matters as:

- Determining and agreeing with the Board the Remuneration Policy with regard to 888's Chairman, Chief Executive Officer, Chief Financial Officer and other members of the executive management;
- Regularly reviewing the ongoing appropriateness and relevance of 888's Remuneration Policy, including ensuring that any payments made in respect of any remuneration package are permitted under the latest shareholder approved Remuneration Policy and that they reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements;
- Setting and monitoring performance criteria for bonus arrangements operated by 888 ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account 888's and Group's overall performance and the corresponding return on shareholders' investment in the same period, whilst also supporting 888's risk management strategy;
- Recommending to the Board the policy for and scope of pension arrangements for the Executive Directors; and
- In relation to 888's share option and share based award schemes, approving the introduction of any new incentive schemes which Executive Directors participate in, approving award grants to Executive Directors, setting or recommending and monitoring vesting criteria and performance conditions which are appropriate in terms of 888's performance and return on shareholders' investment over the same period.
- Regularly reviewing and considering all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance, and obtaining up-to-date information about remuneration trends in other companies and market conditions on remuneration.

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

Remuneration Committee adviser

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

The primary role of New Bridge Street is to provide independent and objective advice and support to the Committee's Chair and members in relation to matters concerning remuneration, including market statistics and comparisons in order to inform Remuneration Committee discussions. New Bridge Street attends the annual Board review and provides constructive challenge to Remuneration Committee decisions. In order to manage any possible conflict of interest, New Bridge Street operates as a distinct business within the Aon Group and there is a robust separation between the business activities and management of New Bridge Street and all other parts of Aon Hewitt and the wider Aon Group. The Committee undertakes due diligence periodically to ensure that New Bridge Street remains independent and is satisfied that the advice that it receives from New Bridge Street is objective and independent. New Bridge Street is also a signatory to the Remuneration Consultants Group Code of Conduct which sets out guidelines for managing conflicts of interest, and has confirmed to the Committee its compliance with the Remuneration Consultants Group Code.

The total fees paid to New Bridge Street in respect of its services to the Committee for the year ending 31 December 2017 were £20,715 (2016 – £11,730). Fees are charged on a 'time spent' basis, and the Board considers that the fees paid to New Bridge Street are competitive.

DIRECTORS' REMUNERATION REPORT
continued

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

	Advisory vote to approve Annual Report on Remuneration (at 2017 Annual General Meeting)		Advisory vote to approve Remuneration Policy (at 2016 Annual General Meeting)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	271,559,788	100.00%	278,617,899	94.60%
Against	12,355	0.00%	15,900,728	5.40%
Vote Withheld	3,359		37,443	

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

Zvika Zivlin
Chairman of the Remuneration Committee
20 March 2018

AUDIT COMMITTEE REPORT

LETTER TO SHAREHOLDERS

Dear Shareholders,

The Audit Committee exercises oversight of 888's financial reporting policies, monitors the integrity of the financial statements and considers the significant financial and accounting estimates and judgements applied in preparing the financial statements. It also ensures that disclosures in the financial statements are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks. The Committee has reviewed the narrative contained in this Annual Report and considers that sufficient information has been provided to give shareholders a fair, balanced and understandable account of the Company's business.

To achieve its objectives, the Committee works closely with the Board and Group management to ensure that all significant risks are considered on an ongoing basis, and that all communications with shareholders are properly considered.

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

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

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

Amongst other things, during the year the Committee considered:

- The complex legal and regulatory environment in which 888 operates, together with changes in laws and regulations which may impact 888's business, sector and market.
- 888's exposure to corporation tax, VAT and gaming duties in various jurisdictions.
- The carrying value of goodwill and other intangible assets and related disclosures in the financial statements.
- The adequacy of 888's IT systems and controls.
- The adequacy of the systems and controls on which management relies.
- The Board's assessment of risk and the risk register prepared by management.
- The Viability Statement and going concern statement prepared by management.
- 888's anti-bribery obligations.
- 888's anti-money laundering obligations.
- Control and reporting issues relating to items identified in the UKGC licence review and ongoing engagement with regulatory bodies.
- Updates regarding the Company's preparation for GDPR implementation in 2018.

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

Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of audit.

I shall also be available at the Annual General Meeting on 9 May 2018 to answer any questions and would like to thank my colleague on the Committee for his help and support.

Sincerely,

Ron McMillan
Chairman of the Audit Committee
20 March 2018

AUDIT COMMITTEE REPORT
continued

Committee composition
The Committee comprises three members, Senior Independent Director Ron McMillan (Chair), Independent Non-Executive Director Zvika Zivlin and Independent Non-Executive Director Anne de Kerckhove. Mr. Zivlin was appointed to the Board in March 2017 and Ms. de Kerckhove was appointed to the Board in November 2017.

Two members constitute a quorum. The Committee requires the inclusion of at least one financially qualified member with recent and relevant financial experience. The Committee's Chairman fulfils that requirement. The Committee as a whole is expected to have competence relevant to the online gaming sector and all members of the Committee are expected to have an understanding of financial reporting, 888's internal control environment, relevant corporate legislation, the functions of internal and external audit and the regulatory and compliance framework of the business. Mr. Zivlin has extensive business and industry experience through his various roles, Mr. McMillan has served in the past as the auditor of betting and gaming companies and Ms. de Kerckhove has extensive entrepreneurial and business experience as the founder of several business ventures. Details of meetings of the Audit Committee are set out in the Corporate Governance Report on page 57.

The timing of Audit Committee meetings is set to accommodate the dates of release of financial information at the half year and full year-ends and the approval of scope and outputs from work programmes executed by the internal and external auditors.

In addition to scheduled meetings, the Chairman of the Committee met with the Chief Financial Officer and the internal and external auditors on a number of occasions. Although not members of the Committee, the Chairman, Chief Executive Officer and Chief Financial Officer normally attend meetings together with representatives from the internal and external auditors.

Responsibilities
The Committee is responsible for:

- Monitoring the integrity of 888's financial statements and reviewing significant financial judgements and estimates in advance of these being considered by the Board;
- Reviewing internal financial controls and management's response to required corrective actions identified in both internal and external audit reports;
- Monitoring and reviewing the role and effectiveness of the internal audit function, including activities and resources;
- Overseeing the role and effectiveness of the external auditors, reviewing and monitoring their objectivity and independence and agreeing the scope of work and fees for audit and non-audit services; and
- Assisting the Board in its consideration of relevant risk factors and determining appropriate mitigation actions.

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

Legal and regulatory environment
888 operates within an increasingly regulated marketplace and is challenged by regulatory requirements across all areas of its business. This creates risk for the Company as non-compliance can lead to financial penalties, reputational damage and the loss of licences to operate. Details of the UKGC licence review referred to on page 18, and of actions taken by the Company to enhance its responsible gaming and other protections, are set out in the CEO's Strategic Report on page 08 and in the Corporate Responsibility Report on page 32. As part of this process, the Audit Committee received frequent updates from management and discussed the course of action in response to the UKGC licence review process and its conclusion. The Company manages its regulatory risk with input from its legal advisors in order to operate its business in compliance with relevant regulatory requirements. During 2017, in connection with the UKGC licence review, the Company commissioned a special report from its internal auditor, Deloitte, as well as a special independent external audit report, with respect to self-exclusion matters, in addition to having extensive discussion by the Audit Committee in conjunction with management as to a significant stepping up of the control environment to manage compliance, Anti-Money Laundering, responsible gaming and customer protection as well as self-exclusion risk, with greater reporting and investment of resource. The Company works with its lawyers to produce regular updates so that the Board and Audit Committee understand what is happening in the regulatory landscape.

