18 March 2021

888 Holdings Plc
(“888” or “the Group”)

Audited annual financial results for the year ended 31 December 2020

Record revenue and profits driven by product-leadership strategy and expansion in regulated markets

888 (LSE: 888), one of the world’s leading online betting and gaming companies, announces its audited financial results for the year ended 31 December 2020 (“the period”).

Financial Highlights

- Group revenue increased 52% to $849.7 million (2019: $560.3 million)
- Revenue from regulated and taxed markets represented 73% of Group revenue (2019: 74%), with revenue from regulated markets increasing 58%
- B2C revenue increased 53% to $814.3 million (2019: $530.5 million), with strong growth in casino (63%), sport (36%), poker (48%) and bingo (10%)
- Adjusted EBITDA of $155.6 million (2019: $92.1 million), with the Adjusted EBITDA margin at 18.3% (2019: 16.4%)
- Adjusted profit before tax of $116.0 million (2019: $53.2 million); Profit before tax of $26.7 million (2019: $45.3 million)
- Adjusted basic earnings per share of 27.3c (2019: 13.5c), Basic earnings per share of 3.1c (2019: 11.3c)
- Final dividend of 12c per share (2019: 3.0c) bringing the total for the year to 18c (2019: 6.0c)
- The Group continues to have a strong balance sheet, with cash and cash equivalents of $190 million (2019: $96.9 million)

Operational Highlights

- Continued focus on developing and improving safer gambling processes, with the launch of 888’s *Safer. Better. Together* strategy:
  - Launch of *Control Centre* giving customers a one-stop-shop for safer gambling tools. The centre gives customers ground-breaking levels of transparency in real-time about their gambling activity, as well as quick and simple tools to control spend.
  - Ongoing development of 888’s *Observer* technology, using sophisticated algorithms to flag or monitor potentially concerning customer activity
  - Launch of “too much is too much” safer gambling advertising campaign across TV, social and print channels
- 58% growth in regulated markets revenue, with strong market share trends in key markets:
  - 63% growth in UK revenues, reflecting strong acquisition trends across all product verticals
  - 69% growth in Italy, with new customer growth of 43%, reflecting the strength of the 888 brand, and the success of its differentiated products
- Product-leadership strategy delivering strong results:
  - Transformational year for 888sport, with the first-ever in-house sportsbook platform launched across multiple markets, and now delivering the majority of sports volumes. This cutting-edge sportsbook platform enables the Group to control all aspects of the sports betting proposition for the first time, enabling the Group to innovate and deploy product-centric features supporting future growth plans
  - Launch of Poker8, an innovative portrait mobile-first poker platform, delivering a quicker and more intuitive experience to poker fans globally. This leading recreational poker product received a strong reaction from players, supporting 48% revenue growth during the year, and was recognised across the industry with independent awards

    - Ongoing evolution of 888casino product, with the launch of over 700 new games in the year, including more than 30 exclusive games from Section8, an in-house games studio producing some of the most popular games with 888 customers.
- Data-driven investments driving strong returns:
    - B2C new customer acquisition increased 42%, with a record of nearly one and a half million new members joining 888's brands
- Platform to scale up in the US:
    - Continued investment in New Jersey, with 71% revenue growth
    - Three strategic market access deals, increasing the number of states where 888 has a presence to seven
    - Post the period end, a multi-year extension to its exclusive B2B poker partnership with Caesars Interactive Entertainment, powering the U.S. market's only interstate shared player liquidity poker network

Current trading & outlook

- The annualised impact of regulatory and compliance changes is currently expected to be a headwind to revenues of $70-100 million in the full year
- Strong momentum in 2021 so far, with continued positive trends in FTDs and revenue
- The Board remains confident that 888 will deliver full year revenue growth in 2021

Itai Pazner, CEO of 888, commented:

"2020 was a landmark year for 888, with our team navigating the many challenges presented by a global pandemic to deliver record financial results, and significant progress against our strategic priorities.

Our product-leadership strategy delivered outstanding results in 2020, with the launch of our ground-breaking Control Centre, our first ever in-house sportsbook, and a totally new poker platform. Our focus on delivering safe, intuitive, content-rich and entertaining products is helping us to deliver a differentiated customer experience and supporting our market share gains in key regulated markets.

We welcomed a record number of new members to our brands, nearly one and a half million, with our differentiated products and our big data supporting highly effective marketing.

We are pleased with our continued progress in the U.S., and with three new states set to launch in 2021, we are poised to see the scale benefits of our investments here. We enter 2021 with strong momentum, with a record level of customers, and with a positive reaction to our suite of new products and innovations. As a result, as well as the Group's strengths as a product-centric, responsible, and diversified operator, the Board believes that 888 has an outstanding platform to deliver continued strategic progress during 2021 and beyond."

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

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

Financial Summary

	2020 US$ million	2019[1] US$ million	Change
Revenue - B2C			
Casino	586.8	359.3	63.3%
Sport	122.1	90.0	35.7%
Poker	63.1	42.7	47.8%
Bingo	42.3	38.5	9.9%
Total B2C	**814.3**	**530.5**	**53.5%**
B2B	**35.4**	**29.8**	**18.9%**
Revenue	**849.7**	**560.3**	**51.6%**
Gaming taxes and duties	(151.8)	(95.5)	
Other cost of sales	(135.1)	(88.1)	
Gross profit	**562.8**	**376.7**	**49.4%**
Marketing expenses	(237.1)	(152.9)	
Operating expenses[2]	(170.1)	(131.7)	
Adjusted EBITDA[3]	**155.6**	**92.1**	**69.0%**
Share based benefit charges	(11.0)	(5.4)	
Exceptional items[4]	(78.2)	(2.3)	
Depreciation and amortisation	(33.6)	(32.2)	
Operating profit	**32.8**	**52.2**	**(37.1%)**
Finance income and expenses	(6.0)	(6.7)	
Share of equity accounted associates loss	(0.1)	(0.2)	
Profit before tax	**26.7**	**45.3**	**(41.1%)**
Adjusted profit before tax	*116.0*	*53.2*	*118.2%*
Adjusted basic earnings per share	**27.3¢**	**13.5¢**	**102.6%**
Basic earnings per share	**3.1¢**	**11.3¢**	**(73.0%)**

Alternative Performance Measures ("APMs") used in this Business & Financial Review do not have standardised meanings and therefore may not be comparable to similar measures presented by other companies.

Reconciliation of operating profit to Adjusted EBIT, Adjusted profit before tax and Adjusted net profit

	2020 US$ million	2019 US$ million	Change
Operating profit	**32.8**	**52.2**	**(37.1%)**
Exceptional items[4]	78.2	2.3	
Share benefit charges	11.0	5.4	
Adjusted EBIT[3]	**122.0**	**59.9**	**103.8%**
Finance income and expenses	(6.0)	(6.7)	
Adjusted profit before tax	**116.0**	**53.2**	**118.2%**
income tax	(15.4)	(3.7)	
Adjusted net profit	**100.6**	**49.5**	**103.3%**

[1] The presentation of the Consolidated Income Statement for the years 2020 and 2019 was changed in a manner that allows for further understanding of the underlying financial performance of the Group and in order to be consistent with how Group management and peers analyse the results of online gambling. Further information is provided in note 2 to the 2020 financial statements.

[2] Excluding depreciation of US$14.8 million (2019: US$12.6 million), amortisation of US$18.8 million (2019: US$19.6 million) and share benefit charges of US$11.0 million (2019: US$5.4 million).

[3] Adjusted EBITDA and Adjusted EBIT are the main measures the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including Adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional items and the application of adjustments. It does so because the Group considers that it allows for further understanding of the underlying financial performance of the Group.

[4] Exceptional charges of US$78.2 million related to US$79.9 million Bingo goodwill impairment charge offset by US$0.1 million change in provision in respect of regulatory matters related to legacy customers' activity in previous years and US$1.6 million gain from the sale of equity accounted associate (2019: US$2.3 million exceptional charges of US$2.3 million in respect of organizational restructuring and legal and professional costs associated with M&A activity).

Sell side analyst presentation

Itai Pazner, Chief Executive Officer, and Yariv Dafna, Chief Financial Officer, will host a presentation for sell-side analysts today at 9:00AM (GMT). Please contact 888@hudsonsandler.com or call +44 (0)207 796 4133 for further details.

A replay will be available from the investor relations section of 888's website (http://corporate.888.com/investor-relations) later today.

Investor Meets Company presentation

888 will provide a live presentation relating to the Full Year Results for the 12 months ended 31 December 2020 via the Investor Meet Company platform on 22 March 2021 at 5:30pm GMT.

The presentation is open to all existing and potential shareholders. Questions can be submitted via the Investor Meet Company platform up until 9:00am GMT the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet 888 HOLDINGS PLC via the following link: https://www.investormeetcompany.com/888-holdings-plc/register-investor

Investors who already follow 888 Holdings plc on the Investor Meet Company platform will automatically be invited to the event.

Enquiries and further information:

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About 888 Holdings Plc:

888 Holdings plc (and together with its subsidiaries, "**888**" or the "**Group**") is one of the world's leading online betting and gaming companies. 888's mission is to develop state-of-the-art technology and products that provide fun, fair and safe digital gambling products to players globally. Safer gambling is a core focus for the Group and, at the beginning of 2020, 888 launched its '*Safer. Better. Together'* safer gambling strategy and commitments.

888 has been at the forefront of the online gaming industry since foundation in 1997, leveraging its proprietary technology to provide to players and B2B partners an innovative and world-class online gaming experience.

In 2020, the company was proud to be recognised at the 2020 Gaming Intelligence awards as winner in the *Casino Operator of the Year* category. In 2020, 888 also won two prestigious awards for its poker platform at the 2020 Poker Listings Operator Awards in the *Most Improved Software* and *Best Beginner Software* categories.

The Group is structured into two lines of business: B2C, under the 888 brands, and B2B, conducted through Dragonfish, which provides partners a leading platform through which to establish an online gaming presence and monetise their own brands in a safe and responsible manner.

888's consumer facing websites offer more than just online betting and gaming. They are entertainment destinations: places where people can enjoy a truly interactive experience and be part of an online community that shares common interests. 888's strong and trusted brands are all accessible through www.888.com.

Find out more about 888 at http://corporate.888.com/.

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

CHAIRMAN'S STATEMENT

INTRODUCTION

Whilst 2020 was a year of significant strategic progress and record-breaking growth for 888, there is no doubt the year will long be remembered for the human and economic cost wreaked by COVID-19. On behalf of the Board, I would like to pass on our deepest sympathies to those in 888's global community and beyond who have been impacted by the pandemic.

During 2020, the Group achieved revenue growth of 51.6% and an increase in Adjusted EBITDA of 69.0% to $155.6 million, which all represent record levels, and are significantly ahead of the Board's initial expectations for the year. The Group's strong operational and financial performance during the year reflects several factors including increasing consumer demand for online services that accelerated as a result of COVID-19-related restrictions on people's movements and leisure activities; 888's diversification across product verticals and geographic markets; and the Group's increased vigilance on safe gambling and customer protection. The Board remains confident that, with 888's outstanding product proposition, advanced technology and diversification across global regulated markets, the Group remains well positioned to deliver further progress in the years ahead.

PROTECTING OUR PEOPLE AND CUSTOMERS

During 2020, the pandemic created an unprecedented environment for communities across the world. Against this backdrop, 888's unwavering priority throughout the year remained to ensure the well-being of the Group's employees and customers.

I am incredibly proud of how the Group responded to the impact of COVID-19 on the lives of our valued employees. As countries across the world went into lockdown, the Board and 888's management teams were quick to recognise the potential pressures that the new ways of working and living could place on members of the 888 team, as 888 adapted seamlessly to remote working. We prioritised regular communication with employees, ran daily virtual wellbeing sessions for colleagues, and our qualified HR professionals offered one-to-one support to members of the team who were feeling heightened levels of pressure or anxiety. I am delighted to report that despite the significant levels of disruption experienced during the year, our colleagues not only adapted to this unique set of challenges but also delivered further exceptional strategic progress including the launches of several major new product developments, on time and to budget. On behalf of the Board, I would like to thank 888 team members around the world for their flexibility, skill and immense dedication throughout this very challenging period.

The Group's safer gambling strategy, entitled '*Safer. Better. Together.',* underpins our commitment to a process of continuous improvement, and we acknowledge the risks that can result from our products. We continue to proactively identify new ways to deploy our technology and analytical expertise to provide a safer gambling environment for customers and we continue to develop new ways to help customers make informed, safe decisions about their gambling activity. Further details on the Group's safe gambling strategy and activity during 2021 can be found in the 2020 Annual Report.

STRATEGIC PROGRESS

888's overarching strategic goal remains to develop as one of the world's leading global online betting and gaming businesses. In order to achieve this, the Group continues to invest in product leadership and technology, expand into new regulated markets, prioritise safe gambling, and appraise attractive acquisition and strategic partnership opportunities. The progress made during 2020 against each of the Group's strategic pillars is described in more detail in the *Strategic Review* section of this Annual Report.

DIVIDEND

The Board of Directors is recommending a final dividend of 10.4¢ per share in accordance with 888's dividend policy, plus an additional one-off 1.6¢ per share to acknowledge the record-breaking performance of the Group in 2020, bringing the total for the year to 18.0¢ per share (2019: 6.0¢ per share).

BOARD & TEAM

The 888 Board has undergone significant changes in membership during 2020, and it is a testament to our succession planning that the transitions have been implemented smoothly despite the challenging restrictions imposed by COVID-19.

In January 2020, the Group announced that after more than 15 years with 888, Aviad Kobrine would be stepping down from his role as Chief Financial Officer ('CFO'). Aviad made a truly outstanding contribution during his time with 888 and supported the Group's growth into the global online gaming business it is today. In September, the Board announced the appointment of Yariv Dafna as the Group's new CFO. Yariv previously held several positions at Telit Communications plc including the roles of Group CFO, Chief Corporate Development Officer with responsibility for all M&A activity, and Chief Operating Officer. The Board is very pleased with the positive contributions Yariv has already made since joining the Group.

In July, the Board announced the appointment of Limor Ganot as an Independent Non-Executive Director. The Board is delighted to have Limor as part of the team and I have every confidence that her involvement as a leader in a diverse range of businesses, together with her deep understanding of disruptive technologies, will be of significant benefit to 888 going forward.

In September, the Board announced the appointment of Lord Jonathan (Jon) Mendelsohn as a Non-Executive Director and Chair Designate following a thorough search process. Jon, who will assume the role of Non-Executive Chairman when I step down from the role on 31 March 2021, is a highly experienced gambling sector professional with extensive deal-making experience and fantastic leadership qualities. The 888 Board is already benefitting from Jon's vast understanding of the sector and I am very confident that he will be an excellent Chair to help guide the business through its next phases of long-term development.

I am also delighted that Anne de Kerckhove has been appointed Senior Independent Director from 17 March 2021. Anne has a wealth of experience as an entrepreneur and investor, which together with her strong track record on the Board and its Committees makes her a real asset for the Company as it continues to grow and pursue its strategic objectives.

