22 March 2016

888 Holdings Public Limited Company

(“888” or the “Group”)

Audited annual financial results for the year ended 31 December 2015

“Another strong year of progress for 888”

888, one of the world’s most popular online gaming entertainment and solutions providers, announces its audited annual financial results for the year ended 31 December 2015.

Financial Highlights

- Like for like* revenue increased 12% to US$507.7m (2014: US$454.7m); reported revenue increased 2% to US$462.1m

- Like for like B2C revenue increased 14% to US$444.2m (2014: US$390.8m); reported revenue increased 3% to US$402.6m

- Like for like Casino revenue increased 18% to US$261.4m (2014: US$220.6m); reported Casino revenue increased 5% to US$230.6m (2014: US$220.6m)

- Revenue from regulated territories increased to represent 59% of Group revenue (2014: 55%)

- B2B revenue of US$59.5m (2014: US$63.9m) impacted by adverse currency movements

- Adjusted EBITDA** of US$80.6m (2014: US$100.7m), a resilient outcome given newly introduced gaming duties in 2015 of US$32.2m, US$10.2m (2014: nil) in relation to newly introduced VAT in certain EU member states as well as adverse currency movements; EBITDA of US$59.4m (2014: US$97.3m)

- Adjusted EBITDA** margin of 17.4% (2014: 22.1%); EBITDA margin of 12.9% (2014: 21.4%)

- Adjusted profit before tax** of US$55.5m (2014: US$67.9m); Profit before tax of US$32.5m (2014: US$67.9m)

- Continued strong cashflow performance with net cash generated from operating activities of US$85.0m (2014: US$111.9m)

- Corporate cash net of customer liabilities of US$96.2m (2014: US$95.6m)

- Final dividend of 4.0 cents per ordinary share per policy (2014: 4.5 cents) and due to strong performance the Board is recommending an additional one-off dividend of 8.0 cents per share (2014: 7.0 cents), bringing the total dividend per share for the year to 15.5 cents per share (2014: 15.0 cents)

- Adjusted EPS** of 15.9 cents per share (2014: 19.2 cents); reported EPS of 8.3 cents per share (2014: 16.1 cents)

** As defined in the Chairman’s Statement below*
*** As defined below*

Operational Highlights

- 13% increase in active B2C customers reflecting marketing expertise and innovative CRM
- Mobile continues to drive growth across product verticals, now representing 47% of UK B2C revenue (2014: 33%)
- Continued outperformance in Casino with 37% increase in active players
- Successful launch of exciting new Casino brand 777.com in the second half of the year
- 888Poker maintained No. 2 position in global poker liquidity rankings***
- 888Sport continues to deliver outstanding growth with revenue up 74% against strong comparatives
- Market share increased in Spain driven by introduction of slots in the first half and launch of 888Sport.es in H2 2014
- Continued progress in Italy driven by fresh Casino content, introduction of mobile in H2 2014 and launch of Sport in Q1 2016
- Launch of Multistate Poker Network in the US
- Successful launch in Denmark in second half with very encouraging performance to date
- 33 new skins added to Dragonfish Bingo network

Recent Developments

- Appointments of Itai Frieberger as Chief Executive Officer and Brian Mattingley as Chairman in March 2016
- Strong current trading with average daily revenue in Q1 2016 20% higher than the corresponding period in 2015

Itai Frieberger, CEO of 888, commented:

> *"2015 was a very successful year for 888during which we maintained our excellent operational momentum. This strong performance reflects the continued execution of our focused growth strategy as well as the quality of our brands, best-in-class technology and CRM expertise and was achieved despite the significant external challenges that impacted the online gaming industry and our profitability. Like for like Group revenue increased 12% driven by our core B2C business where we delivered an outstanding 13% increase in active players. This again reflected an exceptional performance in Casino and impressive growth in Sport, where we continue to see exciting opportunities on which to further capitalise in 2016.*
>
> *In line with our strategic focus, we made further progress across regulated markets with growth in Spain, aided by the launch of slots in the first half, Italy, where mobile continues to drive market penetration, and Denmark, where we have seen an encouraging performance following our successful launch in the second half of the year.*
>
> *This has been another very good year of progress for 888 and I would like to take this opportunity to thank everyone in our team for their fantastic efforts. As expected, 2016 trading to date has been strong with average daily revenue 20% higher than the same period in 2015. With our excellent operational momentum, leading online gaming brands and technology edge, the Board remains confident of delivering long term sustainable growth and we look forward with confidence as we continue to develop 888."*

***** Source: PokerScout**

Financial Summary

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

Reconciliation of operating profit to EBITDA and Adjusted EBITDA

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

1 Totals may not sum due to rounding.

2 From 1 January 2015, 888 is liable to VAT in respect of some of its electronically supplied gaming services in certain EU Member States ("EU VAT"). This VAT, which is a deduction from revenue, has been presented separately to allow for a like for like comparison with 2014.

3 Excluding depreciation of US$8.9 million (2014: US$9.0 million), amortisation of US$9.7 million (2014: US$8.3 million) and impairment charges of nil (2014: US$1.7 million).

4 Excluding exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania.

5 Excluding share benefit charges of US$4.1 million (2014: US$1.7 million).

6 As defined in note 9 to the financial statements.

Analyst Presentation

Brian Mattingley, Chairman, Itai Frieberger, Chief Executive Officer and Aviad Kobrine, Chief Financial Officer, will be hosting a presentation for analysts today at 10:30 (GMT) at the offices of Hudson Sandler, 29 Cloth Fair, London EC1A 7NN. To express interest in attending please contact 888@hudsonsandler.com or call +44 (0)207 796 4133.

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

Enquiries and further information:

http://corporate.888.com/

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

CHAIRMAN'S STATEMENT

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

888's winning team

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

Strategic progress

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

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

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

Regulation

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

Governance

The Board is fully committed to complying with the principles of the UK Corporate Governance Code. The required regulatory and governance disclosures are set out in the compliance statement set out in the 2015 Annual Report.