During 2017, the Audit Committee received a detailed regulatory briefing from the Company's lawyers and reviewed updates on the management of regulatory risk from management, as well as reviewing the status of litigation involving 888 and the accounting for 888's obligations in the financial statements.

Taxation
The Board oversees and sets the Company's tax strategy and evaluates tax risk. In undertaking this task the Company uses its legal and tax advisors. During the year, the Company's legal advisors have kept the Audit Committee apprised of both existing and emerging tax risks and, where appropriate, these have been elevated to the Board for consideration in conjunction with 888's commercial strategy.

In 2017, the Board and Audit Committee again received a detailed tax briefing from the Company's lawyers regarding direct and indirect tax obligations to which the Group may be exposed. The Committee noted that the Group registered for taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis, whilst reserving its position concerning contesting possible existence of a liability in appropriate cases. Some uncertainty remains as to whether VAT is due in respect of certain services provided by 888 to customers in some jurisdictions. Historically, on the basis of legal advice received, the Board considered that cash outflow in respect of VAT on services rendered to customers in Germany was not probable. During 2017, in response to an inquiry from the tax authorities in Germany about services provided prior to 2015, the Group provided information in order to fulfil its statutory assistance and information obligations, to enable the appropriate tax authorities to form their own view regarding the likelihood of a VAT liability. The Group obtained a thorough legal assessment and considered the tax position in respect of each service supplied and, given the uncertain legal position, has taken a cautious approach by recording a provision of US$45.3 million (39.6 million Euro) in the 2017 consolidated income statement (2016: $nil) in respect of some of these services, based on its estimate of probable amounts due.

For further information, see notes 8 and 26 to the financial statements.

Goodwill and intangible assets

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

The Audit Committee reviewed the cash flow forecasts supporting the carrying value of goodwill and other intangible assets including the key assumptions and estimates as well as the impact of the recent regulatory developments on the business, and satisfied itself that no impairments were required in relation to carrying values. In addition, the appropriateness of the capitalisation of costs relating to the development of gaming platforms and software was reviewed in light of reports received from management and the external auditor.

Other accounting matters

As referred to in the external audit report on page 81, revenue recognition and the capitalisation of development costs are areas of material risk in relation to the preparation of the financial statements. The Committee has considered the Group's accounting policies in these areas and the internal controls which are in place, together with the outputs of work performed by the external auditors, and has concluded that the Group's recognition of income and capitalisation of development costs is appropriate.

IT systems

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

During the year, the Audit Committee has reviewed reports from management on data security and disaster recovery planning as well as reviewing the steps taken in connection with the UKGC licence review which are detailed on pages 08 and 32.

Internal controls and risk management

The Board has overall responsibility for ensuring that the Company maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Committee has continued to help the Board develop and maintain an approach to risk management which incorporates risk appetite and tolerance, the framework within which risk is managed and the responsibility and procedures pertaining to application of the policy.

The Company is proactive in ensuring that corporate and operational risks are identified, assessed and managed by identifying suitable controls. A corporate risk register is maintained which details:

1. The risks and impact they may have;
2. Actions to mitigate risks;
3. Risk scores to highlight the likelihood and implications of occurrence;
4. The owners of risks; and
5. Target dates for actions to mitigate.

A description of the principal risks is set out on pages 18 to 23.

The Board has confirmed that it has carried out a robust assessment of the principal risks facing 888, including those which threaten its business model, future performance, solvency or liquidity.

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

- Reviewing the draft Interim and Annual Reports and considering:
  1. The accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;
  2. The significant accounting issues, estimates and judgements of management in relation to financial reporting;
  3. Whether any significant adjustments were required arising from the audit;
  4. Compliance with statutory tax obligations and the Company's tax policy;
  5. Whether the information set out in the Strategic Report was balanced, comprehensive, clear and concise and covered both positive and negative aspects of performance; and
  6. Whether the use of "alternative performance measures" obscured IFRS measures.
- Meeting with internal and external auditors, both with and in the absence of the Executive Directors.
- Overseeing the management of the Company's whistle-blowing procedures which contain procedures for the Committee to receive, in confidence, complaints and notifications on all operational matters.
- Reporting to the Board on how it has discharged its responsibilities.
- Making recommendations to the Board in respect of its findings in respect of all of the above matters.
- Reviewing the going concern position of 888 and the Viability Statement set out on page 44.

The Board considers that the processes undertaken by the Audit Committee continue to be appropriately robust and effective and in compliance with the guidance issued by the Financial Reporting Council. Other than as arising from the UKGC licence review and as more fully described on page 18, during the year, the Board has not been advised by the Audit Committee of, nor identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

AUDIT COMMITTEE REPORT
continued

The Committee believes that appropriate internal controls are in place through the Group, that 888 has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Performance of Audit Committee

The Audit Committee's performance was evaluated as part of the Board evaluation carried out during 2017, as detailed on page 58.

Internal auditors

The Company's internal audit function is outsourced to Deloitte. The Audit Committee reviewed and modified the internal audit plan in accordance with the principal risks to 888's business as set out in the Risk Register. It has also reviewed reports from Deloitte in relation to all internal audit work carried out during the year and monitored response and follow up by management to internal audit findings. In the past three years, the internal auditors have reviewed various aspects of 888's customer services and business operations, finance, B2B and B2C activities, product technologies, human resources and regulation. In 2017, Deloitte issued reports on customer credits, payroll in various locations, access controls, the management of regulatory audits, regulatory compliance reviews including a specific report on self-exclusion matters, implementation review of Board resolutions, implementation review of internal audit recommendations generally and specifically regarding fraud and risk management, and review of internal audit plan. Whilst no critical issues were identified by Deloitte, a number of matters were identified which required modifications to procedures and improved controls which either have been or are being implemented by management. This includes specifically the findings of the special independent external audit report of self-exclusion matters commissioned by the Board and the recommendations of which were accepted in full by management and have been or are being implemented. The Committee has evaluated the performance of Deloitte and has concluded that they provide constructive challenge and consistently demonstrate a realistic and commercial view of the business.

External auditors

EY has been the Company's external auditor since their appointment in 2014. The partners responsible for the external audit are Jose Julio Pisharello, a partner in EY's Gibraltar office, and Cameron Cartmell, a partner in EY's London office. Jose Julio and Cameron have been responsible for the audit since EY was appointed. The Committee has reviewed the performance of EY, a process which involved all Board members and senior members of 888's finance function. The conclusions reached were that EY continued to perform the external audit in a very professional and efficient manner, and it was therefore the Committee's recommendation that the reappointment of EY be put to shareholders at the Annual General Meeting to be held on 9 May 2018. If reappointed, EY will hold office until the conclusion of the next Annual General Meeting at which accounts are laid. Given EY's short tenure to date, the Board has no present plans to consider an audit tender process. The Committee notes and confirms compliance with the other provisions of the Competition & Markets Authority Order 2014 in respect of statutory audit services for large companies.