On a personal note, I would like to take this opportunity in my final Annual Report statement put on record what an immense privilege it has been to be Chairman of 888 and serve its stakeholders during more than 15 years with the Group. I would also like to thank all my fellow Board members at 888, both past and present, for their help and support over my years with the Group. Whilst 888 has exceptional products and world-class technology, what really makes it stand out are its people who are bound by a unique culture of continuous improvement, passion and, above all, a genuine drive to do what is right for our customers and colleagues. Never has this been more evident than during 2020 when we collectively overcome and successfully navigated an unprecedented set of challenges caused by the COVID-19 pandemic. I am incredibly proud to have been a part of the 888 team in both an executive and non-executive capacity and wish all the Group's stakeholders the very best for the future.

Brian Mattingley
Non-Executive Chairman

CEO'S STRATEGIC REPORT

INTRODUCTION

During 2020, the outbreak of COVID-19 resulted in unprecedented challenges for communities and businesses across the world. I am very proud of how 888 responded to the impact of the pandemic on the lives of our customers and our employees and prioritised their health, well-being and safety above all else. For our people, we successfully implemented a smooth transition to working from home across the Group and provided additional support for those members of our team who experienced challenges throughout this period. For our customers, we recognised early on that the COVID-19 pandemic would have a material impact on the lives of consumers across the world and knew that this required an appropriate and timely response from 888. We were therefore quick to further increase our vigilance on safer gambling and preventing gambling-related harm.

Against this challenging macro-economic backdrop, 888 performed very well during 2020. We achieved growth in revenue and Adjusted EBITDA of 51.6% and 69.0% respectively with each reaching record highs for 888. This outcome reflects the Group's strong levels of customer acquisition during 2019 and into 2020, 888's relentless focus on developing cutting-edge new products, and an acceleration in the channel shift from retail to online services witnessed across multiple consumer-facing industries over the last 12 months.

A YEAR OF SIGNIFICANT STRATEGIC PROGRESS

888's growth strategy is aimed at achieving the Group's potential across a diverse range of geographic markets by delivering organic growth in a responsible manner as well as evaluating attractive M&A opportunities. Critical to 888's ongoing strategic progress is the Group's advanced online gaming technology and associated platforms. Owning and developing our own technology, products and content, enables 888 to create differentiated gaming products, adapt effectively to regulatory changes, enhance customer safety, and respond to new market opportunities. In addition, multiple areas of 888's operations are directed by highly sophisticated business analytics that are critical to the Group's approach to safer gambling, product development, marketing, and customer relationship management ("CRM"), harnessing big data to ensure our investments deliver strong returns.

During 2020, 888 continued to make progress against each of the following key pillars of its growth strategy:

Putting safer gambling at the heart of the business

At 888, we continue to increase our investment, focus and attention on making our products safer. We acknowledge the potential risks that online gambling can present and are committed to ongoing improvements to make gambling safer, and to continue to work with regulators around the world to demonstrate our policies and our approach. We use technology as a force for good, giving customers transparency about their activity, and using sophisticated AI to detect and block harmful play.

At the beginning of 2020, 888 launched a new safer gambling strategy called *Safer. Better. Together.* To achieve our safer gambling goals, we launched 888's 8 safer gambling commitments:

1. We are committed to change within our business, creating a culture of responsibility that ensures safer gambling and transparency is a priority for everyone in our business.
2. We are committed to identifying those potentially at risk of harm and restricting and supporting them at the earliest point.
3. We are committed to collaborating with relevant stakeholders to develop a shared knowledge base and stronger overall standards for safer gambling.
4. We are committed to continuous investment in programmes of Research, Education and Treatment (RET) to address gambling harm, and ways to help prevent it
5. We are committed to ensuring customers have transparency about their gambling activity, with quick, simple and intuitive ways to monitor their activity in real time.
6. We are committed to providing the most advanced safer gambling tools.
7. We are committed to promoting responsible attitudes, providing information, education and encouragement to our players to gamble safely.
8. We are committed to continuous improvement, building a deeper understanding about the causes and markers of harm, and using this to drive continued positive change.

With the rapid evolution of technology and consumer habits, we know that continuous progress to make gambling safer is essential, and 888 leverages the same unique technology, analytical capabilities and product development expertise that underpin the success of 888's gaming brands. One example of this is 888's in-house developed player behaviour monitoring technology, called the *Observer*. The Observer system uses sophisticated algorithms to flag unusual or potentially concerning customer activity. We continue to get better at using the data to look for potential harm, and we continue to invest in our highly trained safer gambling team to make the most appropriate interaction with the customer. During 2020, we made further progress developing Observer, and looking forward we are committed to using our internal data, and collaborating externally, to continue developing the Observer to better identify and predict problematic and potentially problematic gambling before any harm is caused.

One of 888's most significant technology investments during 2020 was the launch of the Group's latest safer gambling innovation called the *Control Centre* in November. The Control Centre reflects our commitments to provide players transparency, and to provide the most advanced tools to our customers. The Control Centre is a new customer-focused interface that we are introducing across 888's global websites to provide a "one stop shop" for safer gambling support. It is designed to enable customers to monitor their gambling activity through intuitively presented data, providing ground-breaking levels of transparency in real-time. In addition to easy to access information, the Control Centre provides a suite of simple and intuitive tools to control their activity. The Control Centre was developed over several months and reflects 888's ambition to go beyond what is merely required by regulation when it comes to safer gambling and to invest in user-friendly and safer gambling tools.

Further details on the Group's *Safer. Better. Together* safer gambling strategy as well as the progress made by the Group during 2020, and its commitment to ongoing improvement in this area, can be found in the 2020 Annual Report.

Product-leadership

Alongside efficient marketing investment, new product development remains key to the ongoing progress of the Group's B2C business. Creating the best possible online gaming products benefits the Group in many ways: firstly, it differentiates 888 from competitors in the eyes of consumers; secondly, it enables the Group to improve its cost per new customer acquisition by allowing 888 to position its marketing investment around products and content rather than competing on bonuses and customer offers; and thirdly it improves player retention by offering customers the best possible entertainment and content, above all in a safe and secure environment.

During 2020, we increased the pace of our new product development, enabling 888 to react quicker to changing customer needs, and invested heavily in R&D to expand products and technology. We continue to apply several important guiding principles to each of our new product investments:

1. ***Safety*** – All of 888's products must, above all else, keep gambling safe and fun. Meeting regulatory requirements is a bare minimum for 888 and we continually strive to put the same levels of focus on our safer gambling tools, processes and controls as we do on our gaming content.
2. ***Usability*** – One of the most important principles we apply to all product development is that the products must be quick, simple and intuitive to use. We measure ourselves against the best-of-breed consumer technology products across entertainment, banking, and all other digital services, not just gaming operators.
3. ***Content-rich*** – Our products must also be content rich, thereby enabling customers to access the different types of games and entertainment they want. Today 888 offers its customers more than 1,000 different casino games, over 100 different poker formats and tables, multiple bingo rooms, and a huge variety of sports events to bet on.
4. ***Entertainment –*** The range of content and events we offer our customers is just half of the story. We must utilise our analytics capabilities and AI to ensure that we serve and make accessible the most relevant gaming content to each customer.
5. ***Scalability –*** We have customers in dozens of countries, across multiple different brands and languages. We develop new products and deploy these across our brands and multiple territories,

all in line with local regulations. This provides 888 with economies of scale and thereby drives superior return on investment.

During 2020, we were proud to launch three new flagship products.

1. Our new *Control Centre* provides customers with a one-stop-shop for safer gambling, providing real time information about activity, and quick and simple tools to limit spend.
2. Our new *888sport* was launched, migrating to the first ever in-house Sport product, providing a cutting-edge experience, a quicker and simpler user experience, and offering higher levels of personalisation.
3. Our new *Poker8* product provides a mobile-first, portrait poker experience, with a focus on sociable features at the poker table, and quick and simple access to games.

Expansion in regulated markets

888's strategic focus remains on growing in sustainable, regulated markets where the Group can leverage its full marketing expertise to capture new opportunities. Revenue from regulated and taxed markets continued to represent the majority of Group revenue at 73% (2019: 74%), with market share gains in most regulated markets where the group operates.

In the U.S. market, which remains a critical strategic focus, the Group continued to invest in building the foundations to support its long-term ambitions. In December, the Group was pleased to announce the signing of three strategic market access agreements to launch in the U.S. states of Colorado, Indiana and Iowa with the 888sport brand during 2021, which will increase the number of states where 888 has a presence to seven.

In addition to these market access agreements, 888 is also pleased to have extended two of its established and successful U.S. B2B partnerships. In June, 888 announced a two-year extension to its exclusive B2B contract with the Delaware Lottery and in January 2021, post the year end, the Group was pleased to announce a multi-year extension to its exclusive B2B poker partnership with Caesars Interactive Entertainment ("CIE"). The new agreement with CIE will see 888 continue powering the prestigious World Series of Poker ("WSOP") brand’s online poker rooms until 2026, enabling 888 to continue to power the U.S. market’s only interstate shared player liquidity poker network across New Jersey, Delaware and Nevada.

Data-driven investments

One of 888’s core strengths is its unique, proprietary technology platform, used by millions of customers and providing big data that is used to support efficient product development, marketing and CRM.

The Group's unique marketing expertise remains critical to growing and expanding 888's brands in a responsible, cost-efficient and profitable manner. The efficiency of 888's marketing was again demonstrated in 2020 with a record number of new customers – more than 1.4 million globally – joining 888's brands during the year. Despite this an increase of 42% in new customers, the Group's ratio of marketing investment to revenue remained broadly stable at 27.9% (2019: 27.3%), reflecting the Group's diversified marketing channels and efficient marketing investment processes.

These data-driven investments supported strong growth in all of the major product verticals:

Casino

Casino continued to deliver strong growth with a 63.3% increase in revenue to US$586.8 million (2019: US$359.3 million). 888casino continues to differentiate itself in the market by offering a unique range of content that combines a curated selection of popular games from top-quality third-party developers alongside unique games developed by 888's *Section8* games studio. Section8 released more than 44 new casino games during 2020, taking the total number of in-house developed games offered exclusively on 888casino to more than 150. We are delighted that our continued product innovation was again recognised during the year with 888casino named winner at the 2020 Gaming Intelligence Awards in the prestigious Casino Operator of the Year category.

Sport

Sport enjoyed another successful year, with year on year growth of 35.7% to US$122.1 million (2019: US$90.0 million). The standout strategic highlight for 888sport during 2020 was undoubtedly the launch of the Group's first ever proprietary sports betting platform in 2020, which the Board believes is a transformational development for 888sport as it now enables the Group to control all aspects of our sports betting proposition for the first time, giving us the ability to innovate more quickly and with the same levels of flexibility and agility that we enjoy in 888’s other product verticals. As of the date of the publication of this Annual Report, the majority of 888's sports customers have been transferred to the Group's new platform, enabling customers to enjoy several exciting new product-centric features including the *BetFeed*, a real-time insight into which events or bets are popular with other 888sport customers, similar to "trending now" features across social media platforms; *BetFinder*, a bet-building tool that helps customers to identify betting opportunities based on their preferred performance criteria; and personalised recommendations to customers based on their past betting selections.

Poker

Poker revenue increased significantly by 47.8% in 2020 to US$63.1 million (2019: US$ 42.7 million), with the strong performance underpinned by 888’s new poker product, as well as the social entertainment value offered by poker during lockdown periods, 888’s efficient marketing, and in the latter part of the year, a strong reaction to 888’s new poker product. The roll-out of the Group's *Poker8* platform during the second half of the year was a major milestone for the Group, delivering faster loading times, more engaging gameplay, and a mobile portrait interface to provide a customer-friendly experience. Customer reaction to the new platform has been very positive so far and we were delighted to have had our innovation recognised twice at the 2020 Poker Listings Operator Awards in the 'Most Improved Software' and 'Best Beginner Software' categories.

Bingo

B2C Bingo recorded revenue growth of 9.9% to US$42.3 million in 2020 (2019: US$38.5 million), which benefited from the contribution of the enlarged portfolio of acquired brands in mid-March 2019. During the year, 888 launched a new customer interface inspired by 888's successful Orbit Casino platform. The new interface has enhanced the customer experience with simpler navigation, integrated additional marketing functionality, and improved monitoring of safer gambling across the network. However, as detailed in the Chief Financial Officer's Report, in light of the Group's shift of focus in this area, an impairment has been recorded in the value of the Bingo goodwill and other intangible assets.

Focus on Talent Development, creating a working environment that promotes growth for our people and business

888 has an outstanding team and culture across the business, which is led by a talented and experienced operational management team. During 2020, I was delighted with how the team responded to the challenges of the global pandemic, with a seamless transition to a full work-from-home operational model, while maintaining a high level of employee engagement, safety and wellness. Our workforce planning was dynamic and adaptive to the evolution in the industry, and we continued to invest in expanding our team, and developing our talent.

In addition to our focus on the recruitment, engagement and training of top talent, we pride ourselves in our 'giving back to the community' programs, which are an important part of our culture and our values. These helped us to maintain high levels of employee satisfaction, and to retain more of our top talent, and I would like to personally thank all of our people for delivering a record year, and making 888 a great place to work.

Itai Pazner

Chief Executive Officer

Chief Financial Officer's Report
2020 Business & Financial Review

Financial Summary

	2020 US$ million	2019[1] US$ million	Change
Revenue - B2C			
Casino	586.8	359.3	63.3%
Sport	122.1	90.0	35.7%
Poker	63.1	42.7	47.8%
Bingo	42.3	38.5	9.9%
Total B2C	**814.3**	**530.5**	**53.5%**
B2B	**35.4**	**29.8**	**18.9%**
Revenue	**849.7**	**560.3**	**51.6%**
Gaming taxes and duties	(151.8)	(95.5)	
Other cost of sales	(135.1)	(88.1)	
Gross profit	**562.8**	**376.7**	**49.4%**
Marketing expenses	(237.1)	(152.9)	
Operating expenses[2]	(170.1)	(131.7)	
Adjusted EBITDA[3]	**155.6**	**92.1**	**69.0%**
Share based benefit charges	(11.0)	(5.4)	
Exceptional items[4]	(78.2)	(2.3)	
Depreciation and amortisation	(33.6)	(32.2)	
Operating profit	**32.8**	**52.2**	**(37.1%)**
Finance income and expenses	(6.0)	(6.7)	
Share of equity accounted associates loss	(0.1)	(0.2)	
Profit before tax	**26.7**	**45.3**	**(41.1%)**
Adjusted profit before tax	*116.0*	*53.2*	*118.2%*
Adjusted basic earnings per share	**27.3¢**	**13.5¢**	**102.6%**
Basic earnings per share	**3.1¢**	**11.3¢**	**(73.0%)**

Alternative Performance Measures ("APMs") used in this Business & Financial Review do not have standardised meanings and therefore may not be comparable to similar measures presented by other companies.