Board

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

Outlook

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

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

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

Brian Mattingley

Chairman

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

CEO'S STRATEGY REPORT

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

CLEAR GROWTH STRATEGY

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

<table>
<tr><th>The key pillars of 888's growth strategy remain:</th><th>What we delivered - key highlights in 2015:</th></tr>
<tr><td>Development of core B2C brands

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

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

Management will remain steadfastly focused on improving margins by maximising operational efficiencies, including by constantly developing our marketing approach and driving increased volumes.</td><td>o Successful, innovative, return on investment marketing campaigns increased first time depositors by 28%
o Maintained control on costs</td></tr>
<tr><td>Expansion in regulated markets

We will remain focused on growing our business in locally regulated markets where we are able to exploit marketing opportunities for our brands. 888 has the agility and proven skills to successfully and efficiently launch and grow in attractive regulated markets.</td><td>o Strong performance in core UK market driven primarily by Casino and Sport
o Maintained leading position in Spain supported by launch of 888Sport.es in H2 2014 and slot games during 2015
o New licences acquired in regulated markets in Denmark, Romania and Ireland</td></tr>
</table>

	○ Successful launch of shared poker player liquidity across the states of Delaware and Nevada, creating a key advantage for both 888 and our B2B operating partners
B2B partner of choice through Dragonfish We will continue to invest in and innovate our B2B offer to establish ourselves as the partner of choice in both regulated and newly regulating markets.	○ 33 new bingo “skin” arrangements added to the Dragonfish Bingo network ○ Continued innovation on the Dragonfish platform with further product development including enhanced bonus management features and shared progressive jackpots across bingo brands
Continue to protect our customers and act responsibly In operating in the online gaming industry, 888 is always mindful of the complex regulatory environment as well as 888’s social responsibilities, which includes protecting our customers. 888 will continue to invest time and resources in caring for our customers, protecting the vulnerable, and ensuring that we continue to entertain and delight those who choose to play with 888.	○ Monitored environmental performance and identified opportunities for energy consumption and waste reduction ○ Continued investment in staff training and procedures to identify instances of problem gambling and fraudulent behaviour ○ Continued review and optimisation of responsible gaming tools such as self-limits, take a break and self-exclusion ○ Close partnership with major helping agencies and support centres

** Before deduction of EU VAT*

FOCUSED BUSINESS MODEL

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

B2C

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

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

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

Maintaining our strong and trusted brand

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

Innovative, ROI-driven marketing

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

Product innovation and leadership

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

A seamless customer experience

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

Customer relationship management leadership

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

"Cross-selling"

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

Excellent customer support

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

Customer protection

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

Payment processing

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

Dedicated VIP Support

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

Our core B2C gaming products:

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

**'Revenue' is recognised in the financial statements after deduction of certain promotional bonuses granted to customers and after adding management fees and charges applied to customer accounts*

B2B - DRAGONFISH

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

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

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

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

Itai Frieberger

Chief Executive Officer

2015 BUSINESS AND FINANCIAL REVIEW

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Administrative expenses[5]	(28.4)	(33.4)	*(15%)*
Adjusted EBITDA[3,4,5]	**80.6**	**100.7**	*(20%)*
Depreciation, amortisation and impairment	(18.6)	(19.0)	
Share benefit charges, finance and other	(6.4)	(6.1)	
Share of joint venture and associates loss	(0.1)	(7.7)	
Adjusted profit before tax	**55.5**	**67.9**	*(18%)*
Exceptional acquisition costs:			
Legal and professional costs	(17.5)	-	
Reimbursement of acquisition costs	8.8	-	
Exceptional acquisition finance costs	(5.9)	-	
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Exceptional retroactive duties and associated charges	(8.4)	-	
Profit before tax	**32.5**	**67.9**	*(52%)*
Adjusted basic earnings per share [6]	**15.9¢**	**19.2¢**	*(17%)*
Basic earnings per share	**8.3¢**	**16.1¢**	*(49%)*

Reconciliation of operating profit to EBITDA and Adjusted EBITDA

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

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2 From 1 January 2015, 888 is liable to VAT in respect of some of its electronically supplied gaming services in certain EU Member States ("EU VAT"). This VAT, which is a deduction from revenue, has been presented separately to allow for a like for like comparison with 2014.

3 Excluding depreciation of US$8.9 million (2014: US$9.0 million), amortisation of US$9.7 million (2014: US$8.3 million) and impairment charges of nil (2014: US$1.7 million).

4 Excluding exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania.

5 Excluding share benefit charges of US$4.1 million (2014: US$1.7 million).

6 As defined in note 9 to the financial statements.

Introduction

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

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

Financial results and dividend

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

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

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

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

B2C OVERVIEW

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

On a reported basis (before deduction of EU VAT), revenue was 6% higher year on year at US$412.5, reflecting the adverse currency movements. Active B2C players and first time depositors, two of the core metrics of our B2C business, increased by 13% and 28% respectively, driven in particular by strong performances in Casino and impressive growth in Sport. This strong operational momentum reflects the quality of our B2C brands as well as the success of our customer relationship management activity and innovative, return on investment driven marketing coupled with the introduction of Sport in Spain during the third quarter of 2014 and re-launch in Denmark during the third quarter of 2015.

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

B2C - Product segmentation

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

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

Revenue by geographic market

Table of revenue by geographical market:

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

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

Casino

Results overview

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

Product overview

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

The success of 888Casino remains underpinned by our heritage as an online casino operator and innovative customer proposition alongside effective customer relationship management and marketing. In 2015, 888Casino continued to develop its offer with a total of more than 40 new games introduced across mobile and desktop platforms alongside new features and product upgrades to improve established favorites and make them ever more intuitive and engaging for our customers. This included the debut of a new *Immersive Roulette* feature that enhances the player experience on this classic table game by offering multiple high definition camera angles of the roulette wheel and slow motion views of the ball landing in the pockets. In the second half of the year, we were also pleased to introduce a new brand to our Casino offer with the launch of the retro themed 777.com. 777.com has a unique theme based on the swing, sophistication and nostalgia of 1950s Americana and we are confident this new brand will support our offer by helping to appealing to new customer demographics.

Poker

Results overview

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

Product overview

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

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

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

Bingo

Results overview

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

Product overview

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

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

Emerging Offerings

Results overview

Revenue from our Emerging Offerings was 38% higher year on year at US$41.3 million (2014: US$29.9 million). This was a result of continued exceptional growth from Sport, which increased revenue by 74% against very strong comparatives in the prior year.

Product overview

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

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

B2B REVIEW

Results overview

Revenue from Dragonfish, 888's B2B offering, was stable at US$63.5 million on a like for like basis (2014: US$63.9 million) whilst reported revenue (before deduction of EU VAT) decreased by 6% to US$59.8 million (2014: US$63.9 million). This was in part driven by the weaker GBP impacting the reported revenue from our UK bingo partners. B2B revenue from our US business was also lower when compared to the prior year as we implemented operational changes in our US operations in the first half of the year aimed at increasing the long term sustainability of the business.

Operational overview

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

Expenses overview

Gaming duties increased considerably reflecting the full year impact of point of consumption gaming duty in the UK, first time recognition of gaming taxes in Austria, Denmark as well as Romania and Ireland and increased gaming duties driven by growth in revenue from Italy and Spain as a result of our new slots games offering.