The Committee reviewed the reports prepared by the external auditors (EY) on key audit findings and any significant deficiencies in the financial control environment, as well as the recommendations made by EY to improve processes and controls together with management's responses to those recommendations. Other than as a consequence of the UKGC licence review, EY did not highlight any material internal control weaknesses and management has committed to making appropriate changes to controls in areas highlighted by EY.

Non-audit work

The Audit Committee remains mindful of the attitude investors have to the auditors performing non-audit services. The Committee monitors the appointment of the auditors for any non-audit work involving fees above US$0.1 million, with a view to ensuring that non-audit work does not compromise the Company's auditors objectiveness and independence. From 2016, the Committee has committed to ensuring that fees for non-audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

In 2017, the external auditors carried out non-audit work for 888 involving fees in the aggregate amount of US$0.1 million (2016: US$0.3 million). The non-audit work carried out in 2017 primarily comprised verification of data provided by the Company to third parties.

INDEPENDENT AUDITORS' REPORT

to the members of 888 Holdings plc

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- 888 Holdings plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Gibraltar Companies Act 2014; and
- the financial statements have been prepared in accordance with the requirements of the Gibraltar Companies Act 2014, and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Group	Parent company
Consolidated balance sheet as at 31 December 2017	Balance sheet as at 31 December 2017
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 26 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with the Gibraltar Companies Act 2014 and our engagement letter dated 23 January 2018. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITORS' REPORT
continued

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 18 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 60 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 44 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Regulatory and legal risks • Taxation (Income taxes) • Revenue recognition • Capitalisation of development costs
Audit scope	• We performed an audit of the complete financial information of two components, one being a subsidiary in Israel and the other being the remainder of the group. • The components where we performed full or specific audit procedures accounted for the entirety of Profit before tax adjusted for exceptional charger, Revenue and Total assets.
Materiality	• Overall group materiality of $3.4m which represents 5% of profit before tax adjusted for Exceptional charges.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Regulatory and legal risks		
• During 2017 the group recorded a provision of US$45.3 million and disclosed a contingent liability of US$18.5 million in respect of a potential historical VAT charge. The group also recorded US$5.5 million for a UKGC payments in lieu of fine. • Given the industry and jurisdictions in which the group operates, as described in the Principal Risks and Uncertainties on page 18, there is a risk that the group will operate without an appropriate licence, have an existing licence adversely affected or be subject to other regulatory sanctions. • Judgement is also applied in estimating amounts payable to regulatory authorities in certain jurisdictions. This gives rise to a risk over the accuracy of accruals and disclosure of contingent liabilities. There is also a risk that management may influence these significant estimates and judgements in order to meet market expectations or bonus targets. • Following the United Kingdom Gambling Commission (UKGC) Licence review, management has undertaken significant enhancements and improvements of the group's processes and controls in respect of UK Gambling Regulation compliance, particularly in respect of customers' self-exclusion and responsible gaming. Refer to Corporate Responsibility section on page 32. Refer to the Audit Committee Report (page 71); significant accounting policies (note 2 on page 94); and notes 5 and 26 to the Consolidated Financial Statements (pages 104 and 124).	• We understood the group's process and related controls over the identification and mitigation of regulatory and legal risks and the related accounting, and assessed whether the controls are designed effectively to achieve this. • Based on the group's correspondence with regulators and any legal advice the group has received, we understood management's interpretation and application of relevant laws and regulations. • With support from our own indirect tax experts, we challenged the appropriateness of management's assumptions and estimates in relation to German VAT provision and contingent liability, as well as accruals with reference to historical payments made by the group and the period to which any provisions, contingent and accrued liabilities relate. • We have checked the German VAT provision and contingent liability calculation and assessed its reasonableness. • We inquired of management and HFN, the group's legal advisers, about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed or required accruals to be recorded. • We particularly focused on the UKGC licence review completed in 2017 and the remedial actions undertaken by management to address the issues identified. • We also reviewed other regulatory correspondence and enquiries made through the year, management's response and their assessment of potential exposure as at 31 December 2017. • We performed additional walkthrough and audit testing procedures in respect of certain of the enhancements and improvements undertaken by management.	Based on our audit procedures on the group's accounting conclusions in each of its major jurisdictions, we concluded that the provision in respect of potential historical VAT charge and accruals for amounts payable to regulatory authorities are appropriate, within an acceptable range and that the disclosures in the financial statements were appropriate. We did not identify any matters as a result of our walkthrough and additional procedures in respect of UK Regulatory compliance and internal controls improvements introduced following the UKGC Licence review. We concluded that the provision recorded in the financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT
continued

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Taxation		
• The group recognised a taxation charge of US$6.2 million in 2017 (2016: US$7.7 million) and had income tax receivable of US$1.1 million (2016: US$1.1 million) and payable of US$4.1 million at 31 December 2017 (2016: US$0.1 million). • The group operates in a number of countries, resulting in complexities in the payment of and accounting for tax, particularly related to Transfer Pricing and Tax Residency. The group faces a risk that given the international nature of its operations, material tax exposures may not be appropriately provided or disclosed in the financial statements. Refer to the Audit Committee Report (page 77); significant accounting policies (note 2 on page 94); and notes 8 and 14 to the Consolidated Financial Statements (pages 107 and 114).	• We discussed with management and its legal and tax advisers, with support from our tax experts, how the group manages and controls the companies in countries in which it operates. • We checked the group's correspondence with the relevant tax authorities (where applicable), in order to support the tax position of the group. • With support from our international tax experts we understood management's interpretation and application of relevant tax law and, based on our experience challenged the appropriateness of its assumptions and estimates in relation to taxation charge, tax receivable and tax payable. • We also compared the prior year estimate to amounts actually paid. • We considered whether the group's disclosure of its tax estimates were in accordance with IFRS requirements.	We concluded that management's judgements in relation to the taxation charge, provisions for taxation and the related disclosures were appropriate.
Revenue recognition		
• The group recognised revenue of US$541.8 million in 2017 (2016: US$520.8 million). • The group makes a number of judgements in recognising revenue, principally in respect of whether the group is acting as a principal or an agent with its B2B customers and whether certain customer bonuses are treated as a deduction from revenue or as a cost. Any inappropriate judgements could result in a material misstatement of revenue and operating expenses. • There is also a risk that management may override controls to influence the significant judgements in respect of revenue recognition in order to meet market expectations. Refer to the significant accounting policies (note 2 on page 94); and note 3 to the Consolidated Financial Statements (page 102).	• We understood and tested the key application and manual controls over the group's principal gaming systems and then applying IT-based auditing techniques to re-perform the reconciliation between the group's gaming revenue, cash and customer accounts and to check the revenue split by geographic areas. • We read the group's contractual arrangements and observed how they operate in practice to re-assess management's judgement as to whether the group was operating as a principal or an agent in its B2B contracts with customers, in the context of the guidance in IAS 18. • We challenged the treatment of these customer bonuses by considering the customer's contractual obligations in respect of these bonuses to provide marketing services. • We performed detailed substantive testing and cut-off procedures on a sample of revenue transactions for each revenue stream. We also agreed a sample of revenue transactions to customers' cash deposits and withdrawals.	We concluded that the revenue recognised in the year, including in respect of its B2B contracts and the treatment of certain customer bonuses, is materially correct.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Capitalisation of development costs		
• The group capitalised development costs of US$11.2 million in 2017 (2016: US$10.6 million) and had net capitalised development costs of US$29 million at 31 December 2017 (2016: US$28.8 million). • The capitalisation of costs associated with the development of the group's systems, in accordance with the criteria set out in IFRS, involves significant management judgement and is therefore an area of focus for our audit. • There is a risk that costs are capitalised inappropriately, affecting the group's profitability. There is also a risk that management may override controls to influence the significant judgements in respect of the capitalisation of development costs in order to meet market expectations or bonus targets. Refer to the significant accounting policies (note 2 on page 94); and note 11 to the Consolidated Financial Statements (page 109).	• We understood and tested the process and key controls over the group's capitalisation of internal development costs, including its payroll and purchasing systems. • We also tested capitalised internal payroll costs and external supplier costs on a sample of development projects. • For development projects capitalised in the year, we made enquiries of management with respect to technical feasibility and inspected technical reports for a sample of projects to challenge whether the group met the conditions set out in IAS 38 for capitalisation. • We considered the impact of the capitalisation of development costs on the group's achievement of bonus targets and analysts' expectations. • We compared the useful lives of capitalised development costs to the group's business plans for each development project and to historical experience of project lives in the online gaming industry. • We checked that where projects are not yet in use and no amortisation has been charged, they are still expected to be implemented and meet the conditions set out in IAS 38.	We concluded that the group's capitalisation of development costs during 2017 was appropriate and in accordance with IAS 38.