Reconciliation of operating profit to Adjusted EBIT, Adjusted profit before tax and Adjusted net profit

	2020 US$ million	2019 US$ million	Change
Operating profit	**32.8**	**52.2**	**(37.1%)**
Exceptional items[4]	78.2	2.3	
Share benefit charges	11.0	5.4	
Adjusted EBIT[3]	**122.0**	**59.9**	**103.8%**
Finance income and expenses	(6.0)	(6.7)	
Adjusted profit before tax	**116.0**	**53.2**	**118.2%**
income tax	(15.4)	(3.7)	
Adjusted net profit	**100.6**	**49.5**	**103.3%**

[1] The presentation of the Consolidated Income Statement for the years 2020 and 2019 was changed in a manner that allows for further understanding of the underlying financial performance of the Group and in order to be consistent with how Group management and peers analyse the results of online gambling. Further information is provided in note 2 to the 2020 financial statements.

[2] Excluding depreciation of US$14.8 million (2019: US$12.6 million), amortisation of US$18.8 million (2019: US$19.6 million) and share benefit charges of US$11.0 million (2019: US$5.4 million).

[3] Adjusted EBITDA and Adjusted EBIT are the main measures the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures (including Adjusted profit before tax) which differ from statutory measures due to the exclusion of exceptional items and the application of adjustments. It does so because the Group considers that it allows for further understanding of the underlying financial performance of the Group.

[4] Exceptional charges of US$78.2 million related to US$79.9 million Bingo goodwill impairment charge offset by US$0.1 million change in provision in respect of regulatory matters related to legacy customers' activity in previous years and US$1.6 million gain from the sale of equity accounted associate (2019: US$2.3 million exceptional charges of US$2.3 million in respect of organizational restructuring and legal and professional costs associated with M&A activity).

The B2C business represented 96% of total Group revenue in 2020 (2019: 95%). B2C revenue increased by 53% to US$814.3 million (2019: US$530.5 million). This revenue growth, in part, reflects an increase in new customer acquisition that started at the end of 2019 and continued throughout 2020. The COVID-19 pandemic led to an acceleration in the migration of consumer behaviour toward online services, and our product leadership strategy, together with marketing and organisational flexibility, saw 888 significantly increase its customer base.

B2C - Product segmentation

888 continues to focus on developing its B2C business across four key product verticals: Casino, Sport, Poker and Bingo and expanding its brands across those global markets that have regulated frameworks for online gambling. 888 aims to achieve this by investing in developing safe, enjoyable product experiences, leveraging its analytics-driven marketing expertise to attract customers, and applying data-driven customer relationship management ("CRM") to support player retention.

During 2020, 888 acquired approximately 1.5 million first-time depositors ("FTDs") across its B2C brands globally, representing a 42% increase over 2019 and a new record for the Group. The positive trend also included an increase of 32% in funded active players[5] and a 66% increase year-on-year in deposits.

[5] Funded active players is defined as B2C players that wagered a positive amount during the period and have placed at least one deposit during their lifetime.

Casino

Casino continued to deliver strong growth across KPIs with a 63% increase in revenue to US$586.8 million (2019: US$359.3 million). Casino FTDs increased by 60%, Casino funded active players increased by 42% and Casino deposits increased by 93%.

888's Casino product was well positioned to achieve strong momentum in the first quarter of the year and capture the increase in demand for digital entertainment following the outbreak of COVID-19. This was as a result of the Group's investment in its Casino product over recent years which resulted in an enhanced suite of content, artificial intelligence ("AI") driven personalised features, improved customer experience and enhanced modelling to supervise players at risk of harm and interact with them.

Sport

Sport revenue increased by 36% to US$122.1 million (2019: US$90.0 million). This encouraging growth was achieved despite the widespread cancellation of sporting events due to the COVID-19 pandemic in the first half of the year, during which Sport revenue was flat compared with 2019. However, with the return of sporting events in the second half of 2020, revenue increased by 72% year-on-year. Sport revenue benefitted from a combination of improved margins and a different mix of customer bets, as well as refinement and optimisation to customer promotions and product improvements.

During the year, 888's Sport business was gradually migrated to our proprietary platform, known internally as *Spectate*, with the majority of bet volumes worldwide being placed on this platform at the time of the publication of this Annual Report. Sport FTDs increased by 14% year-on-year and deposits increased by 40%. In-play betting remained key drivers for 888sport with more than half of bet volumes placed during events in 2020.

Poker

Poker experienced strong revenue growth of 48% to US$63.1 million (2019: $42.7 million). This reflects the success of the Group's new poker product (Poker8), which was launched during the year as well as online poker's increased appeal as an enjoyable and sociable entertainment option during periods of restrictions on social activities due to COVID-19.

Poker remained an important customer acquisition channel, with a significant number of the Group's B2C FTDs acquired through the Poker vertical also playing Casino and Sport.

Bingo

B2C Bingo revenue increased 10% to US$42.3 million (2019: US$38.5 million). This performance benefited from the contribution of the enlarged portfolio of B2C brands integrated in March 2019. Deposits, funded active players, and acquisition of new customers increased during the year, building a solid base for 2021.

While the Bingo business continues to deliver growth, the increasingly strict regulatory atmosphere combined with limited growth opportunity in its main market, the UK, led the Group to increased its focus on other product and geographic opportunities. This change in focus led the Group to reassess the carrying value of the goodwill related to this business. This revaluation of the business resulted in an impairment of US$79.9 million in the value of the related goodwill and other intangible assets. The impairment was recorded as an exceptional item in the income statement.

B2B REVIEW

Revenue from 888's B2B division increased by 19% to US$35.4 million (2019: US$29.8 million), with both Bingo and US operational segments delivering growth.

The Group's predominantly UK-focused bingo network continued its progress, in part due to the success of its new customer interface inspired by 888's successful Orbit Casino platform. The new interface has enhanced the customer experience, integrated additional marketing functionality, and improved monitoring of safer gambling across the network.

Revenue from 888's B2B business in the US performed well, driven by increases across all states in which the Group's business partners operate.

Revenue by geographic market

Regulated markets

Revenue from regulated markets continued to represent the majority of Group revenue in 2020, with revenue from regulated and taxed markets[6] increasing by 50% and accounting for 73% of revenue (2019: 74%). 888's strategic focus remains on achieving growth in sustainable regulated markets where the Group can leverage its marketing expertise to achieve long-term, profitable growth.

[6] 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, GST or similar taxes.

The below table shows the Group's revenue by geographical market:

	2020 US$ million	2019 US$ million	Change from previous year	% of reported Revenue (2020)
EMEA (excluding the UK, Italy, and Spain)	**253.4**	**180.1**	***41%***	***30%***
UK	**333.5**	**204.1**	***63%***	***39%***
Italy	**86.5**	**51.1**	***69%***	***10%***
Spain	**67.5**	**60.9**	***11%***	***8%***
US and Americas	**93.7**	**51.7**	***81%***	***11%***
Rest of the World	**15.1**	**12.4**	***22%***	***2%***
Total revenue	**849.7**	**560.3**	***52%***	***100%***

EMEA (excluding the UK, Italy, and Spain)

Revenue from EMEA excluding the UK, Italy and Spain increased by 41% to US$253.4 million (2019: US$180.1 million). Revenue increases were seen in most markets, with regulated markets such as Romania, Sweden, Ireland and Portugal seeing particularly strong growth trends. Outside these markets, revenue increased by 29% year-on-year primarily reflecting the Group's strong Casino activity during the period.

Germany increased 2% year-on-year for the full year, but following regulatory changes implemented in October 2020, revenues were significantly lower year-on-year. The Group is convinced that while it will face a short-term decline in revenue and profits, the new situation in Germany poses an opportunity for 888 to benefit from long-term growth in this newly regulated market. In the last few years, the Group has decreased its exposure to the German market, which amounts to under 4% of 2020 Group revenue. The impact of the new regulation and associated tax regime is expected to be approximately a US$15 million reduction to 2021 EBITDA.

UK

The Group delivered revenue growth in the UK of 63% to US$333.5 million (2019: US$204.1 million) reflecting 888's clear and unwavering focus on entertaining recreational customers and providing them value in a safe and secure environment. Increases were driven by strong growth in FTDs of 60%, a doubling of deposit levels and a 48% increase in funded active players.

During the year, the Group continued to implement enhancements to its operating processes in the UK, including increasing customer due diligence, tighter anti-money laundering processes, and developing customer protection tools and protocols. These changes are aimed at providing a safer gambling environment for players and to ensure the Group is aligned with the market's regulatory environment. 888 is committed to continue investing in and enhancing its safer gambling processes and tools across all markets and has enhanced its detection protocols and alerts since the outbreak of COVID-19 to make sure players engage with its products in a responsible manner, as well as developing the Control Centre, giving players increased transparency about their activity as well as quick and simple tools to limit their gameplay.

As part of the Group's commitment to ongoing progress in its safer gambling policy, the thresholds for intervening with players have been further tightened, which is expected to restrict 888's ability to grow its revenues in this market during 2021. Further details on the Group's safer gambling strategy and initiatives can be found in the 2020 Annual Report.

Italy

Italy delivered continued strong revenue growth of 69% to US$86.5 million (2019: US$51.1 million), for the first time comprising more than 10% of the Group's total revenue. This strong performance, including increases in FTDs of 43% and in deposits of 44%, reflects the strength of 888's established brands in the Italian market. Casino revenue in Italy increased by 71%, Poker revenue increased by 114% and Sport revenues increased by 38% despite the impact of COVID-19 in the first half of the year.

Spain

In Spain, revenue increased by 11% to US$67.5 million (2019: US$60.9 million), with FTDs increasing by 7%. This performance was delivered against the backdrop of cancelled sporting events during the first half of the year as well as new restrictions on marketing and retention activities, all of which created a more challenging operating environment. Casino revenue increased by 18% and Casino FTDs increased by 28%. Poker revenues increased by 92%, with a strong customer reaction to the launch of Poker8 during the second half of the year.

US and Americas

Revenue from US and Americas increased by 81% to US$93.7 million (2019: US$51.7 million). US revenue increased by 65% to US$20.8 million (2019: US$12.6 million). This was primarily due to New Jersey B2C revenue which increased by 71%, with a 61% increase in FTDs in the state, driven by the enhancements made to 888's product in the US market over recent periods. Non-US revenue increased by 86% year-on-year primarily reflecting the Group's strong B2C Casino activity during the period.

888 remains focused on investing further in the US market in order to deliver significant medium-to-long-term growth opportunities. In December, the Group announced three multi-year market access agreements to launch in the US states of Colorado, Indiana and Iowa, and it is currently assessing additional market access deals and opportunities in the US, with the aim to be active in additional states during 2021.

In January 2021, the Group announced a multi-year extension of its exclusive B2B poker partnership with Caesars Interactive Entertainment. The new agreement will see 888 continue to power the World Series of Poker ("WSOP") brand's online poker rooms as the Company plans its entry into new regulated markets including Michigan and Pennsylvania.

In 2020, the Group signed a multi-year extension of the contract with the Delaware Lottery, and during January 2021, the Group introduced its Orbit platform for the three Delaware online Casino brands.

Results overview

Gaming taxes and duties

Gaming duties levied in regulated and taxed markets substantially increased by 59.0% to US$151.8 million (2019: US$95.5 million). This is a result of the Group's strong revenue growth in regulated and taxed markets including the UK. The proportion of Gaming taxes and duties to revenue increased to 17.9% (2019: 17.0%) affected by the UK's Remote Gaming Duty rate increase from 15% to 21% in April 2019, the Portugal gaming tax rate increase from 15% to 25% in April 2020, and a different mix of revenue across regulated markets.

Other cost of sales

Cost of sales, which mainly comprise commissions and royalties payable to third parties, chargebacks, payment service provider ("PSP") commissions and costs related to operational risk management and customer due diligence services, increased by 53.4% to US$135.1 million (2019: US$88.1 million). The proportion of cost of sales to revenue increased to 15.9% (2019: 15.7%).

The strong growth in the Group's Casino and Sport offerings resulted in higher commissions and royalty charges payable to third party providers of games and data feeds, mainly in respect of the Live Casino activity and the Sport third-party platform. It also meant higher commissions payable to PSPs and costs related to stricter regulatory requirements to enhance the scope of customer-related screening.

Gross profit

Gross profit increased by 49.4% to US$562.8 million (2019: US$376.7 million). Gross profit was mainly impacted by the strong increase in activity. Gross margin decreased from 67.2% to 66.2%, mostly as a result of the increased gaming taxes and costs related to operational risk management.

Marketing expenses

One of the key drivers of 888's business is effective and innovative marketing spend. Overall marketing expenses increased by 55.1% to US$237.1 million (2019: US$152.9 million). The marketing ratio increased to 27.9% (2019: 27.3%) and this increase in investment was a major driver behind the strong 42% increase in FTDs in the Group's B2C business.

During the year, the Group also tripled its marketing investment in the US, which resulted in both an increased number of FTDs and increased awareness of the 888 brands in this critical market.

Increased marketing investment is in line with the Group's strategy to build momentum in the business, albeit under restrained marketing messaging, regulatory limitations in certain markets and tighter responsible gaming measures.

Contribution

Contribution, which represents Gross profit less Marketing expenses, increased by 45.5% to US$325.7 million (2019: US$223.9 million), while Contribution margin decreased to 38.3% (2019: 40%), mainly due to the slightly lower gross margin and increased marketing investment during the year to support future growth plans.

Operating expenses

Operating expenses[1] (which mainly comprise employment costs, legal costs, regulatory and tax advice, development costs, IT services and infrastructure maintenance) amounted to US$170.1 million (2019: US$131.7 million). The increase during the year is explained by the following factors: (i) the uplift in trading which resulted in the need to adjust and retain personnel to handle and support this business growth; (ii) increased cost of legal, regulatory and tax advice are directly linked to the growing complexity of the Group's regulatory footprint; (iii) more R&D investment in the new proprietary Sport platform, as well as investment across our regulated markets and the development of new products, games and features that further enhance customer experience. This year also saw a specific emphasis on increased investment in safer gambling and customer protection.

1 Excluding depreciation of US$14.8 million (2019: US$12.6 million), amortisation of US$18.8 million (2019: US$19.6 million) and share benefit charges of US$11.0 million (2019: US$5.4 million).

Adjusted EBITDA

Adjusted EBITDA increased 69.0% to US$155.6 million (2019: US$92.1 million), representing an Adjusted EBITDA margin of 18.3% (2019: 16.4%). Adjusted EBITDA was primarily impacted by the strong increase in Contribution, and partly offset by the increased level of Operating expenses, as explained above.

Exceptional items

	2020 US $ million	2019 US $ million
Impairment charges (1)	**79.9**	-
Regulatory matters provision (2)	**(0.1)**	-
Gain from the sale of equity accounted associate (3)	**(1.6)**	-
Exceptional legal and professional costs (4)	-	**1.0**
Restructuring costs (5)	-	**1.3**
Exceptional items	**78.2**	**2.3**

(1) The Group carried out an impairment test for the Goodwill and intangible assets of the Bingo business which resulted in impairment charges of US$79.9 million. The projected cash flows used to evaluate the recoverable amount of Bingo Goodwill have been updated to reflect enhanced regulation in the UK market coupled with Group's strategic decision to reduce focus on Bingo business and increase focus on other product and geographic opportunities.