Overall operating expenses, research and development and administrative expenses decreased due to more favourable exchange rates and a one-off special cash bonus to employees in 2014.

Operating expenses

Operating expenses*, which mainly comprise employee related costs, commission and royalties payable to third parties, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services, totalled US$127.4 million (2014: US$130.3 million). This represented a decreased proportion of revenues (before deduction of EU VAT) at 27.0% (2014: 28.7%) as a result of continued operating efficiencies, strict cost control and the effect of weaker currencies against the US dollar, partially offset by increased costs associated with Sport content and higher commissions and royalties required to support 888's improved Sport performance and Live Casino offering. Operating expenses amounted to US$146.0 million (2014: US$149.3 million).

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

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

** As defined in the financial summary table above.*

Gaming taxes and duties

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

** As defined in the financial summary table above.*

Research and development expenses

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

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

Selling and marketing expenses

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

Administrative expenses

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

* *As defined in the financial summary table above.*

Share benefit charges

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

Cash settled share benefit charges increased to US$1.7 million (2014: US$0.4 million) due to the increased fair value of the long term incentive plan which was settled during the year. Further details are given in the director's remuneration report of the 2015 Annual Report.

Finance income and expenses

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

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

Adjusted EBITDA

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

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

Equity accounted joint ventures and associates

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

Exceptional costs

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

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

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

Adjusted profit before tax

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

Taxation

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

Earnings per share

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

Dividend

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

Cash flow

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

Balance Sheet

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

MARKET REVIEW: FOCUS ON REGULATED MARKETS

UK

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

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

Europe (excluding UK)

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

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

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

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

United States

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

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

Risk management strategy

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

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

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

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

- it is responsible for 888's risk management systems and for reviewing their effectiveness;
- there is an on-going process for identifying, evaluating and managing the principal risks faced by 888;
- the systems have been in place during 2015 and up to the date of approval of the annual report and accounts; and
- they are regularly reviewed by the Board (please see the 2015 Annual Report for further details of the review conducted in 2015).

888 faces the following significant risks:

Regulatory risk ➔ remained stable during 2015

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

<u>Relevance to strategy</u>: Compliance with regulatory requirements and the maintenance of regulatory relationships in multiple jurisdictions is key to maintaining 888's online gaming licences which are critical to

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

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

What happened in 2015: Consistent with its growth strategy in regulated markets, 888 obtained additional licences in Denmark, Romania and Ireland (sports betting).

Information Technology and Cyber Risks ➔ increased during 2015

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

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

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

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

Taxation risk ➔ increased during 2015

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

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

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

What happened in 2015: 888 entered into discussions with relevant tax authorities in order to regularize its tax position and mitigate exposures. In addition, it reviewed its structure in light of the BEPS recommendations and consulted with tax and legal advisers to determine the manner and timing of their implementation in relevant jurisdictions, in order to ensure compliance with increased tax reporting obligations. 888 furthermore took advice with regard to VAT and gaming duty obligations and registered for such taxes in relevant jurisdictions in order to ensure timely reporting and payment on the correct basis in the appropriate jurisdictions, whilst reserving its position concerning contesting its liability in appropriate cases.

Reputational risk➔ remained stable during 2015

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

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

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

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

Partnership Risk ➔ remained stable during 2015

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

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

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

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

Regulation and general regulatory developments

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

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

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

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

As expected, the UK's move to a place-of-consumption based regulatory regime continued to have a dramatic impact on 888, given the prominence of 888's UK-facing operations. 888's adaptation to the new metrics of the UK market and to its array of regulatory requirements necessitated significant efforts and the implementation of changes in a very broad spectrum of areas. 888's prominence in the UK market speaks to the overall success of that process, however we continue to work to adapt our operations and working modalities to ensure our full adherence with the various requirements applicable to our UK operations.

The debate over regulation of internet gambling continued in the US in 2015, though it focused more prominently on the regulation of "Fantasy Sports" in the latter part of the year. Whilst it is unlikely that 2016 will see dramatic developments in this regard, on either the state or federal level (given that 2016 is an election year), 888 continues to follow closely the possible developments in this area, so as to position itself to capitalize on opportunities as they emerge.

Naturally, with regulation playing an increasingly dominant role in defining and framing our business, 888 continues to monitor closely legal and regulatory developments worldwide and to assess their impact on 888's operations. We continue to support regulation of the industry and to work with our partners in the industry and with our regulators towards shaping a regulatory landscape that is business-friendly while safeguarding the objectives of regulation.

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

Europe

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

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

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

Several European jurisdictions implemented regulatory reforms in 2015:

- Poland amended its online sports betting regime in an attempt to bring it more in line with EU law.
- Ireland, Portugal, Romania and Lithuania adopted regimes for the regulation and licensing of online gambling.
- Having passed gaming legislation severely restricting its online gambling market in late 2014, Hungary took various enforcement actions against the online industry during 2015 (issuing fines and fighting online gambling operators in courts). Early in 2016, the country issued regulations for the very limited licensing of online gambling activities available to two land-based casinos in the country.
- Switzerland published a draft bill that would allow the country's three casinos to offer online gaming. The bill now under public consultation and legislative process is likely to be lengthy.
- The Greek Government has announced plans to put in place a licensing regime as a revenue-generating measure. Options include auctioning a limited number of licences or an open tender process. No concrete bill has been published however.

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

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

The United States

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

Despite debates in the legislatures of various states regarding online gaming (in some cases – online poker) during 2015, no significant legislative changes occurred. During the latter half of the year, regulatory and legislative focus seemed to shift to the contentious issue of "daily fantasy sports", a multi-billion dollar industry whose legality has been called into question. It is not unlikely that this debate will lead to a broader debate regarding the regulation of online sports betting, however changes in this regard (or, more generally with respect to internet gambling) are less likely in an election year. 888 continues to closely monitor discussions and initiatives in the various jurisdictions, with the knowledge that positive developments in these large-scale markets could present tremendous opportunities for 888.

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

Further afield

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

Directors' statement of responsibilities

We confirm, to the best of our knowledge:

(a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of 888 and the undertakings included in the consolidation taken as a whole; and

(b) the strategic report includes a fair review of the development and performance of the business and the position of 888 and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:
Itai Frieberger
Chief Executive Officer

22 March, 2016

Consolidated Income Statement

For the year ended 31 December 2015

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

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

The notes below form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2015

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

The notes below form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

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

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

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

The notes below form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

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

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

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 2015 or the year ended 31 December 2014, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2014 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 2015 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2015 and 2014 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, Bingo and Emerging Offerings (mainly comprising 888's Sportsbook), brand licensing revenue on third party platforms and Mytopia social games. These services are provided to end users ('B2C') and to business partners through its business to business unit, Dragonfish ('B2B'). In addition, the Group provides payment services, customer support and online advertising.