INDEPENDENT AUDITOR'S REPORT
continued

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

The group operates from a small number of locations and as an online gaming operator the group's accounting is centrally managed. In assessing the risk of material misstatement to the group financial statements, we determined that there were two components, one being a subsidiary in Israel and the other being the remainder of the group.
We performed an audit of the complete financial information of both of these components ("full scope"). The components we audited therefore account for the entirety of the group's revenue, profit before tax and total assets. This is consistent with our approach in the prior year.

Involvement with component teams
In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.

The Israeli subsidiary was subject to a full scope audit by a component team in Israel and the remainder of the group was audited directly, as a full scope audit, by the group audit team.

The group audit team performed the majority of its audit fieldwork in Israel and Gibraltar. Non-statutory and statutory audit partners visited both locations at the planning, interim and year end phases of the audit. During these visits they attended audit planning and closing meetings, the group's Audit Committee meetings and conducted and reviewed audit work.

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

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

MATERIALITY

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

We determined materiality for the group to be US$3.4 million (2016: US$3.2 million), which is 5% (2016: 5%) of profit before tax adjusted for Exceptional charges.

We believe that profit before tax, adjusted for the Exceptional charges described below, provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the group. The increase from the prior year predominately reflects the continued growth achieved by the group.

Starting basis	• Profit before tax - US$18.8 million (2016: US$59.2 million)
Adjustments	• Exceptional charges - US$50.8m (US$3.9 million). • Includes Potential historical VAT charge - US$45.3 million and UKGC-payments in lieu fine – US$5.5 million (2016: retroactive duties and associated charges - US$3.0 million and exceptional legal and professional costs - US$0.9 million).
Materiality	• Totals profit before tax adjusted for exceptional charges US$69.6 million (2016: US$63.1 million). • Materiality of US$ 3.4 million (2016: US$3.2 million), representing 5% of materiality basis (2016: 5%).

MATERIALITY continued

We determined materiality for the Parent Company to be $US1.0 million (2016: $US1.8 million), which is 2% (2016: 2%) of net assets.

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely US$2.5 million (2016: US$2.4 million). We have set performance materiality at this percentage due to our past experience of the audit, low number of misstatements and overall effective internal controls.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to Israeli component was US$1.4 million (2016: US$1.3 million). The audit work on the remainder of the group was undertaken using group materiality.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$168,000 (2016: US$160,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 01 to 45, including Strategic Report, the Directors' Report and the Corporate Governance Report set out on pages 46 to 80, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

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

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

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

- Fair, balanced and understandable set out on pages 53 to 54 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 77 to 80 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 55 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

INDEPENDENT AUDITORS' REPORT
continued

Opinion on other matter prescribed by the Gibraltar Companies Act 2014
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and has been properly prepared in accordance with the Act.

Opinions on other matters as per the terms of our engagement letter with the Company
In our opinion, based on the work undertaken in the course of the audit:

- the part of the directors' remuneration report to be audited has been properly prepared with the basis of preparation described therein;
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
We are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- there are material misstatements in the Directors' Report based on our knowledge and understanding of the Company and its environment obtained in the course of the audit.

Matters on which we are required to report by exception as per the terms of our engagement letter with the Company
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
We have nothing to report in respect of the following matters which we have been instructed to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on pages 53 to 54, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to Gambling Regulations and related gaming and indirect taxes in different countries where the group is operating, including the UK, Spain and Germany and other countries, those related to relevant tax compliance regulations in Gibraltar and Israel and related to the financial reporting framework (IFRS as adopted by the EU, UK Corporate Governance Code, Gibraltar Companies Act 2014 the Listing Rules of the London Stock Exchange and the Bribery Act 2010).
- We understood how 888 Holdings plc is complying with those frameworks by making enquiries of management and the company's legal counsel (HFN). We corroborated our enquiries through our review of board minutes, discussion with Audit Committee and any correspondence with regulatory bodies, our audit procedures in respect of "Regulatory and legal risk" and "Taxation" significant risks, as described above.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journal entries.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved audit procedures in respect of "Regulatory and legal risk" and "Taxation" significant risks (as described above), as well as review of board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit Committee on compliance with regulations and enquires of the management and HFN.
- In respect to the Israeli component, any instances of non-compliance with laws and regulations were communicated to the Primary team as they arose and were followed up with management by the Primary team.
- The group operates in the gaming industry which is a highly regulated environment. The non-statutory audit partner has specialised in the betting and gaming sector for many years and has experience of working with both online and physical gaming operators in a variety of regulatory environments. He reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of a specialist where appropriate. The team had discussions during planning and throughout the audit in respect of the evolving gaming regulatory environment and the audit engagement partner provided briefings regarding the UKGC Licence review to the team.
- As part of our audit procedures we identified non-compliance with UK Gambling Regulation in respect of customers' self-exclusion process and responsible gaming. We had discussions with management and legal counsel to assess and understand the implications on our audit procedures. We revised our audit procedures in respect of "Regulatory and legal risk" significant risk as described above in "key audit matters" section.