(2) During 2020, while assessing the provision in respect of past and current regulatory matters, management concluded that it could be reduced. The net decrease in this provision was accounted for as exceptional income, in line with the treatment when the provision was created.

(3) Capital gain related to the sale of investment in Come2Play Limited.

(4) Legal and professional costs associated with the acquisitions of the Costa Bingo brands and the BetBright sport platform in 2019.

(5) Restructuring costs related to employee redundancies as part of the Group's headcount cost optimisation project during 2019.

Finance income and expenses

Finance income of US$0.1 million (2019: US$0.5 million) less finance expenses of US$6.1 million (2019: US$7.2 million) resulted in a net expense of US$6.0 million (2019: US$6.7 million). Finance expense mainly comprised US$1.3 million non-cash interest expenses resulting from the implementation of IFRS 16, US$3.3 million non-cash charge relating to currency exchange differences and US$1.4 million interest charge in respect of the revolving credit facility ("RCF") which was fully repaid during 2020.

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

Profit before tax

Profit before tax was US$26.7 million (2019: US$45.3 million), reflecting the significant overall improvement in 888's financial performance offset by the impact of one-off goodwill Impairment charges.

Adjusted profit before tax was US$116.0 million (2019: US$53.2 million), mainly as a result of higher EBITDA as described above.

Taxation

Taxation for the period increased to US$15.4 million (2019: US$3.7 million), mainly as a result of the higher adjusted profit generated in 2020.

In prior years, the Group took steps to mitigate Brexit-related risks, including the redomiciliation of certain of its licensed entities to Malta and establishment of a data centre in Ireland. As a result, we have not seen any disruption to our ability to continue to serve European markets.

Net Profit and adjusted net profit

Net profit was US$11.3 million (2019: US$41.6 million). Adjusted net profit[1] increased by 103% to US$100.6 million (2019: US$49.5 million).

[1] As defined in Earnings per share note of the financial statements.

Earnings per share

Basic earnings per share was 3.1¢ (2019: 11.3¢). Adjusted basic earnings per share increased to 27.3¢ (2019: 13.5¢). The increase is a result of higher Adjusted net profit in 2020 compared to the previous year, as outlined above. Further information on the reconciliation of Adjusted basic earnings per share is given in Earnings per share note to 2020 financial statements.

Dividend

The Board of Directors is recommending a final dividend of 10.4¢ per share in accordance with 888’s dividend policy, plus an additional one-off 1.6¢ per share to acknowledge the record-breaking performance of the Group in 2020, bringing the total for the year to 18.0¢ per share (2019: 6.0¢ per share).

Cash flow

Net cash generated from operating activities increased to US$179.2 million (2019: US$80.5 million), primarily related to US$66.0 million higher Adjusted Profit before tax. Changes in working capital contributed US$33.5 million (2019: US$1.7 million) mainly comprising an US$18.0 million increase in customer deposits and a US$44.1 million increase in trade and other payables, offset by a US$34.5 million increase in trade receivables.

Net cash used in investing activities was US$30.9 million, mainly comprising acquisition of property, plant and equipment of US$10.6 million and internally generated intangible assets of US$17.9 million (2019: US$82.9 million, including the acquisition of the BetBright sport platform, Costa Bingo brands and 53% of AAPN Holdings LLC, or US$22.3 million excluding acquisitions).

Net cash used in financing activities was US$58.9 million (2019: US$31.7 million), comprising US$18.0 million repayment of the RCF (2019: proceeds from RCF of US$17.5 million) and dividend payments of US$33.2 million (2019: US$40.4 million). As at 31 December 2020, the RCF remained entirely undrawn.

Balance sheet

Total assets as at 31 December 2020 amounted to US$486.7 million (2019: US$433.1 million).

Current assets as at 31 December 2020 amounted to US$274.6 million (2019: US$142.1 million) and current liabilities were US$298.9 million (2019: US$229.6 million).

888's net cash position as at 31 December 2020 was US$190.0 million (2019: US$96.9 million). Cash and cash equivalents increased by US$93.1 million, primarily a result of the strong cash flow generated from operating activities.

The balance of cash owed to customers as at 31 December 2020 was US$74.0 million (2019: US$54.7 million).

Going concern

Following consideration of the updated base case forecasts and the updated downside scenarios, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details are provided on note 2 to this financial statement.

Yariv Dafna
Chief Financial Officer

Risk management strategy

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

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

888's culture emphasises the need for employees to take responsibility for managing the risks in their own areas and to transparently and timely report "bad news" and "near miss" incidents, with a willingness to constantly learn and improve. Where failures are identified, 888's management is committed to appropriately investigating what happened and why, in order to learn from mistakes. 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 2020 and up to the date of approval of the annual report and accounts; and
- they are regularly reviewed by the Board (please see the 2020 Annual Report for further details of the review conducted in 2020).

As part of its regular risk assessment procedures, the Board takes account of the significance of environmental, social and governance matters to the business of the Company, and has identified and assessed the significant risks of that nature to the Company's short and long-term value, as well as the opportunities to enhance value that may arise from an appropriate response. The Board confirms it has received adequate information to make this assessment and that these matters are considered in the training of directors. The Board has specifically verified environmental, social and governance disclosures – part of which, where mentioned herein, are verified by external advisory firms and internal audits – with Group senior management in order to ensure their accuracy.

Risk appetite

Addressing risk is a high priority for the Board and effective risk management is an integral part of the way we conduct our business on a daily basis. The Board factors into the risk assessment impact, likelihood and appetite considerations. Risk is managed across the Group in the context of overall risk appetite and during 2020 the Board considered risk appetite to ensure adequate resources are allocated to identified risks. The Board reviewed and approved the following risk appetite statement:

Category of Risk	Tolerance	Risk Parameters
Strategic	Medium	During development and implementation of new propositions and assessing new opportunities including potential transactions, we are prepared to accept medium risks that support our pursuit of growth.
Operational	Low to medium	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 to zero	We have an extremely low to zero tolerance when complying with laws and regulations that relate to bribery, corruption and anti-money laundering. We have controls in place that are designed to mitigate these risks, and detailed and tested procedures in place for dealing with these types of scenarios when they arise. We are particularly sensitive to compliance risks in our key regulated markets including the UK.

888 faces the following significant risks:

Regulatory risk ➔ increased during 2020

The risk: The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction can, depending on the nature of the change and its impact on the group's offering and modalities, 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. Newly enacted or modified licensing regimes may impose operational conditions on the group that are onerous or commercially unviable. Finally, changes to either the regulatory framework or enforcement policy relating to online gaming in certain markets may effectively force the Group out of certain markets where it currently operates or compel it to change its business practices or technology in a way that would materially impact results.

Relevance to strategy: Compliance with regulatory requirements and the maintenance of regulatory relationships in multiple jurisdictions is key to maintaining 888's online gaming licences which are critical to the operation and growth of its online gaming business. With the majority of revenue generated from jurisdictions where the group is locally licensed, the importance of such licenses and their centrality to the business constantly increase. A growing number of jurisdictions worldwide now either locally license or otherwise regulate online gambling, and therefore 888 may be exposed to an increasing number of licensing requirements or conversely to attempts to block access to 888's offering to players in certain jurisdictions or to penalize 888 for its offering. A robust understanding of the legal and regulatory position in key locations worldwide is crucial to mitigating this risk.

How the risk is managed: 888 manages its regulatory risk by routinely consulting with legal advisers in various jurisdictions where its services are marketed or which generate significant revenue for the Group. Furthermore, 888 obtains frequent and routine updates regarding changes in the law in jurisdictions of interest 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 continued to review possible organizational changes in order to strengthen regulatory compliance oversight, as well as to improve co-operation between the different departments and streamline processes of settling any conflicts between them, ensuring that 888's regulatory requirements and duty to uphold the licensing objectives always take priority over commercial interests. Finally, 888 blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate, and in addition is able to moderate budgeted spend and focus in markets where uncertainty is high, along with adjusting its marketing strategy to online channels thus allowing faster cost adjustment when needed. 888 also believes its investment in product developments, such as better communication tools, improved player experience and games adjustments, serves to mitigate this risk.

What happened in 2020: In part as a response to the COVID-19 pandemic, various jurisdictions adopted a more stringent approach to player protection, primarily to avoid emergence of problem gambling patterns amongst those sheltering at home, and to curtail excessive spending on gambling during a period of economic downturn. In various jurisdictions, this took the form of advertising restrictions, or the imposition of stricter player protection and responsible gambling measures, either temporarily or on a permanent basis.

The UK Gambling Commission ("**UKGC**") continued to take a strict approach towards compliance, tightening requirements, adopting more stringent policies and regulations, increasing the level of oversight over licensees and penalizing operators for failing to meet regulatory requirements and standards. The primary areas of focus for the UKGC were responsible gambling and prevention of underage gambling, consumer protection, and anti-money laundering. The UKGC adopted additional restrictions, e.g. a ban commencing in April 2020 on credit card transactions for gambling and stricter age verification obligations. In November 2020, the UKGC opened a consultation on remote customer interaction, which covered the issues of potential customer affordability checks, vulnerable person identification mechanisms and increased time management control for customers. In December 2020, the UK Government launched a review of the Gambling Act 2005, with the aim to ensure it is "fit for the digital age". The review is to cover the regulator's powers as well as regulation of marketing and restrictions to online offerings. The Group continued to work closely with the UKGC on compliance matters, and also to update its policies and procedures and to strengthen internal reporting lines to ensure compliance within the business, investing significant resources in regulatory compliance measures. In 2020, the UKGC commenced a compliance assessment of the Group, which looked in detail at a number of specific cases. The Group is engaged in dialogue and is working cooperatively with the UKGC to address all concerns raised with regard to the Group's operations under its UK license.

In Germany, the regulatory landscape is undergoing the most drastic change in a decade with the introduction of federal sports betting licenses (for which 888 has applied) and the adoption of a temporary toleration regime for online casino gambling (with which 888 is compliant). Compliance with the conditions of the new licensing and toleration regimes required various modifications and alignments of the group's German offering, which will impact the profitability of its operations in that jurisdiction. 888 has been successful in having certain prohibition orders previously issued against it withdrawn, and having certain others suspended, as it continues to litigate against outstanding prohibition orders in various German states. The emergence of a licensing regime for sports betting and online casino may, in the foreseeable future, render these prohibition orders obsolete. In early 2020, it was announced that the German states had reached a consensus that would result in regulatory reform in mid-2021, under which operators would be able to apply for a license to offer online slots and poker, subject to certain restrictions (e.g. deposit limits, maximum wagers, advertising restrictions, etc.). Some details of this regime have not yet been developed, but this development could significantly impact the Group's casino offering in the German market.

In the Netherlands, where a law was approved in February 2019 to liberalize the market, the local regulator continues to take a proactive and strict approach towards enforcement of existing laws against operators whose operations are conducted in violation of the "prioritization criteria" for enforcement issued by the authorities, and which were updated with additional criteria during 2019. Several operators received significant fines due to the conduct of operations in a manner violating these criteria. Operators fined or overtly targeting the market may also be barred from participating in the liberalized market or have their eligibility for licensing delayed. The Group has been studying these developments closely to ensure its offering is in line with the criteria as updated.

In Sweden, the Group has been operating under a local license since 2019. The Swedish regulator initially showed itself to be strict and proactive in enforcing regulatory standards, and on occasion informed the industry of its position on compliance by penalizing operators it perceived as non-compliant. 888 continues to take measures to ensure that its operations are in line with local requirements.

2020 also saw a rising trend of civil litigation claims in Austria against foreign-licensed operators, claiming refunds due to lack of local licensing. This trend is backed by case law amongst the higher Austrian courts. In addition, claim-financing bodies started gathering claims against operators. The Group is dealing with these civil claims with help from its local advisors. A similar uptick in civil claims also recently started in Germany, but to a lesser extent.

In January 2021, the federal Court of Appeals for the First Circuit denied an appeal by the US Department of Justice seeking to uphold a 2019 memo on the scope of the federal Wire Act. By denying the appeal, the Court confirmed the previous opinion from 2011, which concluded that the Act applies only to sports betting. The case may eventually reach the US Supreme Court, however this may depend on the position of the new Biden administration on the issue. If left unchallenged, this development would help serve 888 and the online industry in providing a more legally sound basis for internet gaming activity in the US. More generally, the US continued to move towards increased regulation of various forms of online gambling. The group was licensed in the Pennsylvania in September 2020, and continues to seek licensure in other US jurisdictions.

Information Technology and Cyber risks ➔ increased during 2020

<u>The risk</u>: 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 on a Glacier AWS service. 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. 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 2020: COVID-19 was a catalyst for upgrading the Group's work from home capabilities across all sites, with security and audit measures adjusted accordingly. The Group also started the process of migrating its front tier websites to a cloud based solution, together with implementation of leading cloud protection and audit tools; this process will be completed in 2021. The Group further improved its DDoS architecture, including mitigation of device upgrades and moving to an always-on architecture. Automation of security processes has also been further progressed, together with implementation of Advanced Persistent Threat (APT) protections, and additional "write once read many" (WORM) backup of the Group's data centre to mitigate ransomware risk.

Data Protection risk ➔ remained stable during 2020

The risk: 888 processes a large quantity of personal customer data, including sensitive data such as name, address, age, bank details and gaming / betting history. Such data could be wrongfully accessed or used by employees, customers, suppliers or third parties, or lost, disclosed or improperly processed in breach of data protection regulations. In particular, the European General Data Protection Regulation ("GDPR") entered into force in May 2018, having a significant effect on the Company's privacy and data protection practices, as it introduced various changes to how personal information should be collected, maintained, processed and secured. Non-compliance with the GDPR may result in fines of the higher of €20 million or 4% of the Company's annual global turnover, and the Company will be particularly exposed to enforcement action in light of the amount of customer data it holds and processes. In addition, various countries in the EU have introduced domestic data protection laws incorporating the GDPR requirements. Moreover, 888 makes use of various tracking technologies (such as cookies, SDKs, JavaScript and other forms of local storage), which are subject to stricter standards of consent and transparency, both under the GDPR and the e-Privacy Directive. The Company could also be subject to private litigation and loss of customer goodwill and confidence.

<u>Relevance to strategy</u>: The holding and processing of personal and sensitive data in a lawful and robust manner is central to 888's analytics-based business strategy. As an online B2C and B2B business, the integrity of 888's data protection framework is crucial to the supply of its offerings, compliance with its regulatory obligations and maintenance of the impressive customer loyalty with which 888 is entrusted.

<u>How the risk is managed</u>: 888 has undergone a robust and risk-oriented GDPR-preparation project, pursuant to a designated GDPR Gap Analysis that was prepared for that purpose in coordination with its legal advisers. 888 has further mapped the personal data life-cycle within the organization, including how personal data of its customers and EU employees is collected, stored, secured and shared with third parties. 888 has further appointed a designated internal Data Protection Officer ("DPO") and put in place policies and procedures on relevant matters including exercising user rights and data retention, data sharing with third parties, security policies, as well as reviewing necessary product and IT implementation. Such policies and procedures are reviewed and updated on an ongoing basis to align with the most up to date regulatory guidelines. 888 has further put in place adequate contractual measures with respect to sharing data with third parties, reviewing its privacy notices and other customer notifications and reviewing the current data security framework on an ongoing basis.