Definitions

In these financial statements:

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

2 Significant accounting policies

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

Basis of preparation

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

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

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

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

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

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

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

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

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

- Amendments to IAS 1 - Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016).

- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting periods beginning on or after 1 January 2016).

- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants (effective for accounting periods beginning on or after 1 January 2016).

- Amendments to IAS 27 – Equity Method in Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2016).

- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (effective for accounting periods beginning on or after 1 January 2016).

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective for accounting periods beginning on or after 1 January 2016).

- IFRS 14 - Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).

- Annual Improvements 2012-2014 Cycle (effective for accounting periods beginning on or after 1 January 2016), including minor amendments to IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosures, IAS 19 - Employee Benefits and IAS 34 - Interim Financial Reporting.

- IFRS 9 - Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).

- IFRS 15 - Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).

- IFRS 16 – Leases (effective for accounting periods beginning on or after 1 January 2019).

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (in December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting).

2 Significant accounting policies (continued)

Critical accounting estimates and judgments

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

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

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

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

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

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

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

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

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

Basis of consolidation

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

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

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

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

Revenue from online activities comprises:

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

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

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

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

B2B

For services provided to business partners through its business to business unit, the Group considers whether for each customer it is acting as a principal or as an agent by considering which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly

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

Operating expenses

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

Administrative expenses

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

Exceptional items

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

Foreign currency

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

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

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

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

Taxation

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

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

Intangible assets

Acquired intangible assets

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

Internally generated intangible assets

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

Goodwill and business combinations

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually on 31 December, and where applicable an impairment loss is recognised immediately in the consolidated income statement. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly through the consolidated income statement.

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

Investment in equity accounted joint ventures and associates

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

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

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

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

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

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

Trade receivables

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

Fair value measurement

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

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

Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge operational risks associated with foreign exchange rates. Such derivative financial instruments are measured at fair value under IAS 39 and are carried in the consolidated balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair values of derivatives are recorded immediately in the consolidated income statement.

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

Cash and cash equivalents

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

Equity

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

Trade and other payables

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

Liabilities to customers

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

Leases

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

Provisions

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

Dividends

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

Share benefit charges

- *Equity-settled*

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

- *Cash-settled*

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

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

Severance pay schemes

Severance pay scheme surpluses and deficits are measured as:

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

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

Financial guarantee contracts

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

3 Segment information

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

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

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

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

	2015						
	B2C					B2B	Consolidated
	Casino	Poker	Bingo	Emerging Offerings	Total B2C		
	US $ million					US $ million	
Segment revenue	230.6	86.7	44.0	41.3	402.6	59.5	462.1
Segment revenue (including EU VAT)	238.7	88.5	44.0	41.3	412.5	59.8	472.3
EU VAT[1]	(8.1)	(1.8)	-	-	(9.9)	(0.3)	(10.2)
Segment result[2]					**182.2**	**32.4**	**214.6**
Unallocated corporate expenses[3]							(173.8)
Operating profit							**40.8**
Finance income							0.3
Finance expenses							(2.6)
Exceptional finance expenses							(5.9)
Share of post-tax loss of equity accounted joint ventures and associates							(0.1)
Taxation							(3.0)
Profit after tax for the year							**29.5**
Assets							
Unallocated corporate assets							**386.3**
Total assets							**386.3**
Liabilities							
Segment liabilities					**68.6**	**13.8**	**82.4**
Unallocated corporate liabilities							**141.7**
Total liabilities							**224.1**

1 From 1 January 2015 the Group is subject to VAT on some of its gaming services in certain EU Member States. This VAT, which is a deduction from revenue, has been presented separately to allow for comparability with 2014.

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

3 Including staff costs, corporate professional expenses, other administrative expenses, exceptional acquisition costs, depreciation, amortisation, share benefit charges and exceptional retroactive duties and associated charges.

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

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

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

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

Geographical information

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

Revenue by geographical market (based on location of customer)

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

3 Segment information (continued)

Non-current assets by geographical location

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

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

4 Operating profit

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

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

5 Exceptional items

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

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

1 During 2015 the Group incurred legal and professional costs of US$17.5 million associated with the proposed acquisition of bwin.party digital entertainment plc.

2 Following the termination of the proposed acquisition described above, the Group received reimbursement income of US$8.8 million from bwin.party digital entertainment plc, in line with its contractual agreement.

3 The Group incurred finance costs of US$5.9 million in connection with the proposed acquisition described above. The costs represent fair value movements on derivatives entered into to hedge the currency exposure associated with the transaction.

4 Exceptional retroactive duties and associated charges of US$8.4 million (2014: nil) in respect of gaming taxes relating to activity in prior years in Austria and Romania.

6 Employee benefits

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

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

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

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

The average number of employees by category was as follows:

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

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

Severance pay scheme - Israel

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

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

6 Employee benefits (continued)

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

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

Movement in severance pay scheme liability:

Severance pay scheme assets

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

Severance pay plan liabilities

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

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

The expected contribution for 2016 is US$4.2 million.

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

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

7 Finance income and finance expenses

Finance income:

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

Finance expenses:

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

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

8 Taxation

Corporate taxes

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

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

	2015 US $ million	2014 US $ million
Profit before taxation	**32.5**	67.9
Standard tax rate in Gibraltar (2015:10%, 2014: 10%)	**3.3**	6.8
Higher effective tax rate on other jurisdictions	**3.1**	4.1
Losses carried forward	**-**	1.3
Utilisation of previously unrecognised tax losses	**(0.1)**	-
Expenses not allowed for taxation	**2.4**	1.4
Non-taxable income	**(2.9)**	(2.1)

Adjustments to prior years' tax charges	**(2.8)**	(0.5)
Total tax charge for the year	**3.0**	11.0

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

Gibraltar

Gibraltar companies are subject to a corporate tax rate of 10%. During the year, the Group changed certain elements of its tax calculation in Gibraltar, which have been agreed with the tax authorities. These changes reduced current taxation in 2015 and resulted in adjustments in respect of prior years.

Israel

The domestic corporate tax rate in Israel in 2015 is 26.5% (2014: 26.5%), although from 1 January 2016 the rate has been reduced to 25%. The Company's Israeli subsidiary has concluded an assessment agreement with respect to all tax years up to and including 2013. In addition, the subsidiary has entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner as regards 2014-2015. This agreement resulted in adjustments in respect of prior years. The current tax charge has reduced in the current year as a result of non-recurring taxable foreign exchange gains in 2014.