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

Other matters we are required to address

- We were appointed by the company on 09 May 2017 to audit the financial statements for the year ending 31 December 2017 and no subsequent financial periods. We signed an engagement letter on 23 January 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 31 December 2014 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.
- The maintenance and integrity of the 888 Holdings plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cameron Cartmell
(Non-Statutory Auditor)
Ernst & Young LLP
London
20 March 2018

Jose Julio Pisharello
(Statutory Auditor)
For and on behalf of EY Limited, Registered Auditors
Gibraltar
20 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

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

The notes on pages 94 to 124 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2017

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

The consolidated financial statements on pages 90 to 124 were approved and authorised for issue by the Board of Directors on 20 March 2018 and were signed on its behalf by:

Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 94 to 124 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

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

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

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

The notes on pages 94 to 124 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 US$ million	2016 US$ million
Cash flows from operating activities			
Profit before tax		18.8	59.2
Adjustments for:			
Depreciation	12	5.7	8.4
Amortisation	11	13.6	10.6
Interest income	7	(0.6)	(0.4)
Share of post-tax loss of equity accounted joint ventures and associates	13	0.2	0.1
Share benefit charges	21	8.5	6.7
		46.2	84.6
Increase in trade receivables		(7.2)	(1.8)
Increase in other receivables		(1.1)	(2.5)
Decrease in customer deposits		(2.9)	(5.7)
Increase in trade and other payables		17.7	2.7
Increase in provisions		47.0	—
Cash generated from operations		99.7	77.3
Income tax paid		(4.2)	(9.2)
Net cash generated from operating activities		95.5	68.1
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(5.6)	(6.3)
Interest received	7	0.6	0.4
Acquisition of intangible assets	11	(3.6)	(1.3)
Internally generated intangible assets	11	(11.2)	(10.6)
Net cash used in investing activities		(19.8)	(17.8)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	17	0.3	1.1
Acquisition of treasury shares	21	(0.7)	—
Dividends paid	10	(70.5)	(56.6)
Net cash used in financing activities		(70.9)	(55.5)
Net (decrease) increase in cash and cash equivalents		4.8	(5.2)
Net foreign exchange difference		2.2	(0.8)
Cash and cash equivalents at the beginning of the year	15	172.6	178.6
Cash and cash equivalents at the end of the year[1]	15	179.6	172.6

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

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

The notes on pages 94 to 124 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Company description and activities

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

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

Definitions

In these financial statements:

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

Revenue

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

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

Revenue from online activities comprises:

Casino and Bingo

Casino and Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won, adjusted for the fair value of certain promotional bonuses granted to customers and the value of loyalty points accrued. Social games revenue represents the Group's share from the sale of virtual goods to customers playing the Group's games.

Poker

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

Sport

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

B2B

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(ii) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets

Acquired intangible assets

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

Internally generated intangible assets

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

Goodwill

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

Severance pay schemes
The Group operates two severance pay schemes:

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

Severance pay scheme surpluses and deficits are measured as:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

3 SEGMENT INFORMATION

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

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

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

	B2C					B2B	Consolidated
2017	Casino[1] US$ million	Poker US$ million	Sport US$ million	Bingo US$ million	Total B2C US$ million	US$ million	US$ million
Segment revenue	293.9	77.9	75.5	39.3	486.6	55.2	541.8
Segment result[2]					213.7	22.3	236.0
Unallocated corporate expenses[3]							(163.1)
Exceptional charges							(50.8)
Operating profit							22.1
Finance income							0.6
Finance expenses							(3.7)
Share of post-tax loss of equity accounted joint ventures and associates							(0.2)
Taxation							(6.2)
Profit after tax for the year							12.6
Adjusted profit after tax for the year[4]							72.1
Assets							
Unallocated corporate assets							396.2
Total assets							396.2
Liabilities							
Segment liabilities					67.1	4.6	71.7
Unallocated corporate liabilities							211.3
Total liabilities							283.0

1 The comparative segment results for the year ended 31 December 2016 have been restated to reflect this change, as described on the following page.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 9.

3 SEGMENT INFORMATION continued

	B2C					B2B	Consolidated
2016	Casino[1] US$ million	Poker US$ million	Sport US$ million	Bingo US$ million	Total B2C US$ million	US$ million	US$ million
Segment revenue	282.1	84.4	51.9	41.8	460.2	60.6	520.8
Segment result[2]					194.4	30.9	225.3
Unallocated corporate expenses[3]							(160.8)
Exceptional charges							(3.9)
Operating profit							60.6
Finance income							0.4
Finance expenses							(1.7)
Share of post-tax loss of equity accounted joint ventures and associates							(0.1)
Taxation							(7.7)
Profit after tax for the year							51.5
Adjusted profit after tax for the year[4]							62.2
Assets							
Unallocated corporate assets							380.6
Total assets							380.6
Liabilities							
Segment liabilities					69.4	6.3	75.7
Unallocated corporate liabilities							141.3
Total liabilities							217.0

1 The comparative segment results for the year ended 31 December 2016 have been restated to reflect this change. Emerging Offerings revenue of US$2.8 million has been classified in the Casino segment.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 9.

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

Geographical information

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

Revenue by geographical market (based on location of customer)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

3 SEGMENT INFORMATION continued

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2017 US$ million	2016 US$ million
Gibraltar	138.8	142.3
Rest of world	32.1	27.6
Total non-current assets by geographical location[1]	170.9	169.9

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

4 OPERATING PROFIT

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

5 EXCEPTIONAL CHARGES

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

	2017 US$ million	2016 US$ million
UKGC – payments in lieu of a fine	5.5	—
Potential historical VAT charge	45.3	—
Retroactive duties and associated charges	—	3.0
Exceptional legal and professional costs	—	0.9
Total Exceptional charges[1]	50.8	3.9

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

UKGC – payments in lieu of a fine

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

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

5 EXCEPTIONAL CHARGES continued

Potential historical VAT charge

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

Retroactive duties and associated charges

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

Exceptional legal and professional costs

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

6 EMPLOYEE BENEFITS

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

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

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

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

The average number of employees by category was as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

6 EMPLOYEE BENEFITS continued

Severance pay scheme – Israel

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

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

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

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

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

Movement in severance pay scheme liability:

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

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

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

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

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

6 EMPLOYEE BENEFITS continued

Severance pay scheme – Israel continued

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

The expected contribution for 2018 is US$4.3 million.

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

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

7 FINANCE INCOME AND FINANCE EXPENSES

Finance income:

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

Finance expenses:

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

8 TAXATION

Corporate taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

8 TAXATION continued

Corporate taxes continued

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

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

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

Gibraltar

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

Israel

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

UK

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

9 EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 8,840,298 Ordinary Shares (2016: 7,688,394) and 49,353 market-value options (2016: 101,447).

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

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

Adjusted earnings per share

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

9 EARNINGS PER SHARE continued

Adjusted earnings per share continued

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

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

10 DIVIDENDS

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

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

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

11 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill US$ million	Acquired intangible assets US$ million	Internally generated intangible assets US$ million	Total US$ million
Cost or valuation				
At 1 January 2016	146.1	17.5	58.8	222.4
Additions	—	1.3	10.6	11.9
At 31 December 2016	146.1	18.8	69.4	234.3
Additions	—	3.6	11.2	14.8
Disposals	—	(0.8)	—	(0.8)
At 31 December 2017	**146.1**	**21.6**	**80.6**	**248.3**
Amortisation and impairments:				
At 1 January 2016	20.7	12.1	32.3	65.1
Amortisation charge for the year	—	2.3	8.3	10.6
At 31 December 2016	20.7	14.4	40.6	75.7
Amortisation charge for the year	—	2.6	11.0	13.6
Disposals	—	(0.8)	—	(0.8)
At 31 December 2017	**20.7**	**16.2**	**51.6**	**88.5**
Carrying amounts				
At 31 December 2017	**125.4**	**5.4**	**29.0**	**159.8**
At 31 December 2016	125.4	4.4	28.8	158.6
At 1 January 2016	125.4	5.4	26.5	157.3

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11 GOODWILL AND OTHER INTANGIBLE ASSETS continued

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

Internally generated intangible assets

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

Analysis of goodwill by cash generating units

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

Impairment

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

Goodwill – Bingo online business

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

Key assumptions and inputs used

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

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

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

1 The pre-tax discount rate is recalculated every year by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost of Capital applied to the Group.
2 The underlying growth rate in 2017 increased compared to 2016, recognising the strengthening of the average GBP/US$ exchange rate in 2017 compared to the average rate in previous year.
3 The underlying growth rate for years 2 to 5 was calculated excluding the effect of certain B2B contracts, which will not be renewed.
4 Management recognises that a change in GBP/US$ currency rate can have a significant impact on available headroom. A reduction by 10% in the GBP/US$ currency rate would result in decrease of available headroom by 51%, a reduction by 20% in GBP/US$ currency rate would result in impairment.