<u>What happened in 2020</u>: 888 reviewed and updated its internal data protection policies and procedures, as well as notices provided to the users (such as privacy notices, cookie notices and consent forms), so as to ensure alignment with regulatory developments and guidelines; reviewed a dedicated notice and choice mechanism (to be implemented on 888's online properties) so as to meet the regulatory requirements relating to the use of tracking technologies; ensured that data subjects requests to exercise rights are handled in an appropriate manner, in accordance with the internal procedures and within the regulatory timeframe; the DPO of 888 acted to ensure a privacy-aware culture within 888 by way of conducting training and privacy awareness exercises to relevant employees and departments (e.g. customer support and marketing teams); the DPO of 888 produced an annual

report with the objectives of providing an overview of the key events, regulatory investigations and inquiries, and data subjects' complaints since the GDPR entered into force, enabling 888's senior management to ascertain the data protection risks and challenges in the environment in which the Company operates and the regulatory exposure, support 888's senior management with the effort to take appropriate risk mitigation steps and allocate appropriate resources for handling data protection issues, and increase the awareness to data protection obligations and the 888's responsibilities; reviewed and responded to data subjects' complaints and regulatory inquiries relating to compliance with applicable data protection requirements; and monitored for and investigated data breach attempts/incidents and took the appropriate steps to enhance its cybersecurity posture and mitigate the residual risks.

Taxation risk ➔ increased during 2020

The risk: Heightened attention continues to be given to matters of cross-border taxation in line with the G20/OECD Base Erosion and Profit Shifting recommendations. During 2020, the OECD/G20 Inclusive Framework on BEPS carried out public consultations regarding Reports on the Pillar One and Pillar Two Blueprints in response to the Tax Challenges arising from Digitalisation. Pillar One addresses the allocation of taxing rights between jurisdictions and considers various proposals for new profit allocation and nexus rules, in particular to market jurisdictions; and Pillar Two (also referred to as the "GloBE" proposal) focuses on the remaining BEPS issues and aspires to a minimum effective rate of taxation for multinational enterprises, by way of a set of rules that provide jurisdictions with a right to "tax back" where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation. The Pillar One and Pillar Two rules, once implemented, are expected to apply to 888, along with detailed transfer pricing reporting and exchange of tax information rules known as "Country by Country Reporting", insofar as 888's annual revenues exceed EUR 750 million. Some countries, such as the UK, Italy and Spain, have implemented unilateral digital service taxes. The UK also implemented the Offshore Receipts in respect of Intangible Property rules imposing UK tax on the receipt of royalties by offshore companies deriving from business activity in the UK. Gibraltar and Malta transposed the EU Anti Tax Avoidance Directive into domestic law, including changes with respect to exit tax, General Anti-Abuse Rules and Controlled Foreign Corporation rules. Due to pressure from the European Union, many offshore jurisdictions have introduced "substance" requirements including with regard to IP companies. The likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions and the aggressiveness of tax authorities remains high. 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. The Company believes, based amongst other matters on its Assessment Agreement with the Israeli Tax Authority for years 2013-2015, 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, in light of the developments in taxation rules internationally, including in the field of transfer pricing pursuant to which new methodologies are gaining prominence, in the context of the tax audit detailed below, the Israeli Tax Authority may seek to increase the level of remuneration attributed to the Israeli subsidiary for tax purposes commencing from the 2016 tax year, which could have material financial consequences to the Company.

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

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

What happened in 2020: 888 continues to engage with tax authorities and obtain legal advice in order to regularise its tax position and mitigate exposures. In Israel, the local subsidiary is undergoing a tax audit with respect to years 2016-2018, which primarily focuses on transfer pricing matters. No assessment has yet been issued, and the Company expects these tax assessments to be concluded during 2021.

Retention of Key Personnel and Succession risk → decreased during 2020

The risk: The success of the Company is in part dependent on its ability to retain its key personnel, including at Board and senior management level and throughout the business, and to successfully manage succession planning in the case of key personnel leaving the Company.

Relevance to strategy: Human capital is important to online gaming businesses, and online businesses generally, and competition for highly-qualified personnel is intense in locations in which the Group is based. Ensuring orderly succession planning is important to delivering on the Company's strategy and avoiding undue disruption to the business.

How the risk is managed: Executive directors and senior management are compensated competitively, including an equity component and bonus partially deferred into shares. The Board has an active Nominations Committee, which is responsible for succession planning at the Board and senior management levels, and is supported as necessary by external executive recruitment agencies.

What happened in 2020: During 2020, Yariv Dafna successfully transitioned into his new role as CFO, replacing Aviad Kobrine, who stepped down on 1 November 2020 after a seamless transition of responsibilities. Lord Jon Mendelsohn joined the Board as a Non-executive Director, designated chairman and member of the Audit and Remuneration Committees, and will replace Brian Mattingley as Chairman of the Board on 31 March 2021.

Business Disruption due to Pandemics such as COVID-19 ➔ remained stable during 2020

The risk: As a multinational company based in a number of locations worldwide, the Company is dependent on the ability of its personnel to maintain their physical health and wellbeing, successfully carry out their roles from the Group's offices or remote locations, and at times to travel between sites. Business disruptions may occur when personnel are unable to work or communicate with one another, including due to pandemics such as COVID-19. Such outbreaks and the response thereto also affect the global economy, which can impact consumer confidence and spending more generally. In particular, cancellation of sporting events adversely affected our Sport business in the first half of 2020. There is currently evidence of an increase in customer activity in the Group's products, reflecting a general move in the broader economy from retail to online services. However, in the event of a prolonged global macro-economic downturn, consumer spending across the Group's online gaming product verticals may also become impacted.

Relevance to strategy: Online gaming businesses are dependent on their highly qualified personnel in order to operate effectively. Ensuring that personnel can work and communicate is key to delivering on the Company's strategy and avoiding undue disruption to the business. Our Sport business is also dependent on sporting events continuing to be held on which customers are interested in betting.

How the risk is managed: The Company monitors developments which may affect its sites and customers, and where necessary and practicable takes steps to mitigate disruption to the business.

What happened in 2020: In light of the COVID-19 outbreak and limitations imposed in various Group locations, including with respect to self-isolation as well as restrictions on travel and conferences, the Company has taken a number of mitigation steps including enabling remote working and rebalancing of responsibilities between sites. These actions enabled the Group to deliver its product development plan and to launch new products despite the restrictions.

Reputational risk➔ remained stable during 2020

<u>The risk</u>: The reputation of 888 is affected by the profile of both other online gaming and betting operators, as well as the gaming and betting industry as a whole. Various regulators, most notably the UKGC and the Swedish regulator, have adopted stricter compliance and enforcement policies, conducting more in-depth reviews of operational practices and sanctioning operators found to be non-compliant. There appears to be growing sentiment in various jurisdictions that existing regulations do not sufficiently protect minors and vulnerable players or do enough to prevent the use of illicitly obtained funds for gambling purposes. More specifically – due to the COVID-19 pandemic, which resulted in a growth in gambling spending and a potential increase in problem gambling prevalence, the industry as a whole has been the subject of increased criticism and the calls for stricter regulation, specifically around responsible gambling and advertising, have intensified. This could result in reputational damage to the Group, as well as in the adoption of stricter regulations and enhanced enforcement measures.

<u>Relevance to strategy</u>: Underage and gambling-related harm, as well as the use of illicit funds for gambling, are risks associated with any gaming business, and ensuring compliance with regulatory requirements for the protection of vulnerable people and the prevention of money laundering is critical to maintaining 888's online gaming licences. 888 also recognises that, in light of the COVID-19 outbreak, people are spending more time at home with potentially increased stress from economic uncertainty, meaning that 888's vigilance on safe gambling and preventing gambling-related harm is even more important than ever.

<u>How the risk is managed:</u> Staff are trained to provide a safer 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. Special customer protections were added during the COVID-19 pandemic, in order to mitigate the increased risks arising from customers remaining at home for long periods under conditions of stress. These included compliance with regulations and guidance issued by various regulators, including the UKGC as well as the Spanish and Swedish regulators, as well as adopting social responsibility guidelines and increasing proactive responsible gaming communications and measures for our customers.

<u>What happened in 2020</u>: There have been growing calls for the adoption of stricter responsible gambling and player protection measures, as well as stricter advertising restrictions, in response to the COVID-19 pandemic. There has also been some public and press criticism against the industry due to some operators perceived to be taking advantage of the pandemic to drive business. 888 continued to devote significant resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update

procedures to ensure that minors are unable to access their gaming sites. 888 continues to improve on efforts to detect and prevent instances of problem gambling, and continues to review and update its anti-money laundering and safer gambling policies to better detect players suspected of using illicit funds for gambling, and to better identify players showing indicators of harm or patterns of problem gambling. 888 has continued its review of all its websites and those of its B2B partners with a view to ensuring that content is responsible and compliant with the applicable advertising standards. 888 has also continued enhancing its integration with the National Online Self-Exclusion Scheme (also known as “GAMSTOP”) to enable its customers to self-exclude on national level from all UK online gambling operators. The launch of our Control Centre, a single safer gaming dashboard allowing customers to monitor their gaming activity, was also a major achievement during 2020.

Partnership risk ➔ remained stable during 2020

The risk: B2B partnerships expose 888 to business risks as well as compliance and reputational risks, with increased pressure on 888 as the licence holder, particularly from the UKGC, to monitor activities of its B2B partners. 888 furthermore uses services provided by third parties, including in its Sport vertical during the transition to 888’s new proprietary platform, game providers including live casino, payment service providers, KYC and age verification providers, which if disrupted due to general economic conditions or otherwise, may impact 888’s operations.

Relevance to strategy: B2B remains a material part of 888’s business, particularly for Bingo in the UK; in addition, its US B2B contracts have strategic importance for the longer term. Third party providers are an important part of maintaining 888’s attractive product offering.

How the risk is managed: 888 has reduced its dependency on B2B relationships, following the acquisition of Costa Bingo and other formerly B2B bingo brands. Remaining B2B contracts are maintained commercially in terms of the functionality and technology of the B2B platform offered, competitive pricing, maintaining an ongoing relationship with B2B partners, and ensuring that 888 has a good understanding of the needs of its B2B partners and their owners.

What happened in 2020: In 2019, 888 acquired Costa Bingo and other formerly B2B bingo brands from its former B2B partner Jet Management. In 2020, 888's US B2B partner Caesars announced that it will acquire William Hill plc, a move that could impact on the relationship with 888. As recently announced, the agreement with Caesars was extended until 2026, removing the risk for the short and mid-term. Certain of 888’s service providers have been impacted by the COVID-19 outbreak and its economic consequences, and 888 is in the process of identifying these risks and mitigating where possible.

Acquisition risks ➔ decreased during 2020

The risk: 888 has made a number of acquisitions in the online gaming and betting space. Acquisitions of gaming companies carry business risks, such as overpaying for what are mainly intangible assets, as well as legal and regulatory risks, including the receipt of necessary regulatory approvals to the transaction and exposure to legacy non-compliance of the seller. Furthermore, integration of acquired entities gives rise to a financial burden and the requirement of management attention and operational resources.

Relevance to strategy: Ongoing consolidation of the online gaming market has increased the importance of 888 being ready to acquire smaller operators.

How the risk is managed: 888's legal, financial and tax advisers ensure that a comprehensive due diligence is carried out on potential acquisition targets. Generally, 888 prefers to acquire assets rather than shares of companies, in order to mitigate exposure to any past non-compliance issues on the part of the seller. 888 seeks to take into account the resources required to integrate acquired entities in its annual budgeting and planning.

What happened in 2020: In 2019, 888 acquired Costa Bingo and other formerly B2B Bingo brands from its former partner Jet Management, as well as acquiring the BetBright Sports betting technology. Both transactions were structured as asset acquisitions, and during 2020 888 completed integration of these businesses into the Group.

Liquidity risk ➔ decreased during 2020

The RCF taken by 888 from Barclays Bank plc was repaid in full during 2020, and 888 has no third party debt. In addition, the Company's net cash position improved and business liquidity increased during 2020.

Regulation and general regulatory developments

The most dominant factor influencing the regulation of online gambling in 2020 was, unsurprisingly, the COVID-19 pandemic. With billions of people worldwide sheltering at home for prolonged periods of time, and with the widespread eradication of in-person gambling and other forms of entertainment, the appeal and popularity of online gambling increased significantly. This development presented commercial opportunities for operators but also posed an increased risk to those potentially prone to problem gambling resulting in a call for enhanced restrictions designed to protect those more vulnerable. With many jurisdictions suffering from economic downturn, attempts intensified to prevent excess spending on gambling. These developments dovetailed into already growing concerns related to responsible gambling and an increased focus on marketing and advertising practices.

During 2020, various jurisdictions adopted a more stringent approach to player protection, primarily to avoid emergence of problem gambling patterns amongst those sheltering at home, and to curtail excessive spending on gambling during a period of economic downturn. In various jurisdictions, this took the form of advertising restrictions, or the imposition of stricter player protection and responsible gambling measures, either temporarily or on a permanent basis. The UKGC imposed various temporary responsible gambling measures in response to the COVID-19 pandemic, to curb the potential for increased spending and gambling addiction during lockdowns or by those sheltering at home. The Spanish Government imposed a prohibition on the offering of incentives or email and social media advertising during the COVID-19 lockdown. In Sweden, operators were subject to temporary deposit limits for betting and online casino gambling, as well as an additional restriction on the maximum amount of bonuses.

The UKGC continued to take a strict approach towards compliance, pursuing intensive oversight over licensees and penalizing operators for failing to meet regulatory requirements and standards. The primary areas of focus for the UKGC continue to be responsible gambling and prevention of underage gambling, consumer protection, anti-money laundering, the use of proceeds of crime for gambling and the provision of full disclosure to the UKGC regarding ownership interests and holding structures. The UKGC adopted additional restrictions, e.g. a ban commencing in April 2020 on credit card transactions for gambling, stricter age verification obligations, restrictions related to the treatment of VIP players and the offering of inducements to high-rollers. The Commission also proposed additional restrictions on online slots, as well as standards applicable to player withdrawal requests. The Group continued to work closely with the UKGC on compliance matters, to update its policies and procedures and to strengthen internal reporting lines to ensure compliance within the business, investing significant resources in regulatory compliance measures. There continued to be calls, particularly within Parliament, for the imposition of stricter limitations on the advertising of gambling services, as well as ongoing criticism of the Gambling Commission's treatment of the industry. The Gambling Related Harm All Party Parliamentary Group continued to call for imposition of a GBP 2 staking limit for online gambling games (in line with the limit imposed on FOBTs) and advocated a ban on credit card gambling, a measure adopted by the UKGC in early 2020. In July 2020, the House of Lords Select Committee on the Social and Economic Impact of the Gambling Industry published a report containing various recommendations to reduce potential harm from gambling. These included testing of new games for the potential of addiction, imposition of restrictions on the speed of online games, imposition of affordability testing for players and the restriction of sports sponsorships. The House of Commons Public Accounts Committee also published a report criticizing the Gambling Commission and DCMS for its oversight of the gambling industry and measures adopt for protection of players and prevention of problem gambling. In November 2020, the UKGC opened a consultation on remote customer interaction, which covered the issues of potential customer affordability checks, vulnerable person identification mechanisms and increased time management control for customers. In December 2020, the UK Government has launched a review of the Gambling Act 2005, with the aim to ensure it is "fit for the digital age". The review is to cover the regulator's powers as well as regulation of marketing and restrictions to online offerings.