UK

The Group's subsidiary in the UK paid corporate tax at the applicable rate of 20.25% (2014: 21.5%) and will pay corporate tax at a rate of 20% for 2016. During the year, the UK government announced and substantively enacted a further reduction in the UK corporation tax rate to 19% (from April 2017) and to 18% (from April 2020).

9 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33 - Earnings per Share, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 3,423,108 ordinary shares (2014: 3,100,238) and 158,484 market- value options (2014: 122,228).
The number of equity instruments excluded from the diluted EPS calculation is 3,051,243 (2014: 3,153,810).

	2015	**2014**
Profit for the period attributable to equity holders of the parent (US$ million)	**29.5**	56.9
Weighted average number of Ordinary Shares in issue	**356,129,113**	353,515,738
Effect of dilutive Ordinary Shares and Share options	**3,581,592**	3,222,466
Weighted average number of dilutive Ordinary Shares	**359,710,705**	356,738,204
Basic earnings per share	8.3¢	16.1¢
Diluted earnings per share	8.2¢	15.9¢

Adjusted earnings per share

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

Reconciliation of profit to profit excluding exceptional items, share benefit charges, movement in contingent consideration, impairment charges and share of post-tax loss of equity accounted joint ventures and associates ("Adjusted profit"):

	2015 US $ million	2014 US $ million
Profit for the period attributable to equity holders of the parent	**29.5**	56.9
Exceptional items (see note 5)	**23.0**	-
Share benefit charges (see note 21)	**4.1**	1.7
Movement in contingent consideration	**-**	(0.1)
Impairment charges (see note 11)	**-**	1.7
Share of post-tax loss of equity accounted joint ventures and associates (see note 13)	**0.1**	7.7
Adjusted profit	**56.7**	67.9
Weighted average number of Ordinary Shares in issue	**356,129,113**	353,515,738
Weighted average number of dilutive Ordinary Shares	**359,710,705**	356,738,204
Adjusted basic earnings per share	15.9¢	19.2¢
Adjusted diluted earnings per share	15.8¢	19.0¢

10 Dividends

	2015 US $ million	2014 US $ million
Dividends paid	**53.5**	51.2

An interim dividend of 3.5¢ per share was paid on 30 September 2015 (US$12.5 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2015 comprising 4.0¢ per share, and an additional one-off dividend of 8.0¢ per share, both of which will be recognised in the 2016 financial statements once approved.

In 2014 an interim dividend of 3.5¢ per share was paid on 1 October 2014 (US$12.4 million) and a final dividend of 11.5¢ per share was paid on 15 May 2015 (US$41.0 million).

11 Goodwill and other Intangible assets

	Goodwill US $ million	Acquired intangible assets US $ million	Internally generated intangible assets US $ million	Total US $ million
Cost or valuation				
At 1 January 2014	146.1	11.6	43.4	201.1
Additions	-	2.9	8.6	11.5
At 31 December 2014	146.1	14.5	52.0	212.6
Additions	-	3.0	6.8	9.8
At 31 December 2015	**146.1**	**17.5**	**58.8**	**222.4**
Amortisation and impairments:				
At 1 January 2014	20.7	9.5	15.2	45.4
Amortisation charge for the year	-	0.8	7.5	8.3
Impairment charge	-	-	1.7	1.7
At 31 December 2014	20.7	10.3	24.4	55.4
Amortisation charge for the year	-	1.8	7.9	9.7
At 31 December 2015	**20.7**	**12.1**	**32.3**	**65.1**
Carrying amounts				
At 31 December 2015	**125.4**	**5.4**	**26.5**	**157.3**
At 31 December 2014	125.4	4.2	27.6	157.2
At 1 January 2014	125.4	2.1	28.2	155.7

Analysis of goodwill by cash generating units:

	Bingo online business US $ million	Other US $ million	Total goodwill US $ million
Carrying value at 31 December 2014 and 31 December 2015	125.1	0.3	125.4

11 Goodwill and other Intangible assets (continued)

Impairment

In accordance with IAS 36 and the Group's stated accounting policy an impairment test is carried out annually, at 31 December, on the carrying amounts of goodwill and a review for indicators of impairment is carried out for other non-current assets. Where an impairment test was carried out, the carrying value is compared to the recoverable amount of the asset or the cash generating unit. In each case, the recoverable amount was the value in use of the assets, which was determined by discounting the future cash flows of the relevant asset or cash generating unit to their present value.

Goodwill - Bingo online business

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

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long term growth rate has been assumed. Underlying growth rates, as shown in the table below, have been applied to revenue and are based on past experience, including the positive results in 2015 and 2014 and projections of future changes in the online gaming market. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to the same gaming duties in its core jurisdictions.

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

	Pre-tax discount rate applied[1]	Underlying growth rate year 1	Underlying growth rate years 2-5	Long-term growth rate year 6+	Operating expenses[2] increase years 1-5	Operating expenses[2] increase year 6+
At 31 December 2015	9%	4%	2%	1%	4%	1%
At 31 December 2014	9%	2%	1%	1%	2%	1%

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

[2] Operating expenses exclude marketing costs which are included in the projections as a fixed percentage of revenues.

The Directors have concluded that there are no reasonably possible changes to key assumptions that would lead to impairment in the Bingo goodwill and intangible assets.

Licences

No impairment tests were considered to be required at 31 December 2015 and the carrying value of licences is considered to be appropriate.

Other intangible assets

No impairment tests were considered to be required at 31 December 2015 and the carrying value of other intangible assets is considered to be appropriate.

In prior year the Group performed an impairment review on certain development projects that were abandoned as they were no longer expected to generate revenues. The review resulted in an impairment of US$1.7 million, as indicated in the table above.

12 Property, plant and equipment

	IT equipment US $ million	Office furniture, equipment and motor vehicles US $ million	Leasehold improvements US $ million	Total US $ million
Cost				
At 1 January 2014	58.7	3.5	13.8	76.0
Additions	4.6	0.1	0.8	5.5
Disposals	(0.3)	(0.1)	-	(0.4)
At 31 December 2014	63.0	3.5	14.6	81.1
Additions	3.8	0.6	0.2	4.6
Disposals	(17.6)	-	-	(17.6)
At 31 December 2015	**49.2**	**4.1**	**14.8**	**68.1**
Accumulated depreciation				
At 1 January 2014	44.6	2.5	9.8	56.9
Charge for the year	7.6	0.2	1.2	9.0
Disposals	(0.3)	-	-	(0.3)
At 31 December 2014	51.9	2.7	11.0	65.6
Charge for the year	7.4	0.3	1.2	8.9
Disposals	(17.6)	-	-	(17.6)
At 31 December 2015	**41.7**	**3.0**	**12.2**	**56.9**
Carrying amounts				
At 31 December 2015	**7.5**	**1.1**	**2.6**	**11.2**
At 31 December 2014	11.1	0.8	3.6	15.5
At 1 January 2014	14.1	1.0	4.0	19.1

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated depreciation of US$17.6 million were written off in 2015.