The Directors have concluded that there are no reasonably possible changes to key assumptions that would lead to impairment in the Bingo goodwill and intangible assets.

11 GOODWILL AND OTHER INTANGIBLE ASSETS continued

Acquired intangible assets

Software licences

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

Other intangible assets

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

12 PROPERTY, PLANT AND EQUIPMENT

	IT equipment US$ million	Office furniture, equipment and motor vehicles US$ million	Leasehold improvements US$ million	Total US$ million
Cost				
At 1 January 2016	49.2	4.1	14.8	68.1
Additions	5.6	0.3	0.4	6.3
Disposals	(4.9)	—	(0.1)	(5.0)
At 31 December 2016	49.9	4.4	15.1	69.4
Additions	4.1	1.2	0.3	5.6
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	**44.1**	**5.5**	**15.2**	**64.8**
Accumulated depreciation				
At 1 January 2016	41.7	3.0	12.2	56.9
Charge for the year	6.8	0.3	1.3	8.4
Disposals	(4.9)	—	(0.1)	(5.0)
At 31 December 2016	43.6	3.3	13.4	60.3
Charge for the year	4.9	0.4	0.4	5.7
Disposals	(9.9)	(0.1)	(0.2)	(10.2)
At 31 December 2017	**38.6**	**3.6**	**13.6**	**55.8**
Carrying amounts				
At 31 December 2017	**5.5**	**1.9**	**1.6**	**9.0**
At 31 December 2016	6.3	1.1	1.7	9.1
At 1 January 2016	7.5	1.1	2.6	11.2

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

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13 INVESTMENTS

The following entities meet the definition of joint ventures and associates and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	Effective interest 31 December 2017	Effective interest 31 December 2016
AAPN Holdings LLC	Joint venture	USA	**47%**	47%
Come2Play Limited	Associate	Israel	**20%**	20%

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

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

US joint ventures

In 2013 the Group entered into a joint venture agreement ("JVA") with Avenue OLG Entertainment LLC ("Avenue") and other minority shareholders to form AAPN Holdings LLC ("AAPN"), under which the Group has a 47% interest in AAPN. AAPN has a 100% owned subsidiary, AAPN New Jersey LLC ("AAPN NJ"), which has a B2C gaming offering in New Jersey.

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

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

13 INVESTMENTS continued

US joint ventures continued

Amounts relating to the joint ventures and the Group's share of net assets and post-tax losses of the joint ventures are as follows:

Net assets of US joint ventures

	2017 US$ million	2016 US$ million
Non-current assets	2.5	4.1
Current assets	7.5	9.6
Current liabilities	(1.1)	(1.4)
Net assets of joint ventures	**8.9**	**12.3**
Assets attributed to class B holders	(8.9)	(12.3)
Net assets of joint ventures attributed to the Group	**—**	**—**
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	**—**	**—**
Income statement of US joint ventures		
Revenue	2.6	2.7
Expenses	(6.1)	(6.1)
Post tax loss of joint ventures	**(3.5)**	**(3.4)**
Expenses attributed to class B holders	(2.0)	(2.0)
Total post tax loss of joint ventures attributed to the Group	**(5.5)**	**(5.4)**
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures[1]	**(2.6)**	**(2.5)**

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

Associates

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US$1.5 million. As at 31 December 2017 the Group had investment to associate of US$1.1 million (2016: US$1.3 million). Further disclosures have not been provided as the investment is not material to the Group.

Other investments

The Group holds available for sale investments of US$0.2 million at 31 December 2017 (31 December 2016: US$0.2 million).

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14 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

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

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

15 CASH AND CASH EQUIVALENTS

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

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

16 TRADE AND OTHER RECEIVABLES

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

The carrying value of trade receivables and other receivables approximates to their fair value as the credit risk has been addressed as part of impairment provisioning and, due to the short-term nature of the receivables, they are not subject to ongoing fluctuations in market rates. Note 24 provides credit risk disclosures on trade and other receivables.

17 SHARE CAPITAL

Share capital comprises the following:

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

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

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan (see note 21) during 2017 and 2016:

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

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

18 TRADE, OTHER PAYABLES AND PROVISIONS

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

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

Provisions

During the year, the Group recorded a provision for Exceptional charges of US$45.3 million (39.6 million Euro) in respect of potential value added tax relating to the provision of gaming services in Germany prior to 2015, as described in note 5.

Movement in the provision during the year is as follows:

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

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19 LIABILITIES TO CUSTOMERS AND PROGRESSIVE PRIZE POOLS

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

20 INVESTMENTS IN SIGNIFICANT SUBSIDIARIES

The consolidated financial statements include the following principal subsidiaries of 888 Holdings plc:

Name	Country of incorporation	Percentage of equity interest 2017 %	Percentage of equity interest 2016 %	Nature of business
VHL Financing Limited	Gibraltar	100	100	Holding company
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar
Virtual Digital Services Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar for European markets which are not locally regulated
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
888 UK Limited	Gibraltar	100	100	Holder of UK remote gaming licence
Virtual Marketing Services Italia Limited	Gibraltar	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
888 US Limited	Gibraltar	100	100	Holder of Interactive Gaming Service Provider and Manufacturer licence in the state of Nevada
888 Atlantic Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 Liberty Limited	Gibraltar	100	100	Holder of Gaming Vendor License in the state of Delaware
888 Romania Limited	Gibraltar	100	100	Holder of Romanian online gaming licence
888 (Ireland) Limited	Gibraltar	100	100	Holder of Irish online betting licence
888 Denmark Limited	Gibraltar	100	100	Holder of Danish online gaming licence
Virtual Emerging Entertainment Limited	Gibraltar	100	100	Trademark licensor
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia
Gisland Limited	Gibraltar	100	100	Payment transmission
Virtual IP Assets Limited	BVI	100	100	Holder of group IP assets
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
888 US Services Inc.	New Jersey, USA	100	100	Provider of US-based services for US operations
Dixie Operations Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Random Logic Ventures Limited	Israel	100	100	Investment holding company
Sparkware Technologies SRL	Romania	100	100	Software development
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
Virtual Share Services Limited	Gibraltar	100	100	Administration of employee equity schemes
888 US Inc.	Delaware, USA	100	100	Holder of US Joint Venture (AAPN)

21 SHARE BENEFIT CHARGES

Equity-settled share benefit charges

As at 31 December 2017 the Group has equity-settled employee shares and share options granted under two equity-settled employee share incentive plans – the 888 All-Employee Share Plan ("AEP"), which expired according to its terms in August 2015, and the 888 Long-Term Incentive Plan 2015 ("LTIP") which was adopted at the Extraordinary General Meeting on 29 September 2015. The 888 Long-Term Incentive Plan 2015 is open to employees (including Executive Directors) and full-time consultants of the Group, at the discretion of the Remuneration Committee. Awards under this scheme will vest in instalments over a fixed period of at least three years subject to the relevant individuals remaining in service. Certain of these awards are subject to additional performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors' Remuneration Report on page 63 to 76.