Germany experienced the most dramatic changes in its regulatory landscape in a decade. In early 2020, the country adopted a federal licensing regime for online sports betting. Though the rollout of the licensing process was delayed due to court order, licenses were eventually issued and the group has been awarded a license and is operating under this regime. Furthermore, the German states reached a consensus that would result in regulatory reform in mid-2021, under which operators would be able to apply for a license to offer online slots and poker, subject to certain restrictions (e.g. deposit limits, maximum wagers, advertising restrictions, etc.). This reform is conditional on its ratification by 13 of the 16 German states, and would represent a departure from the historical ban on online casino. As presently worded, the amended Treaty would allow operators to offer "arcade-style" online slot machines, which would be subject to 1 euro stake limits and restricted play options. Other types of casino games (e.g. table games) would be regulated on a state by state basis and remain within the state lottery's monopoly or subject to a restrictive concession model. The new Treaty would also impose a EUR 1,000 monthly deposit limit that would apply across all operators, though it is not clear yet how this would be implemented in practice. Some details of this regime have not yet been developed, but this development will significantly impact the Group's casino offering in the German market. As an interim measure, the German states adopted a temporary toleration regime for online casino gambling (with which 888 is compliant). Compliance with the conditions of the new licensing and toleration regimes required various modifications and alignments of the group's German offering, which will impact the profitability of its operations in that jurisdiction. Notwithstanding, these developments constitute a significant departure from many years of prohibition orders and enforcement attempts. As a result of these developments, 888 has been successful in having certain prohibition orders previously issued against it withdrawn, and in having the effect of others suspended, as it continues to litigate against outstanding prohibition orders in various German states. The emergence of a licensing regime for sports betting and online casino may, in the foreseeable future, render these prohibition orders obsolete. More pressingly, the group hopes that the introduction of the new and more accommodating regimes will encourage payment processors to renew processing of payments in this market.

In the Netherlands, where a law was approved in February 2019 to liberalize the market, the local regulator continues to take a proactive and strict approach towards enforcement of existing laws against operators whose operations are conducted in violation of the "prioritization criteria" for enforcement issued by the authorities, and which were updated with additional criteria during 2019. Several operators received significant fines due to the conduct of operations in a manner violating these criteria. Ambiguity lingers regarding the application of "bad actor" language in the new law, both in terms of timeline and in terms of scope. Operators who offered their services in the market prior to the licensing regime may be barred from participating in the liberalized market or have their eligibility for licensing delayed under a so-called "cool off" regime. Due to various delays in the legislative process, the actual launch of the licensing regime continues to be postponed. 888 continues to adhere to the regulator's criteria, as updated from time to time, and to follow developments on the regulatory front.

In Sweden, the Group began operating under a local license in 2019. The Swedish regulator has shown itself to be strict and proactive in enforcing regulatory standards and has on occasion informed the industry of its position on compliance by penalizing operators it perceived as non-compliant. 888 has studied the regulator's position and enforcement action closely to ensure that its operations are in-line with local requirements.

In January 2021, the federal Court of Appeals for the First Circuit denied an appeal by the US Department of Justice seeking to uphold a 2019 memo on the scope of the federal Wire Act. By denying the appeal, the Court confirmed the previous opinion from 2011, which concluded that the Act applies only to sports betting. The case may eventually reach the US Supreme Court, however this may depend on the position of the new Biden administration on the issue. More generally, the US continued to move towards increased regulation of various forms of online gambling. The group was licensed in the Pennsylvania in September 2020, and continues to seek licences and market access agreements in other US jurisdictions. Reports in early 2021 suggest that the state of New York may be on the verge of adopting a sports betting regime, and the group is following these reports closely. Other large states (California, Florida and Illinois) made no substantive progress on online gambling regulation, as attention was focussed on combating the pandemic and on the 2020 election cycle. It is unclear what position the new Biden administration will take towards gambling and whether the newly appointed Attorney General will reverse his predecessors' positions on this matter. However, with the new administration focussed on issues such as the pandemic, the economy, etc. it would appear unlikely that gambling will be a central focus in the coming year. We believe that the US is developing into a significant regulated online gambling market, and we continue to follow these developments with a view to capitalising on our capabilities in this market.

In contrast, in November 2020, Spain implemented sweeping restrictions on advertising and promotion of gambling, which are now the subject of a challenge by various media groups who have attacked the measures before the Spanish Supreme Court.

In Greece, progress appeared to be made with respect to adoption of the necessary regulations for implementation of the regulatory regime adopted in 2019. However, an actual licensing process has not yet commenced.

Brazil adopted framework legislation late in 2018 which would bring commercial online gambling to this significant jurisdiction. However, by the beginning of 2021, it had not yet adopted the necessary regulatory instruments to implement the regime. With the country ravaged by COVID-19, it is unclear when this matter will progress.

From time to time, the Group is the target of claims or litigation from customers in various jurisdictions where it operators under its Gibraltar or Malta licenses, seeking to recover losses based on arguments pertaining to the legality of the Group's offering in their jurisdiction. The Group is currently seeing a growing trend of such claims, particularly in Austria.

888 continues to follow these and other developments to assess their impact on our business and to identify potential opportunities for growth. We are conscious that as local regulation of our business is becoming increasingly more common, and as the regimes governing our business continue to undergo rapid change, we must continue to adapt to shifting regulatory environments, while striving constantly to maintain the highest compliance standards and to support the move towards clearer regulation in the online gaming industry. We also look to build 888 on agile and adaptive foundations, capable of accommodating rapid and regular changes to the landscape within which we operate. We see the increasing regulation of our industry as a welcome trend, as evidenced by the constantly growing proportion of our revenue derived from locally regulated markets.

Directors' statement of responsibilities

We confirm, to the best of our knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Gibraltar Companies Act 2014 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

We have taken all the steps that we ought to have taken as Directors to make ourselves 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. We are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board:

Itai Pazner

Chief Executive Officer

17 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 US $ million	2019[1] US $ million
Revenue	3	**849.7**	**560.3**
Gaming duties		(151.8)	(95.5)
Other cost of sales		(135.1)	(88.1)
Cost of sales		**(286.9)**	**(183.6)**
Gross profit		**562.8**	**376.7**
Marketing expenses		(237.1)	(152.9)
Operating expenses		(214.7)	(169.3)
Exceptional items	4	(78.2)	(2.3)
Operating profit		**32.8**	**52.2**
Adjusted EBITDA[2]		**155.6**	**92.1**
Exceptional items	4	(78.2)	(2.3)
Share benefit charge		(11.0)	(5.4)
Depreciation and amortisation	8,9	(33.6)	(32.2)
Operating profit		**32.8**	**52.2**
Finance income		0.1	0.5
Finance expenses		(6.1)	(7.2)
Share of post-tax loss of equity accounted associate		(0.1)	(0.2)
Profit before tax		**26.7**	**45.3**
Taxation	5	(15.4)	(3.7)
Net profit for the year attributable to equity holders of the parent		**11.3**	**41.6**
Earnings per share	6		
Basic		**3.1¢**	**11.3¢**
Diluted		**3.0¢**	**11.3¢**

[1] The presentation of the consolidated income statements was changed, as described in further detail in note 2.

[2] Adjusted EBITDA is an Alternative Performance Measures ("APMs") which does not have an IFRS standardised meaning. The Group present Adjusted EBITDA since it is the main measure the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures because it allows for a further understanding of the underlying financial performance of the Group.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 US $ million	2019 US $ million
Profit for the year		**11.3**	**41.6**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.8	(0.1)
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability, net of tax		(0.3)	(2.2)
Revaluation of equity investment designated at fair value through OCI		(0.2)	-
Total other comprehensive income (expense) for the year		0.3	(2.3)
Total comprehensive income for the year attributable to equity holders of the parent		**11.7**	**39.3**

The notes below form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2020

	Note	2020 US $ million	2019 US $ million
Assets			
Non-current assets			
Goodwill and other intangible assets	8	164.3	240.4
Right-of-use assets		28.5	33.3
Property, plant and equipment	9	15.1	13.0
Investments		-	0.9
Non-current receivables		0.6	0.6
Deferred tax assets		3.6	2.8
		212.1	**291.0**
Current assets			
Cash and cash equivalents[1]		190.0	96.9
Trade and other receivables		84.6	45.2
		274.6	**142.1**
Total assets		**486.7**	**433.1**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	10	3.3	3.3
Share premium	10	3.7	3.7
Foreign currency translation reserve		(1.3)	(2.1)
Treasury shares		(0.5)	(0.7)
Retained earnings		145.2	160.5
Total equity attributable to equity holders of the parent		**150.4**	**164.7**
Liabilities			
Non-Current liabilities			
Severance pay liability[2]		7.4	6.0
Deferred tax liability		3.3	4.0
Lease liabilities		26.7	28.8
		37.4	**38.8**
Current liabilities			
Trade and other payables	11	177.9	130.9
Provisions	11	19.3	10.2
Income tax payable		20.7	10.1
Lease liabilities and interest-bearing loans		7.0	23.7
Customer deposits		74.0	54.7
		298.9	**229.6**
Total equity and liabilities		**486.7**	**433.1**

[1] Cash and cash equivalents excludes restricted short-term deposits of US$3.2 million (31 December 2019: US$2.6 million). The nature of the restrictions on these deposits resulted in this balance being reclassified in 2020 to other receivables and the comparative restated.

[2] The severance pay liability of US$7.6 million (31 December 2019: US$6.0 million) has been reclassified to non-current in 2020 and the comparative restated as the net accounting deficit will be settled over the long term and is measured on a discounted basis.

The notes below form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019	3.3	3.6	(1.2)	156.6	(2.0)	160.3
Profit after tax for the year attributable to equity holders of the parent	-	-	-	41.6	-	41.6
Other comprehensive expense for the year	-	-	-	(2.2)	(0.1)	(2.3)
Total comprehensive income	-	-	-	39.4	(0.1)	39.3
Dividend paid (note 7)	-	-	-	(40.4)	-	(40.4)
Equity settled share benefit charges	-	-	-	5.4	-	5.4
Exercise of deferred share bonus plan	-	-	0.5	(0.5)	-	-
Issue of shares to cover employee share schemes (note 10)	-	0.1	-	-	-	0.1
Balance at 31 December 2019	**3.3**	**3.7**	**(0.7)**	**160.5**	**(2.1)**	**164.7**
Profit after tax for the year attributable to equity holders of the parent	-	-	-	11.3	-	11.3
Other comprehensive (expense) income for the year	-	-	-	(0.5)	0.8	0.3
Total comprehensive income	-	-	-	10.8	0.8	11.6
Dividend paid (note 7)	-	-	-	(33.2)	-	(33.2)
Equity settled share benefit charges	-	-	-	7.6	-	7.6
Acquisition of treasury shares	-	-	(0.3)	-	-	(0.3)
Exercise of deferred share bonus plan	-	-	0.5	(0.5)	-	-
Balance at 31 December 2020	**3.3**	**3.7**	**(0.5)**	**145.2**	**(1.3)**	**150.4**

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

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

The notes below form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 US $ million	2019 US $ million
Cash flows from operating activities			
Profit before income tax		26.7	45.3
Adjustments for:			
Depreciation of property plant and equipment and right-of-use assets	9	14.8	12.6
Amortisation	8	18.8	19.6
Interest income		(0.1)	(0.5)
Interest expenses		2.7	2.9
Share of post- tax loss of equity accounted associate		0.1	0.2
Exceptional items		78.2	-
Share benefit charges		11.0	5.4
Profit before income tax after adjustments		152.2	85.5
Increase in trade receivables		(34.5)	(7.6)
Increase in other receivables		(3.3)	(3.8)
Increase (decrease) in customer deposits		18.0	(1.4)
Increase in trade and other payables		44.1	15.6
Increase (decrease) in provisions		9.2	(1.1)
Cash generated from operating activities		185.7	87.2
Income tax paid		(6.5)	(6.7)
Net cash generated from operating activities		179.2	80.5
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(10.6)	(8.4)
Investment in BetBright		-	(19.3)
Investment in Costa Bingo		-	(22.9)
Investment in AAPN Holdings LLC		-	(18.4)
Proceeds from sale of investment in equity accounted associate		2.0	-
Interest received		0.1	0.5
Acquisition of intangible assets	8	(4.5)	(2.6)
Internally generated intangible assets	8	(17.9)	(11.8)
Net cash used in investing activities		(30.9)	(82.9)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	10	-	0.1
Payment of lease liabilities		(6.4)	(7.5)
Interest paid		(1.0)	(1.4)
Proceeds from loans, net of transaction fee		32.0	32.5
Repayment of loans		(50.0)	(15.0)
Acquisition of treasury shares		(0.3)	-
Dividends paid	7	(33.2)	(40.4)
Net cash used in financing activities		(58.9)	(31.7)
Net Increase (decrease) in cash and cash equivalents		89.4	(34.1)
Net foreign exchange difference		3.7	(0.5)
Cash and cash equivalents at the beginning of the year		96.9	131.5
Cash and cash equivalents at the end of the year		190.0	96.9

Net cash generated from operating activities is presented after deduction of US$0.1 million paid during 2020 in respect of exceptional items (2019: US$1.1 million).

Trade and other payables include non-cash movement of US$2.9 million related to remeasurement of severance pay scheme liability (2019: US$3.2 million).

The notes below form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2020 or the year ended 31 December 2019 but is derived from those accounts.

Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. Statutory accounts for the year ended 31 December 2020 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2020 and 2019 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act

Company description and activities

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

The Group is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet, including Casino and games, Poker, Sport and Bingo. 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.
Associates	As defined in IAS 28 – Investments in Associates and Joint Ventures.

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Gibraltar Companies Act 2014 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRS'). The consolidated financial statements have been prepared on a historical cost basis, except for equity investments which have been measured at fair value.

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

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

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, with the exception of the amendments to accounting standards effective for the annual periods beginning on 1 January 2020 and representation of expenses analysis in the income statement. These are described in more detail bellow.

Changes to Consolidated Income Statement presentation

As of 31 December 2020, the Group management decided to change the presentation of the Consolidated Income Statement, in a manner that allows for a further understanding of the underlying financial performance of the Group.

The Consolidated Income Statement were re-organized into four main parts: Gaming duties, Other cost of sales, Marketing expenses and Operating expenses.