13 Investment in equity accounted joint ventures and associates

The following entities meet the definition of joint ventures and associates and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	Effective interest 31 December 2015	Effective interest 31 December 2014
AAPN Holdings LLC	Joint venture	USA	47%	47%
AGN LLC	Joint venture	USA	47%	47%
AAPN New Jersey LLC	Joint venture	USA	47%	47%
Come2Play Limited	Associate	Israel	20%	-

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

	Joint ventures US $ million	Associates US $ million
At 1 January 2014	3.9	-
Group share of equity injections by joint venture partner in equity accounted joint venture	3.8	-
Share of post-tax loss of equity accounted joint ventures	(7.7)	-
At 31 December 2014	**-**	-
Acquisitions		1.5
Share of post-tax loss of equity accounted joint ventures and associates	-	(0.1)
At 31 December 2015	**-**	**1.4**

US joint ventures

In 2013 the Group entered into a joint venture agreement (''JVA") with Avenue OLG Entertainment LLC (''Avenue") and other minority shareholders to form AAPN Holdings LLC (''AAPN"), under which the Group has a 47% interest in AAPN. AAPN has a 100% owned subsidiary, AAPN New Jersey LLC (''AAPN NJ"), which has a B2C gaming offering in New Jersey.

The Group's share of equity injections by its joint venture partners during 2014, which amounted to US$3.8 million, was accounted for through the consolidated statement of comprehensive income.

As at 31 December 2015, AGN LLC ('AGN'), the entity which contracted with a Las Vegas casino licensee in connection with the operation of a B2C gaming offering in Nevada, remained 100% owned by the Group. However, the Group considers that due to the manner in which AGN is operated under the contractual arrangements in the JVA, it is regarded as a joint venture. The Group also has an irrevocable commitment to contribute its ownership of AGN to AAPN for no consideration upon fulfilment of certain conditions.

On this basis the three entities AAPN, AAPN NJ and AGN have been equity accounted for, reflecting the Group's effective 47% interest in their aggregated results and assets.

Amounts relating to the joint ventures and the Group's share of net assets and post-tax losses of the joint ventures are as follows:

Net assets of US joint ventures	**2015 US $ million**	**2014 US $ million**
Non-current assets	4.7	5.3
Current assets	12.9	17.0
Current liabilities	(1.9)	(1.7)
Net assets of joint ventures	**15.7**	**20.6**
Assets attributed to class B holders	(15.7)	(20.6)
Net assets of joint ventures attributed to the Group	**-**	**-**
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	**-**	**-**
Income statement of US joint ventures		
Income	3.8	2.3
Expenses	(8.7)	(18.0)
Post tax loss of joint ventures	(4.9)	(15.7)
Expenses attributed to class B holders	(2.0)	(0.7)
Total post tax loss of joint ventures attributed to the Group	**(6.9)**	**(16.4)**
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures[1]	**(3.2)**	**(7.7)**

[1] The Group's share of post tax loss of joint ventures during 2014 amounted to US$7.7 million. As at 31 December 2014 the Group's investment in the US joint ventures had reduced to nil due to the US joint ventures' cumulative losses exceeding the Group's investment. In 2015 the US joint ventures incurred further losses and, as a result, the Group's investment remained at nil. As the Group's investment remained at nil, the Group did not recognise the losses of US$3.2 million in its consolidated income statement in 2015.

Associates

On 15 April 2015 the Group acquired 20% of the ordinary shares of Come2Play Limited for a cash payment of US$1.5 million. Further disclosures have not been provided as the investment is not material to the Group.

Other investments

The Group holds available for sale investments of US$0.2 million at 31 December 2015 (31 December 2014: US$0.2 million).

14 Deferred taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Group's deferred tax assets and liabilities resulting from temporary differences, some of which are expected to be settled on a net basis, are as follows:

	2015 US $ million	2014 US $ million
Deferred tax assets		
Accrued severance pay	**0.5**	0.4
Share benefit charges	**0.1**	0.1
Vacation pay accrual	**0.6**	0.5
Derivative financial instruments	**-**	0.3
	1.2	1.3
Deferred tax liabilities		
Property, plant and equipment	**1.0**	0.9
Intangible assets	**(2.7)**	(1.7)
	(1.7)	(0.8)
	(0.5)	0.5

The Group has tax losses at 31 December 2015 of US$1.8 million (2014: US$1.8 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty that there will be suitable taxable profits against which these losses can be offset.

15 Cash and cash equivalents

	2015 US $ million	2014 US $ million
Cash and short-term deposits	**92.9**	94.7
Customer funds	**82.4**	67.5
Restricted short-term deposits	**3.3**	0.9
	178.6	163.1

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

16 Trade and other receivables

	2015 US $ million	2014 US $ million
Trade receivables	**18.6**	19.0
Other receivables and prepayments	**14.3**	11.0
Current trade and other receivables	**32.9**	30.0
Non-current other receivables and prepayments	0.8	0.7
	33.7	30.7

The carrying value of trade receivables and other receivables approximates to their fair value as the credit risk has been addressed as part of impairment provisioning and, due to the short-term nature of the receivables they are not subject to ongoing fluctuations in market rates. Note 24 provides credit risk disclosures on trade and other receivables.

17 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2015 Number	31 December 2014 Number	31 December 2015 US $ million	31 December 2014 US $ million
Ordinary Shares of £0.005 each	**1,026,387,500**	426,387,500	**8.1**	3.9

At the Extraordinary General Meeting of the members of 888 Holdings plc held on 29 September 2015, the members approved a resolution pursuant to which the authorised share capital of the Company was increased from its previous limit of £2,131,937.50 divided into 426,387,500 ordinary shares of £0.005 each to £5,131,937.50 divided into 1,026,387,500 ordinary shares of £0.005 each.

	Allotted, called up and fully paid			
	31 December 2015 Number	31 December 2014 Number	31 December 2015 US $ million	31 December 2014 US $ million
Ordinary Shares of £0.005 each at beginning of year	**354,436,608**	351,977,275	**3.2**	3.2
Issue of ordinary shares of £0.005 each	**2,644,675**	2,459,333	**-**	-
Ordinary Shares of £0.005 each at end of year	**357,081,283**	354,436,608	**3.2**	3.2

The narrative below includes details on issue of ordinary shares of £0.005 each as part of the Group's employee share option plan (see note 21) during 2015 and 2014:

During 2015, the Company issued 2,644,675 shares (2014: 2,459,333) out of which 458,256 shares (2014: 239,693) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$0.9 million (2014: US$0.4 million).