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

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

Share options granted

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

1 Of the total number of options outstanding at 31 December 2017. 97,968 had vested and were exercisable (2016: 259,981).
2 The range of exercise prices for options outstanding at 31 December 2017 is £1.02-£1.50 (2016: £1.02-£1.50).
3 The weighted average remaining contractual life at the year-end was 1.22 years (2016: 1.62 years).

Ordinary Shares granted (without performance conditions)

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

Shares are granted at a nominal exercise price.

Deferred Share Bonus Plan

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

The aforementioned grants under the DSBP were approved by the Board as part of the annual bonus award to the Executive Directors for 2016, pursuant to which an amount equal to100% of salary was granted in cash, with the additional 50% of salary deferred into shares of the Company. These grants were made on 28 June 2017 to the CEO (130,914 Shares) and CFO (80,777 Shares), with the shares vesting in equal tranches on 28 June 2018, 2019 and 2020. Ordinary Shares granted for future vesting are valued at the share price at grant date, which the Group considers approximates to the fair value. On 29-30 June 2017 the Group purchased 211,691 shares on the open market at an average price of 255.31¢ per share, all of which were recognised as treasury shares as of 31 December 2017.

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21 SHARE BENEFIT CHARGES continued

Ordinary Shares granted (subject to performance conditions)

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

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return (TSR) compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the Directors' Remuneration Report on pages 63 to 76. The EPS growth target is taken into account when determining the number of shares expected to vest at each reporting date, and the TSR target is taken into account when calculating the fair value of the share grant.

Valuation information – shares granted under TSR condition

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

Valuation information – shares granted

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

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

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

Share benefit charges

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

22 RELATED PARTY TRANSACTIONS

The aggregate amounts payable to key management personnel, considered to be the Directors of the Company, as well as their share benefit charges, are set out below:

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

Further details on Directors' remuneration are given in the Directors' Remuneration Report on pages 63 to 76.

US joint ventures

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

Investment in associates

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

23 COMMITMENTS

Lease commitments

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

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

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

The expense relating to operating leases recorded in the consolidated income statement in the year was US$5.1 million (2016: US$4.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

24 FINANCIAL RISK MANAGEMENT

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

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

- Cash and cash equivalents;
- Trade and other receivables;
- Trade and other payables;
- Customer deposits;
- Available for sale financial investments;

Detailed analysis of these financial instruments is as follows:

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

1 Excludes prepayments and non-current other receivables.

In accordance with IAS 39, all financial assets are classified as loans and receivables except for available-for-sale investments, which are classified as available for sale assets.

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

1 Excludes taxes payable.

In accordance with IAS 39, all financial liabilities are held at amortised cost except for the derivative financial instruments, which are recognised at fair value through profit and loss.

24 FINANCIAL RISK MANAGEMENT continued

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

The main financial risk areas are as follows:

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

24 FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Group's financial liabilities:

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

1 Excludes taxes payable.

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

1 Excludes taxes payable.

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

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

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

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

24 FINANCIAL RISK MANAGEMENT continued

Market risk continued

Currency risk continued

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

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

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

Sensitivity analysis

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

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

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

Interest rate risk

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

The Group's policy is to invest surplus funds in low risk money market funds and in interest bearing bank accounts. The Group arranges for excess funds to be placed in these interest bearing accounts with its principal bankers in order to maximise availability of funds for investments.

Downside interest rate risk is minimal as the Group has no floating rates borrowings. Given current low interest rates, a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US$0.35 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
continued

25 FAIR VALUE MEASUREMENTS

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

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

26 PROVISIONS, CONTINGENT LIABILITIES AND REGULATORY ISSUES

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

(b) There are uncertainties as to whether any VAT is due in respect of certain services provided by the Group to customers in Germany prior to 2015. These uncertainties are in respect of the determination of the place of supply of some or all of the services provided by the Group prior to 2015 and, insofar as the place of supply and the customer's location is determined to be Germany, whether a possible imposition of VAT on relevant services would be lawful. There are also uncertainties surrounding any tax base to be applied and any retrospective period in the event that it is ultimately determined that VAT is due on any relevant services.

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

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

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

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

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

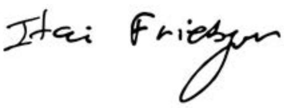
COMPANY BALANCE SHEET

At 31 December 2017

	Note	2017 US$ million	2016 US$ million
Assets			
Non-current assets			
Investments in subsidiaries	2	40.5	37.9
Deferred tax assets	10	0.6	—
		41.1	37.9
Current assets			
Trade and other receivables	3	27.9	86.0
Income tax receivable		1.0	1.1
Cash and cash equivalents		0.1	—
		29.0	87.1
Total assets		70.1	125.0
Equity and liabilities			
Equity			
Share capital	4	3.3	3.2
Share premium	4	3.5	3.3
Treasury shares	4	(0.7)	—
Retained earnings[1]		45.6	85.4
Total equity		51.7	91.9
Liabilities			
Current liabilities			
Trade and other payables	5	13.4	31.2
Income tax payable		5.0	—
		18.4	31.2
Non-current liabilities			
Deferred tax liabilities	10	—	1.9
Total liabilities		18.4	33.1
Total equity and liabilities		70.1	125.0

1 Includes net result of the Company for the year ended 31 December 2017 of US$22.2 million (31 December 2016: US$65.7 million).

The financial statements on pages 125 to 129 were approved and authorised for issue by the Board of Directors on 20 March 2018 and were signed on its behalf by:



Itai Frieberger
Chief Executive Officer

Aviad Kobrine
Chief Financial Officer

The notes on pages 128 and 129 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital US$ million	Share premium US$ million	Treasury shares US$ million	Retained earnings US$ million	Total US$ million
Balance at 1 January 2016	3.2	2.2	—	69.6	75.0
Profit and total comprehensive income for the year	—	—	—	65.7	65.7
Dividend paid (note 9)	—	—	—	(56.6)	(56.6)
Issue of shares (note 4)	—	1.1	—	—	1.1
Equity-settled share benefit charges (note 8)	—	—	—	6.7	6.7
Balance at 31 December 2016	3.2	3.3	—	85.4	91.9
Profit and total comprehensive income for the year	—	—	—	22.2	22.2
Dividend paid (note 9)	—	—	—	(70.5)	(70.5)
Issue of shares (note 4)	0.1	0.2	—	—	0.3
Acquisition of treasury shares (note 4)	—	—	(0.7)	—	(0.7)
Equity-settled share benefit charges (note 8)	—	—	—	8.5	8.5
Balance at 31 December 2017	**3.3**	**3.5**	**(0.7)**	**45.6**	**51.7**

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

Share capital – represents the nominal value of shares allotted, called-up and fully paid for.
Share premium – represents the amount subscribed for share capital in excess of nominal value.
Treasury shares - represent reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.
Retained earnings – represents the cumulative net gains and losses recognised in the Parent Company statement of comprehensive income and other transactions with equity holders.