- Cost of sales include Gaming duties and Other cost of sales which includes mainly commissions and royalties payable to third parties, chargebacks, payment service providers ("PSPs") commissions and costs related to operational risk management and customer due diligence services which previously presented in Operating expenses. Accordingly, US$79.2 million in prior year's Operating expenses were reclassified to Other cost of sales.
- Marketing expenses relating to B2B arrangements where 888 are considered to be the principal, previously included in marketing expenses, are now included in Other cost of Sales. Accordingly, US$8.9 million of prior year's marketing expenses are now included in other cost of sales.
- Administrative expenses and Research and development expenses, previously presented in separate lines, are now included in Operating expenses.

	2020 as reported in the consolidated income statement	**2020 in format of 2019 ARA**	**2019 as reported in the consolidated income statement**	**2019 in format of 2019 ARA**
		US $ million		
Revenue	**849.7**	**849.7**	**560.3**	**560.3**
Operating expenses	-	(242.3)	-	(175.9)
Gaming duties	(151.8)	(151.8)	(95.5)	(95.5)
Other cost of sales	(135.1)	-	(88.1)	-
Cost of sales	**(286.9)**	**-**	**(183.6)**	**-**
Gross profit	**562.8**	-	**376.7**	-
Research and development expenses	-	(40.0)	-	(33.6)
Marketing expenses	(237.1)	(248.5)	(152.9)	(161.8)
Administrative expenses	-	(56.1)	-	(39.0)
Operating expenses	(214.7)	-	(169.3)	-
Exceptional items	(78.2)	(78.2)	(2.3)	(2.3)
Operating profit	**32.8**	**32.8**	**52.2**	**52.2**

Going concern

The Group closely monitors and carefully manages its liquidity risk. Base case cashflow forecasts are regularly produced which indicate that it will continue to have significant liquidity throughout a going concern period until 30 June 2022. Group management have run a downside scenario and sensitivities for different scenarios including but not limited to global economic slowdown, market closures, anticipated tax developments together with the crystallisation of tax risks, a major cyber-attack, tighter regulation and loss of key personnel. In the downside scenario, Group management have assumed variable cost savings proportional to the revenue reduction.

Trading during the financial year to date has been in line with recent trends supporting online consumption with average daily revenue significantly higher year on year and therefore the Directors consider the downside scenario to be remote. Following consideration of the base case forecast, the downside scenario and the Groups cash position, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notes to the Consolidated financial statements (continued)

2 Significant accounting policies (continued)

2.2 New standards, interpretations and amendments adopted by the Group

Several new and amendments to existing International Financial Reporting Standards and interpretations, issued by the IASB and adopted by the EU, were effective from 1 January 2020 and have been adopted by the Group during the period with no significant impact on the consolidated results or financial position of the Group.

2.3 New standards that have not been adopted by the Group as they were not effective for the year:

Several new standards and amendments to existing International Financial Reporting Standards and interpretations, issued by the IASB and adopted, or subject to endorsement, by the EU, will be effective from 1 January 2021, 2022 and 2023 and have not been adopted by the Group during the period. At this stage management are still assessing the full impact on the consolidated results or financial position of the Group. None are expected to have a material impact on the consolidated financial statements in the period of initial application.

Critical accounting estimates and judgments

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

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

Critical judgements

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

Internally generated intangible assets
Costs relating to internally generated intangible assets, are capitalised if the criteria for recognition as assets are met. The initial capitalisation of costs is based on management's judgment that technological and economic feasibility criteria are met. In making this judgement, management considers the progress made in each development project and its latest forecasts for each project. Other expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For further information see note 8.

Exceptional items and adjusted performance measures
The Group classifies and presents certain items of income and expense as exceptional items. The Group presents adjusted performance measures which differ from statutory measures due to exclusion of exceptional items and certain non-cash items as the Group considers that it allows a further understanding of the underlying financial performance of the Group. These measures are described as "adjusted" and are used by management to measure and monitor the Group's underlying financial performance. Non-cash items that are excluded from adjusted performance measures of underlying financial performance include share benefit charge and share of post-tax loss of equity associates.

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

The Group also seeks to present a measure of underlying performance which is not impacted by exceptional items. The Group considers any items of income and expense for classification as exceptional by virtue of their nature and size. The items classified as exceptional (and are excluded from the adjusted measures) are described in further detail in note 4.

Key accounting estimates

Taxation

Due to the international nature of the Group and the complexity of tax legislation in the jurisdictions in which it operates, the Group applies judgements in estimating the likely outcome of tax matters and the resultant provision for income taxes. These judgements are reassessed in each period until the outcome is finally determined through resolution with a tax authority or through a legal process. Differences arising from changes in judgement or from final resolution may be material and will be charged or credited to the Income statement in the relevant period.

The Group evaluates uncertain items, where the tax judgement is subject to interpretation and remains to be agreed with the relevant tax authority. Provisions for uncertain items are made using judgement of the most likely tax expected to be paid, based on a qualitative assessment of all relevant information. In assessing the appropriate provision for uncertain items, the Group considers progress made in discussions with tax authorities and expert advice on the likely outcome and recent developments in case law, legislation and guidance.

The Group believes that its accruals or, where applicable, provisions for tax liabilities are appropriate. For further information see note 5.

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. Cash flows are typically forecast for periods up to five years. For some cash-generating units it is appropriate to use forecasts extending beyond five years where future investment in the business is expected to result in a long-term growth being achieved outside of five years. For further information see note 8.

Provisions, contingent liabilities and regulatory matters

The Group makes a number of estimates in respect of the accounting for and disclosure of expenses and contingent liabilities for regulatory matters, including gaming duties. These are described in further detail in note 13.

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 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 is recognised in the accounting periods in which the performance obligations associated with the transactions are satisfied after the 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.

The Group's income earned from Casino, Bingo and Sports does not fall within the scope of IFRS 15. Income from these online activities is disclosed as revenue although these are accounted for and meet the definition of a gain under IFRS 9.

Poker and B2B revenue are within the scope of IFRS 15 and recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue from online activities comprises:

Casino and Bingo (IFRS 9)
Casino and Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won, adjusted for the fair value of certain promotional bonuses granted to customers and the value of loyalty points accrued.

Sport (IFRS 9)
Sport online gaming revenue comprises bets placed less pay-outs to customers, adjusted for the fair value of open betting positions and the fair value of bonuses and promotions.

Poker (IFRS 15)
Poker online gaming revenue represents the commission (rake) charged from each poker hand in ring games and entry fees for participation in Poker tournaments less the fair value of certain promotional bonuses 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.

B2B (IFRS 15)

Revenue from B2B is mainly comprised of services provided to business partners.

- 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.

2 Significant accounting policies (continued)

Cost of Sales

Cost of sales consists primarily of gaming duties, payment service providers' commissions, chargebacks, commission and royalties payable to third parties, all of which are recognised on an accruals basis.

Operating expenses

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

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.

Notes to Consolidated financial statements (continued)

2 Significant accounting policies (continued)

Goodwill

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

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

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.

Right-of-use assets

The Group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for most leases. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liabilities, any lease payments made before or at the commencement date and initial direct costs. Right-of-use assets are also subject for impairment losses and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office lease	1-10 years
Motor vehicles	3 years

2 Significant accounting policies (continued)

Property, plant and equipment

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

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

IT equipment	33%
Office furniture and equipment	7-15%
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).

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Business combination achieved in stages refers to transactions which the Group obtains control in entities which it held an equity interest immediately before the acquisition date. The Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in the income statement.

Investment in equity accounted associates

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.

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 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 associates are recognised only to the extent of unrelated investors’ interests in the 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 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.

2 Significant accounting policies (continued)

Fair value measurement

The Group measures certain financial instruments, including derivatives and equity investments, at fair value at each balance sheet date. 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.

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.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost and principally comprise amounts due from credit card companies and from e-payment companies. The Group has applied IFRS 9's simplified approach and has calculated the ECLs based on lifetime of expected credit losses. Bad debts are written off when there is objective evidence that the full amount may not be collected.

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 account.

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.

2 Significant accounting policies (continued)

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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and measured at the present value of lease payments to be made over the lease term.
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments)

2 Significant accounting policies (continued)

Trade and other payables

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

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.

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.

Loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

3 Segment information

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

* B2C (Business to Customer): including Casino and games, Poker, Sport, Bingo; and

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

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

	B2C					B2B[1]	Consolidated
	Casino	Poker[1]	Sport	Bingo	Total B2C		
2020	US $ million						
Segment revenue	**586.8**	**63.1**	**122.1**	**42.3**	**814.3**	**35.4**	**849.7**
Segment result[2]					**310.0**	**17.5**	**327.5**
Unallocated corporate expenses[3]							(216.5)
Exceptional items					(53.3)	(24.9)	(78.2)
Operating profit							**32.8**
Finance income							0.1
Finance expenses							(6.1)
Share of post-tax loss of equity accounted associate							(0.1)
Taxation							(15.4)
Net profit for the year							**11.3**
Adjusted net profit for the year[4]							**100.6**
Assets							
Corporate assets							**486.7**
Total assets							**486.7**
Liabilities							
Segment liabilities					**72.4**	**1.6**	**74.0**
Unallocated corporate liabilities							**262.3**
Total liabilities							**336.3**

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and Marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 6.

3 Segment information (continued)

2019	Casino	Poker[1]	Sport	Bingo	Total B2C	B2B[1]	Consolidated
	B2C						
	US $ million						
Segment revenue	**359.3**	**42.7**	**90.0**	**38.5**	**530.5**	**29.8[1]**	**560.3**
Segment result[2]					**210.2**	**13.7**	**223.9**
Unallocated corporate expenses[3]							(169.4)
Exceptional items							(2.3)
Operating profit							**52.2**
Finance income							0.5
Finance expenses							(7.2)
Share of post-tax loss of equity accounted associate							(0.2)
Taxation							(3.7)
Profit after tax for the year							**41.6**
Adjusted profit after tax for the year[4]							**49.5**
Assets							
Unallocated corporate assets							**433.1**
Total assets							**433.1**
Liabilities							
Segment liabilities					**53.8**	**0.9**	**54.7**
Unallocated corporate liabilities							**213.7**
Total liabilities							**268.4**

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and Marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 6.

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

3 Segment information (continued)

Geographical information

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

Revenue by geographical market (based on location of customer)

	2020 US $ million	2019 US $ million
EMEA (excluding the UK, Italy and Spain)	**253.4**	180.1
UK	**333.5**	204.1
Italy	**86.5**	51.1
Spain	**67.5**	60.9
US and Americas	**93.7**	51.7
Rest of world	**15.1**	12.4
Revenue	**849.7**	**560.3**

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2020 US $ million	2019 US $ million
Gibraltar	**72.3**	158.5
Rest of world	**136.2**	129.7
Total non-current assets by geographical location[1]	**208.5**	**288.2**

1 Excludes deferred tax assets of US$3.6 million (2019: US$2.8 million)

4 Exceptional items

The Group classifies certain items of income and expense as exceptional, as the Group considers that it allows for a further understanding of the underlying financial performance of the Group. The Group considers any items of income and expense for classification as exceptional by virtue of their nature and size.

	2020 US $ million	2019 US $ million
Impairment charges[1]	**79.9**	-
Provision - regulatory matters	**(0.1)**	-
Gain from the sale of equity accounted associate[2]	**(1.6)**	
Exceptional legal and professional costs[3]	**-**	1.0
Restructuring costs[4]	**-**	1.3
Total exceptional items[5]	**78.2**	**2.3**

1 The Group recognised impairment of Bingo Goodwill assets during the year as described in further detail in note 8.

2 On 22 June 2020, the Company sold its investment in Come2Play Limited, as a result the Company recorded a capital gain of US$1.6 million.

3 In 2019, the Group incurred legal and professional costs of US$1.0 million associated with the acquisitions of Jet Bingo brands and BetBright's sports betting platform.

4 Restructuring costs in 2019, comprises of employees redundancy costs mainly in Israel, part of the Group cost optimisation project, shifting workforce from high cost locations to low cost locations.

5 Tax effect of the exceptional items is US$0.1 million credit (2019: US$0.3 million tax charge)

5 Taxation

Corporate taxes

	2020 US $ million	2019 US $ million
Current taxation		
Gibraltar taxation	**2.1**	0.4
Other jurisdictions taxation	**12.9**	2.3
Adjustments in respect of prior years	**1.6**	1.7
	16.6	**4.4**
Deferred taxation		
Origination and reversal of temporary differences	**(1.2)**	(0.7)
Taxation expense	**15.4**	**3.7**
Deferred taxation related to items recognised in OCI		
Remeasurement of severance pay liability	**(1.2)**	**(1.1)**

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

	2020 US $ million	2019 US $ million
Profit before taxation	**26.7**	**45.3**
Standard tax rate in Gibraltar (2020: 10%, 2019: 10%)	**2.7**	**4.5**
Higher effective tax rate on other jurisdictions	**7.2**	**1.9**
Expenses not allowed for taxation	**8.3**	**0.2**
Deferred tax	**(1.2)**	**(0.7)**
Capital allowances in excess of depreciation	**(1.1)**	**(0.5)**
Non-taxable income	**(2.1)**	**(1.8)**
Adjustments to prior years' tax charges	**1.6**	**0.1**
Total tax charge for the year	**15.4**	**3.7**

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 higher compared to 2019, as a result of higher profit before tax.

Malta

Maltese companies are subject to a corporate tax rate of 35%. However, during 2020 the Maltese companies within the Group formed a Fiscal Unit in Malta, and the consolidated taxable income of the Fiscal Unit is subject to a corporate tax rate of 5%.

Israel

The domestic corporate tax rate in Israel in 2020 is 23% (2019: 23%). The Company's Israeli subsidiary incurred higher tax expense compared to 2019, as a result of higher operational costs.

UK

The Group's subsidiary in the UK is subject to a corporate tax rate of 19% (2019: 19%). During late 2019, the UK government announced that the reduction in corporate tax rate to 17% (planned to come into effect on April 2020) will not go ahead, and that the tax rate will remain on 19%. Furthermore, in March 2021 the government announced a further increase in the corporate tax rate to 25%, starting 2023.

5 Taxation (continued)

Romania

The Group's subsidiary in Romania is subject to a corporate tax rate of 16% (2019: 16%).

US

The Group's subsidiaries in US are subject to federal corporate tax rate of 21% (2019: 21%), and state (New Jersey) tax rate of 9% (2019: 9%).

Sensitivity analysis

The key operating companies in the Group are incorporated, managed and controlled and tax resident mainly in Gibraltar, with several operating companies tax residents in Malta. The Group's subsidiaries are located in different jurisdictions and these subsidiaries are taxed locally on their respective profits which are determined based on transfer pricing studies. Effective tax rate increased by 1% would result in an increase in the tax charge (and associated provision) of US$1 million (2019: US$0.5 million).

6 Earnings per share

Basic earnings per share

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

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 7,460,665 Ordinary Shares (2019: 2,128,947) and no market-value options (2019: nil).
The number of equity instruments excluded from the diluted EPS calculation is 964,207 (2019: 3,802,458).