Shares issued are converted into US$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US$3.2 million (2014: US$3.2 million) and is split into 357,081,283 (2014: 354,436,608) ordinary shares. The share capital in UK sterling (GBP) is £1.8 million (2014: £1.8 million).

18 Trade and other payables

	2015 US $ million	2014 US $ million
Trade payables	**29.7**	29.9
Other payables, accrued expenses and deferred income	**107.5**	74.2
	137.2	104.1

The carrying value of trade and other payables approximates to their fair value given the short maturity date of these balances. The increase in other payables, accrued expenses and deferred income during the year mainly relates to accruals for gaming duties for the new regulated markets in the UK, Romania and Denmark and EU VAT in certain EU Member States.

19 Liabilities to customers and progressive prize pools

	2015 US $ million	2014 US $ million
Liabilities to customers	**76.1**	58.0
Progressive prize pools	**6.3**	9.5
	82.4	67.5

20 Investments in significant subsidiaries

The consolidated financial statements include the following principal subsidiaries of 888 Holdings plc:

Name	Country of incorporation	Percentage of equity interest 2015 %	Percentage of equity interest 2014 %	Nature of business
VHL Financing Limited	Gibraltar	100	-	Holding company
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar
Virtual Digital Services Limited	Gibraltar	100	-	Holder of gaming licences in Gibraltar for European markets which are not locally regulated
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
888 UK Limited	Gibraltar	100	100	Holder of UK remote gaming licence
Virtual Marketing Services Italia Limited*	Gibraltar	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
888 US Limited	Gibraltar	100	100	Holder of Interactive Gaming Service Provider and Manufacturer licence in the state of Nevada
888 Atlantic Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 Liberty Limited	Gibraltar	100	100	Holder of Gaming Vendor License in the state of Delaware
888 Romania Limited	Gibraltar	100	-	Holder of Romanian online gaming licence
888 (Ireland) Limited	Gibraltar	100	-	Holder of Irish online gaming licence
888 Denmark Limited	Gibraltar	100	-	Holder of Danish online gaming licence
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia
Gisland Limited	Gibraltar	100	100	Payment transmission
Virtual IP Assets Limited	BVI	100	100	Holder of group IP assets
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
888 US Services Inc.	New Jersey, USA	100	100	Provider of US-based services for US operations
Dixie Operations Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Sparkware Technologies SRL	Romania	100	100	Software development
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services

888 US Inc.	Delaware, USA	100	100	Holder of US Joint Venture
Virtual Marketing Services (Ireland) Limited	Ireland	100	-	Payment transmission and social gaming

* Virtual Marketing Services Italia Limited (formerly Virtual Marketing Services Italia Srl) was redomiciled from Italy to Gibraltar on 24 August 2015.

21 Share benefit charges

Equity-settled share benefit charges

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

Details of equity settled shares and share options granted as part of the 888 All-Employee Plan and the 888 Long-Term Incentive Plan are set out below:

Share options granted

	2015 Weighted average exercise price	2015 Number	2014 Weighted average exercise price	2014 Number
Outstanding at the beginning of the year	£1.48	2,136,633	£ 1.44	2,560,600
Market value options lapsed during the year	£1.75	(770,153)	£ 1.51	(184,274)
Market value options exercised during the year	£1.28	(458,256)	£ 1.10	(239,693)
Outstanding at the end of the year[1,2,3]	£1.35	908,224	£ 1.48	2,136,633

[1] Of the total number of options outstanding at 31 December 2015 908,224 had vested and were exercisable (2014: 2,136,633).
[2] The range of exercise prices for options outstanding at 31 December 2015 is £1.02-£1.80 (2014: £1.02-£1.80).
[3] The weighted average remaining contractual life at the year-end was 2.26 years (2014: 2.44 years)

Ordinary Shares granted (without performance conditions)

	2015 Number	2014 Number
Outstanding at the beginning of the year	738,746	1,495,484
Shares granted during the year	1,320,000	-
Shares issued during the year	(731,263)	(756,738)
Outstanding at the end of the year	1,327,483	738,746
Averaged remaining life until vesting	2.63 years	0.40 years

Shares are granted at a nominal exercise price.

21 Share benefit charges (Cont.)

Ordinary shares granted (subject to performance conditions)

	2015 Number	2014 Number
Outstanding at the beginning of the year	3,496,205	3,949,488
Shares granted during the year	3,367,724	1,039,223
Lapsed future vesting shares	(134,810)	(29,604)
Shares issued during the year	(1,455,156)	(1,462,902)
Outstanding at the end of the year	5,273,963	3,496,205
Averaged remaining life until vesting	2.00 years	1.16 years

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return (TSR) compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the directors remuneration report set out in the 2015 Annual Report. The EPS growth target is taken into account when determining the number of shares expected to vest at each reporting date, and the TSR target is taken into account when calculating the fair value of the share grant.

Valuation information – shares granted under TSR condition:

Shares granted during the year:	2015	2014
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.06	£0.92
Number of shares granted	1,683,862	519,612
Average risk-free interest rate	1.18%	1.18%
Average standard deviation	45%	45%
Average standard deviation of peer group	32%	32%

Valuation information – shares granted

	2015		2014	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Weighted average share price at grant date	£1.63	£1.63	-	£1.54
Weighted average share price at issue of shares	£1.64	£1.56	£1.32	£1.31

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

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

21 Share benefit charges (Cont.)

Cash-settled share-based payment

On 27 March 2012, the Company awarded its Chief Executive Officer (now the Chairman) a cash-settled share-based award (“Phantom Award”). The Phantom Award vested on 27 March 2015 as all vesting requirements were fulfilled.

Under the terms of the Phantom Award, the amount payable was calculated on an incremental basis, based on the average share price over a period of 20 dealing days prior to the vesting date (£1.56), resulting in an entitlement of £3.3 million (US$4.8 million).