The notes on pages 128 and 129 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 US$ million	2016 US$ million
Cash flows from operating activities:			
Profit before tax		24.9	67.1
Adjustments for:			
Share benefit charges	8	0.6	0.5
Decrease (increase) in net amounts owed by subsidiaries	3, 5	46.4	(9.6)
Increase in other receivables	3	(0.1)	(0.1)
Decrease in trade and other payables	5	(0.8)	(2.4)
Cash generated from operations		71.0	55.5
Income tax paid		—	—
Net cash generated from operating activities		71.0	55.5
Cash flows from financing activities:			
Issue of shares	4	0.3	1.1
Acquisition of treasury shares	4	(0.7)	—
Dividends paid	9	(70.5)	(56.6)
Net cash used in financing activities		(70.9)	(55.5)
Net decrease in cash and cash equivalents		0.1	—
Cash and cash equivalents at the beginning of the year		—	—
Cash and cash equivalents at the end of the year		0.1	—

The notes on pages 128 and 129 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

A description of the Company, its activities and definitions are included in note 1 to the consolidated financial statements.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on an historical basis.

The Company applies consistent accounting policies, as applied by the Group. To the extent that an accounting policy is relevant to both Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy (see note 2 to the consolidated financial statements). Material policies that apply to the Company only are included as appropriate.

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

Investment in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment.

Share-based payments

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an adjustment to its investment in subsidiaries with an opposite adjustment to equity. The subsidiary, in turn, will recognise the IFRS 2 adjustment in its income statement with a credit (debit) to equity to reflect the deemed capital contribution from (dividend to) the Company.

Critical accounting estimates and judgements – impairment testing of investments in and amounts due from subsidiaries

The Company's investments in and amounts due from subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets.

2 INVESTMENTS IN SUBSIDIARIES

The Company's principal subsidiaries are listed in note 20 to the consolidated financial statements. In the Company's financial statements, investments in subsidiaries are held at cost less provision for any impairment. The Group applies IFRS 2 - Share-based Payment. Consequently, the Company recognises as a cost of investment the value of its own shares that it makes available for the purpose of granting share options to employees or contractors of its subsidiaries. The net movement in investment in subsidiaries during the year was US$2.6 million (2016: US$8.3 million) included within this were share-based payment charges of US$2.3 million in 2017 (2016: US$6.2 million), which is net of US$5.5 million intragroup recharges related to share-based payment schemes (2016: nil), and a capital contribution of US$0.3 million in respect of incorporation of a new subsidiary.

3 TRADE AND OTHER RECEIVABLES

	2017 US$ million	2016 US$ million
Amounts due from subsidiaries	27.5	85.7
Other receivables and prepayments	0.4	0.3
	27.9	86.0

The carrying value of trade and other receivables approximates to their fair value. None of the balances included within trade and other receivables are past due or impaired. Amounts due from subsidiaries are payable on demand.

4 SHARE CAPITAL

The disclosures in note 17 to the consolidated financial statements are consistent with those for the Company, including capital management in note 24 to the consolidated financial statements.

5 TRADE AND OTHER PAYABLES

	2017 US$ million	2016 US$ million
Trade payables	0.1	0.2
Amounts due to subsidiaries	8.2	25.2
Other payables and accrued expenses	5.1	5.8
	13.4	31.2

The carrying value of trade and other payables approximates to their fair value. All balances included within trade and other payables are repayable on demand.

6 FINANCIAL RISK MANAGEMENT

To extent relevant to Company's financial assets and liabilities (see notes 2, 3 and 5), the Company's financial risk management objectives and policies are consistent with those of the Group as disclosed in note 24 to the consolidated financial statements.

7 CONTINGENT LIABILITIES

The disclosures in note 26 to the consolidated financial statements are consistent with those for the Company.

8 SHARE BENEFIT CHARGES

The disclosures in note 21 to the consolidated financial statements are consistent with those for the Company except that the charge for the year is partly taken to investment in subsidiaries, as set out in note 2.

9 RELATED PARTY TRANSACTIONS

The aggregate amounts payable to key management personnel, considered to be the Directors of the Company, as well as their share benefit charges, is detailed in note 22 to the consolidated financial statements.

During the year the Company received dividends from its subsidiaries through intercompany accounts (to be paid subsequently in cash), totalling US$22.2 million (2016: US$70.1 million) and paid to its shareholders dividends totalling US$70.5 million (2016: US$56.6 million). See note 10 to the consolidated financial statements.

Share benefit charges in respect of options and shares of the Company awarded to employees of subsidiaries totalled US$7.9 million (2016: US$6.2 million). During the year the Company charged its subsidiary for cost of awards for US$5.5 million (2016: nil).

During the year subsidiaries of the Company supported it in funding US$2.9 million of the Company's costs (2016: US$9.9 million). Also the Company charged its subsidiaries US$3.0 million (2016: nil) in respect of corporate services. At 31 December 2017, the net amounts owed by the Company to subsidiaries were US$2.7 million (2016: net amounts due from subsidiaries were US$60.6 million).

10 DEFERRED TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2017 US$ million	2016 US$ million
Deferred tax assets (liabilities)		
Property, plant and equipment	1.0	1.0
Intangible assets	(0.4)	(2.9)
	0.6	(1.9)

SHAREHOLDER INFORMATION

Group websites
A range of shareholder information is available in the Investor Relations area of the Group's website, corporate.888.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can also be accessed through the Group's main website www.888.com or are available directly.

Casino
888's Casino games are offered through its 888casino and live casino

- www.888casino.com
- www.777.com
- www.888games.com
- live-casino.888casino.com
- www.Casino-on-Net.com
- www.ReefClubCasino.com
- www.eucitycasino.com
- www.888vipcasinoclub.com

Poker
888's Poker games are offered through 888poker

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

Bingo
888's Bingo games are offered through 888ladies and Wink bingo

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.bigbrotherbingo.com
- www.daisybingo.com
- www.888bingo.com
- www.bingofabulous.com

Sportsbook
888's Sportbook games are offered through 888sport

- www.888sport.com

UK
Offering in the UK can be accessed through all the websites detailed above

USA
888's New Jersey Poker and Casino games are offered through its US regulated website

- US.888poker.com
- US.888casino.com
- US.888.com

Spain
888's Spain Poker, Casino games and Sport are offered through its Spanish regulated website

- www.888.es
- www.888poker.es
- www.888casino.es
- www.888sport.es

Italy
888's Italy Casino games and Sport are offered through its Italian regulated website

- www.888.it
- www.888casino.it
- www.888sport.it

Denmark
888's Denmark Poker, Casino games and Sport are offered through its Denmark regulated website

- www.888.dk
- www.888poker.dk
- www.888casino.dk
- www.888sport.dk

Romania
888's Romania Poker, Casino games and Sport are offered through its Romania regulated website

- www.888.ro
- www.888poker.ro
- www.888casino.ro
- www.888sport.ro

Games
888's Games are offered through 888games

- www.888games.com

Mytopia social games
888's social games are offered through Mytopia social games websites:

- www.mytopia.com
- www.bingoisland.com

Responsible gaming:
The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

NOTES

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COMPANY INFORMATION

SHAREHOLDER SERVICES

All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
UK

Tel: 0871 664 0300
www.signalshares.com

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For further information please contact:
info@888holdingsplc.com

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