	2020	2019
Profit for the period attributable to equity holders of the parent (US$ million)	**11.3**	**41.6**
Weighted average number of Ordinary Shares in issue and outstanding	368,587,941	367,173,313
Effect of dilutive Ordinary Shares and Share options	7,460,665	2,128,947
Weighted average number of dilutive Ordinary Shares	376,048,606	369,302,260
Basic earnings per share	**3.1¢**	**11.3¢**
Diluted earnings per share	**3.0¢**	**11.3¢**

Adjusted earnings per share

The Directors believe that EPS excluding exceptional items, share benefit charges, net gain from sale of investment in equity accounted associate and share of post- tax loss of equity accounted associate ("Adjusted EPS") allows for a further understanding of the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit to profit excluding exceptional items, share benefit charges, net gain from sale of investment in equity accounted associate and share of post-tax loss of equity accounted associate ("Adjusted profit"):

	2020 US $ million	2019 US $ million
Profit for the period attributable to equity holders of the parent	**11.3**	41.6
Exceptional items (see note 4)	**78.2**	2.3
Share benefit charges	**11.0**	5.4
Share of post-tax loss of equity accounted associate	**0.1**	0.2
Adjusted profit	**100.6**	**49.5**
Weighted average number of Ordinary Shares in issue	**368,587,941**	**367,173,313**
Weighted average number of dilutive Ordinary Shares	**376,048,606**	**369,302,260**
Adjusted basic earnings per share	**27.3¢**	**13.5¢**
Adjusted diluted earnings per share	**26.8¢**	**13.4¢**

7 Dividends

	2020 US $ million	2019 US $ million
Dividends paid	**33.2**	**40.4**

An interim regular dividend of 3.2¢ per share plus an additional one-off 2.8¢ per share was paid on 4 November 2020 (US$22.1 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2020 of 10.4¢ per share plus an additional one-off 1.6¢ per share, bringing the total for the year to 18.0¢ per share, which will be recognised in the 2021 financial statements once approved.

In 2019 an interim dividend of 3.0¢ per share was paid on 18 October 2019 (US$11.0 million) and a final dividend of 3.0¢ per share was paid on 22 May 2020 (US$11.1 million).

8 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 2019	177.0	34.2	92.6	303.8
Additions[1]	-	3.1	11.8	14.9
Acquisition of BetBright Sport platform	-	19.1	-	19.1
Acquisition of Jet Bingo brands	4.2	21.5	-	25.7
Disposals	-	(0.5)	-	(0.5)
At 31 December 2019	**181.2**	**77.4**	**104.4**	**363.0**
Additions[1]	-	4.7	17.9	22.6
Disposals	-	(2.2)	-	(2.2)
At 31 December 2020	**181.2**	**79.9**	**122.3**	**383.4**
Amortisation and impairments:				
At 1 January 2019	20.7	19.4	63.4	103.5
Amortisation charge for the year	-	10.3	9.3	19.6
Disposals	-	(0.5)	-	(0.5)
At 31 December 2019	**20.7**	**29.2**	**72.7**	**122.6**
Amortisation charge for the year	-	8.7	10.1	18.8
Impairment charge for the year	79.3	-	0.6	79.9
Disposals	-	(2.2)	-	(2.2)
At 31 December 2020	**100.0**	**35.7**	**83.4**	**219.1**
Carrying amounts				
At 31 December 2020	**81.2**	**44.2**	**38.9**	**164.3**
At 31 December 2019	160.5	48.2	31.7	240.4
At 1 January 2019	156.3	14.8	29.2	200.3

1 Acquired intangible assets includes US$0.2 million (2019: US$0.5 million) capitalisation of finance costs relates to the acquisition of BetBright's sports betting platform.

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated amortisation of US$2.2 million were written off in 2020 (2019: US$0.5 million).

8 Goodwill and other intangible assets (continued)

Acquired intangible assets

Fair Value of acquired intangible assets recognised in 2019 on the acquisition of Jet Bingo brands consisting of Customer list of US$19.2 million and Brand name of US$2.3 million. The estimated remaining useful life of the Customer list and

Brand name is 12 years (using the sliding scale method with 70% of the value to be amortised over 5 years) and 10 years, respectively.

Fair Value of acquired intangible assets recognised on the acquisition of BetBright Sport platform consist of Sport platform of US$18.3 million and the right to access third party customer list of US$0.8 million. The estimated remaining useful life of the Sport platform and right to access third party customer list is 12 years and 8 years, respectively.

Software licences

No impairment tests were considered to be required at 31 December 2020 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 2020 and the carrying value of other intangible assets is considered to be appropriate.

Internally generated intangible assets

This category of assets includes capitalised development costs in accordance with IAS 38. The material projects as included within the carrying amount above include compliance with local regulatory requirements in certain jurisdictions US$5.5 million (2019: US$5.4 million) and a major upgrade to the gaming systems platform US$33.4 million (2019: $26.3 million). An impairment of certain assets amounted to US$0.6 million was recognised during the year, additional impairment charges were not considered to be required at 31 December 2020 and the carrying value of internally generated intangible assets is considered to be appropriate. At 31 December 2020 there were projects with carrying value US$16.7 million (2019: US$8.4 million), including US$14.4 million (2019: US$5.8 million) related to the new Sports platform, which were not completed and therefore not being amortised. All of these projects are expected to complete and commence amortisation in 2021.

Goodwill

Analysis of goodwill by cash generating units:

	B2C			B2B	Consolidated
	Bingo	AAPN	Other	Bingo	Total goodwill
	US $ million				
Carrying value at 31 December 2019	104.4	30.9	0.3	24.9	160.5
Impairment during the year	**(54.4)**	**-**	**-**	**(24.9)**	**(79.3)**
Carrying value at 31 December 2020	**50.0**	**30.9**	**0.3**	**-**	**81.2**

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.

8 Goodwill and other intangible assets (continued)

The recoverable amount of the Bingo B2C and B2B CGUs as at 31 December 2020, of US$63.8 million and nil, respectively, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Directors. The projected cash flows have been updated to reflect the increasingly strict regulatory atmosphere combined with limited growth opportunity in the UK market coupled with Group's strategic decision to reduce focus on Bingo business and increase focus on other product and geographic opportunities. Key assumptions in performing the value in use calculation are set out below. It was concluded that the recoverable amount of the Bingo B2C and B2B CGUs did not exceed the carrying value. As a result, the Group has recognised an impairment charge of US$54.4 million and US$24.9 million in respect of Bingo B2C and B2B in the current year against goodwill. The impairment charge is recorded within exceptional items in the income statement (see note 4).

Goodwill - Bingo B2C and B2B business

Goodwill and intangible assets associated with the Bingo online business unit arose following the acquisition of the Bingo online business of Globalcom Limited during 2007, the acquisition of the Wink Bingo business in 2009 and the acquisition of the Jet bingo brands in 2019. The income streams generated from the Bingo online business, comprise the B2C Bingo cash generating unit and the B2B cash generating unit.

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 for each of B2B and B2C, have been applied to revenue and are based on past experience, including the results in 2019 and 2020, projections of future changes in the UK online bingo gaming market and Group's strategic decision to increase its focus on other product and geographic opportunities. Key assumptions in preparing these cash flow projections include zero short-term revenue growth rate, continued optimisation of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to gaming duties in its core jurisdictions.

The pre-tax discount rate that is considered by the Directors to be appropriate is based on 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	Underlying growth rate[1] year 1	Underlying short-term growth rate years 2-5	Long-term growth rate year 6+	Operating expenses increase years 1-5	Operating expenses increase year 6+
At 31 December 2020	**9%**	**(8%)**	**0%**	**1.5%**	**0%**	**1.5%**
At 31 December 2019	**9%**	**2%**	**0%**	**2%**	**0%**	**2%**

[1] The underlying growth rates of Bingo B2C and Bingo B2B units are (10%) and (3%), respectively. This outcome is a direct result of normalising growth considered attributable to one-off increases in customer acquisition in 2020.

The calculation of value in use for Bingo B2C unit is most sensitive to the following assumptions:

(i) Revenue growth rate assumptions – Growth rates are based on past experience and projections of future changes in the online gaming market, the continued highly competitive UK Bingo market as well as the enhanced regulation in the UK market coupled with Group's strategic decision to reduce focus on Bingo business and increase focus on other product and geographic opportunities. A reduction of the long-term growth rate by 1.5% for Bingo B2C would result in an additional impairment of US$8.1 million.

(ii) Cash flow forecast – cash flow projections may be affected by changes in the UK gaming market including the continued macroeconomic influence of the COVID-19 pandemic. A reduction of 10% in the cash flow projections for B2C would result in an additional impairment of US$6.3 million.

(iii) Discount rate – The pre-tax discount rate is recalculated by taking into account prevailing risk free rates, equity risk premium and company beta and having regard to external data commenting upon the Weighted Average Cost of Capital applied to the Group. An increase of 1% in discount rates applied for B2C would result in an additional impairment of US$5.3 million.

8 Goodwill and other intangible assets (continued)

Goodwill - AAPN

The Group recognised goodwill of US$30.9 million following the acquisition of the remaining 53% interest in the voting shares of AAPN in December 2018. The recognised goodwill represents the potential revenues from the US, which the Group considers as a single CGU, as the states regulate online gambling and reflects potentially significant opportunities in the US to create additional value for the Group.

Key assumptions and inputs used

Given the early stage of market development, cash flow projections have been prepared for a nine year period, following which a long- term growth rate has been assumed based on the long term GDP growth rate of the states. Underlying growth rates have been applied to revenue and are based on past experience of the Group, including market share forecast for each relevant state. Key assumptions in preparing these cash flow projections include market share assumptions based on current 888 market share in other regulated online gaming jurisdictions, 15% pre-tax discount rate and the expectation that the Group will continue to operate in the US and launch in further states as regulation develops. The states which the Group are forecasted to enter have either already regulated or are in the process of regulating.

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, and including an addition risk premium which is considered to be appropriate for the US B2C cash generating unit.

The calculation of value in use for US B2C is most sensitive to the following assumptions:

(i) Market share assumptions - A reduction of 12% in market share assumptions for each state would result in zero headroom for US B2C value in use.

(ii) Pre-tax discount rate – An increase of Pre-tax discount rate from 15% to 17% would result in zero headroom for US B2C value in use.

9 Property, plant and equipment

	IT equipment US $ million	Office furniture and equipment US $ million	Leasehold improvements US $ million	Total US $ million
Cost				
At 1 January 2019	47.0	6.1	15.5	68.6
Additions	7.5	0.3	0.8	8.6
Disposals	(0.1)	(0.1)	-	(0.2)
At 31 December 2019	**54.4**	**6.3**	**16.3**	**77.0**
Additions	8.2	0.7	1.7	10.6
Disposals	(9.0)	(0.3)	-	(9.3)
At 31 December 2020	**53.6**	**6.7**	**18.0**	**78.3**
Accumulated depreciation				
At 1 January 2019	39.5	4.1	14.0	57.6
Charge for the year	5.7	0.5	0.3	6.5
Disposals	(0.1)	-	-	(0.1)
At 31 December 2019	**45.1**	**4.6**	**14.3**	**64.0**
Charge for the year	7.6	0.5	0.4	8.5
Disposals	(9.0)	(0.3)	-	(9.3)
At 31 December 2020	**43.7**	**4.8**	**14.7**	**63.2**
Carrying amounts				
At 31 December 2020	**9.9**	**1.9**	**3.3**	**15.1**
At 31 December 2019	**9.3**	**1.7**	**2.0**	**13.0**
At 1 January 2019	**7.5**	**2.0**	**1.5**	**11.0**

Following a review of fully written down assets in 2020, assets no longer in use with a total cost and accumulated depreciation of US$9.3 million were written off.

10 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2020 Number	**31 December 2019 Number**	**31 December 2020 US $ million**	**31 December 2019 US $ million**
Ordinary Shares of £0.005 each	1,026,387,500[1]	1,026,387,500	**8.1**	8.1

[1] including 196,488 treasury shares held by the Group as at 31 December 2020.

	Allotted, called up and fully paid			
	31 December 2020 Number	**31 December 2019 Number**	**31 December 2020 US $ million**	**31 December 2019 US $ million**
Ordinary Shares of £0.005 each at beginning of year	368,347,794	364,284,539	**3.3**	3.3
Issue of Ordinary Shares of £0.005 each	669,628	4,063,255	**-**	-
Ordinary Shares of £0.005 each at end of year	369,017,422	368,347,794	**3.3**	3.3

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan during 2020 and 2019:

During 2020, the Company issued 669,628 shares (2019: 4,063,255) out of which nil shares (2019: 32,440) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of nil (2019: US$0.1 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 (2019: US$3.3 million) and is split into 369,017,422 (2019: 368,347,794) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2019: £1.8 million).

11 Trade, other payables and provisions

	2020 US $ million	2019 US $ million
Trade payables	**26.3**	28.4
Accrued expenses	**108.4**	79.9
Other payables	**43.2**	22.6
Total trade and other payables	**177.9**	130.9
Provisions	**19.3**	10.2
	197.2	141.1

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

Provisions

The Group has recorded a provision in respect of legal and regulatory matters and update it to reflect the Group's revised assessment of these risks in light of developments arising during 2020 including with regard to customer claims and other legal and regulatory risks. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group. The timing and amount of these outflows is ultimately determined by the settlement reached with the relevant authority but would generally be resolved within 24 months of the balance sheet date.

Movement in the provision during the year is as follows:

	Total US $ million
At 1 January 2019	**11.3**
Paid during the year	**(1.1)**
At 1 January 2020	**10.2**
Paid during the year	**(0.1)**
Arising during the period	**12.0**
Released to income statement during the period	**(2.8)**
At 31 December 2020	**19.3**
Current	**19.3**
Non-current	**-**

12 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:

	2020 US $ million	2019 US $ million
Short-term benefits	**4.6**	5.9
Post-employment benefits	**0.2**	0.3
Share benefit charges – equity-settled	**2.1**	1.9
	6.9	8.1

Further details on Directors' remuneration are given in the Directors' Remuneration Report.

13 Provisions, contingent liabilities and regulatory issues

(a) The Group operates in numerous jurisdictions. Accordingly, the Group files tax returns, provides for and pays all taxes and duties it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is also periodically subject to audits and assessments by local taxing authorities. Provisions for uncertain items are made using judgement of the most likely tax expected to be paid and the basis thereon, based on a qualitative assessment of all relevant information. The Board considers that any exposure for additional taxes, if any, that may arise from the final settlement of such assessments is unlikely to result in any further liability.

(b) 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 regulatory authorities and other parties in respect of its activities. The Group is furthermore subject to regular compliance assessments of its licensed activities, from time to time. The Group's policy is to engage in dialogue with regulators and address any concerns raised in such assessments, to work cooperatively with the regulator and to take action to address any concerns raised as part of the assessment as soon as possible. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, for the majority of these matters the Board is unable to quantify reliably the outflow of funds that may result, if any. For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements within Provisions. Except for the regulatory matters described in note 11, these amounts are not material at 31 December 2020.