Valuation information

As there are no outstanding cash-settled share-based payment awards at 31 December 2015, no amounts have been recorded in the consolidated balance sheet at that date. The cash-settled liability recognised at 31 December 2014 amounted to US$3.4 million based on valuation assumptions as follows:

	2014
Option pricing model used	Monte Carlo
Share price at 31 December	£1.39
Remaining life until vesting	0.24 years
Risk-free interest rate	0.14%
Standard deviation	27.30%

Share benefit charges

	2015 US $ million	**2014 US $ million**
Equity-settled		
Equity-settled charge for the year	**2.4**	1.3
Cash-settled		
Charges in respect of the Phantom Award	**1.7**	0.4
Total share benefit charges	**4.1**	1.7

22 Related party transactions

The aggregate amounts payable to key management personnel, considered to be the directors of the Company, as well as their share benefit charges, are set out below:

	2015 US $ million	2014 US $ million
Short-term benefits	**3.9**	3.4
Post-employment benefits	**0.1**	0.1
Share benefit charges – equity-settled	**1.8**	0.4
Share benefit charges – cash-settled	**1.7**	0.4
	7.5	4.3

Further details on directors' remuneration are given in the Directors' Remuneration Report set out in the 2015 Annual Report.

US joint ventures

During 2015 the Group charged the US joint ventures for reimbursement of costs of US$1.8 million (2014: US$6.1 million), of which the outstanding balance at 31 December 2015 is US$0.2 million (2014: US$0.3 million).

Investment in associates

During 2015 the Group charged its associate for the Group share of the net revenue of US$1.5 million (2014: nil), of which the outstanding balance at 31 December 2015 is US$1.0 million (2014: nil).

23 Commitments

Lease commitments

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

Leases expiring	2015 US $ million	2014 US $ million
Within one year	**3.7**	3.7
Between two and five years	**1.3**	4.7
	5.0	8.4

The expense relating to operating leases recorded in the consolidated income statement in the year was US$4.5 million (2014: US$4.3 million).

24 Financial risk management

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

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

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

Detailed analysis of these financial instruments is as follows:

Financial assets	2015 US $ million	2014 US $ million
Trade and other receivables	**29.7**	26.3
Cash and cash equivalents	**178.6**	163.1
Available for sale investment	**0.2**	0.2
	208.5	189.6

In accordance with IAS 39, all financial assets are classified as loans and receivables except for available-for-sale investments, which are classified as available for sale assets.

24 Financial risk management (continued)

Financial liabilities	31 December 2015 US $ million	31 December 2014 US $ million
Trade and other payables	**124.9**	92.5
Derivative financial instruments	**-**	2.5
Customer deposits	**82.4**	67.5
	207.3	162.5

In accordance with IAS 39, all financial liabilities are held at amortised cost except for the derivative financial instruments, which are recognised at fair value through profit and loss.

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 25, there are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

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

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

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

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt amounting to US$0.5 million arising from a PSP failing to discharge its obligation (2014: US$0.5 million). This has been charged to the consolidated income statement.

24 Financial risk management (continued)

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ('chargebacks') or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2015 was US$1.3 million (2014: US$1.2 million).

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

Cash and cash equivalents

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

The Group holds its funds with highly reputable financial institutions and will not hold funds with financial institutions with a low credit rating. The Group maintains its cash reserves in highly liquid deposits and regularly monitors interest rates in order to maximise yield.

Customer funds

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

Restricted short-term deposits

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

The Group's maximum exposure to credit risk is the amount of financial assets presented above, totaling US$208.5 million (2014: US$189.6 million).

24 Financial risk management (continued)

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Group's financial liabilities:

2015	On demand US $ million	In 3 months US $ million	Between 3 months and 1 year US $ million	More than 1 year US $ million	Total US $ million
Trade and other payables[1]	**6.6**	**83.6**	**34.7**	**-**	**124.9**
Customer deposits	**82.4**	**-**	**-**	**-**	**82.4**
	89.0	**83.6**	**34.7**	**-**	**207.3**

[1] Excludes deferred income

2014	On demand US $ million	In 3 months US $ million	Between 3 months and 1 year US $ million	More than 1 year US $ million	Total US $ million
Trade and other payables[1]	9.7	71.6	11.2	-	92.5
Derivative financial instruments	-	0.7	1.8	-	2.5
Customer deposits	67.5	-	-	-	67.5
	77.2	72.3	13.0	-	162.5

[1] Excludes deferred income.

24 Financial risk management (continued)

Market risk

Currency risk

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

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

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

At 31 December 2015 the Group does not have any open foreign exchange forward contracts.

At 31 December 2014 the Group had open foreign exchange forward contracts between New Israeli Shekels and US Dollars with a principal amount of US$91 million, in respect of 2015 operational costs incurred in New Israeli Shekels. The fair value of these forward contracts was a liability of US$2.5 million, which was settled during 2015.

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

	2015					
	GBP	**EUR**	**ILS**	**USD**	**Other**	**Total**
	US $ million	**US $ million**	**US $ million**	**US $ million**	**US $ million**	**US $ million**
Cash and cash equivalents	56.1	33.8	20.6	61.5	6.6	178.6
Trade and other receivables	13.6	8.4	0.3	4.1	3.3	29.7
Available for sale investments	-	-	-	0.2	-	0.2
Monetary assets	69.7	42.2	20.9	65.8	9.9	208.5
Trade and other payables	(40.8)	(28.2)	(23.2)	(30.9)	(1.8)	(124.9)
Customer deposits	(22.9)	(9.4)	-	(49.3)	(0.8)	(82.4)
Monetary liabilities	(63.7)	(37.6)	(23.2)	(80.2)	(2.6)	(207.3)
Net financial position	**6.0**	**4.6**	**(2.3)**	**(14.4)**	**7.3**	**1.2**

24 Financial risk management (continued)

	2014					
	GBP US $ million	EUR US $ million	ILS US $ million	USD US $ million	Other US $ million	Total US $ million
Cash and cash equivalents	19.1	15.6	22.6	99.0	6.8	163.1
Trade and other receivables	12.8	5.1	0.4	3.3	4.7	26.3
Available for sale investments	-	-	-	0.2	-	0.2
Monetary assets	31.9	20.7	23.0	102.5	11.5	189.6
Trade and other payables	(31.5)	(12.9)	(22.9)	(23.6)	(1.6)	(92.5)
Derivative financial instruments	-	-	-	(2.5)	-	(2.5)
Customer deposits	(13.5)	(5.2)	-	(48.7)	(0.1)	(67.5)
Monetary liabilities	(45.0)	(18.1)	(22.9)	(74.8)	(1.7)	(162.5)
Net financial position	(13.1)	2.6	0.1	27.7	9.8	27.1

Interest rate risk

The Group's exposure to interest rate risk is limited to the interest bearing deposits in which the Group invests surplus funds.

The Group's policy is to invest surplus funds in low risk money market funds and in interest bearing bank accounts. The Group arranges for excess funds to be placed in these interest bearing accounts with its principal bankers in order to maximise availability of funds for investments.

Downside interest rate risk is minimal as the Group has no floating rates borrowings. Given current low interest rates a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US$0.6 million.

Sensitivity analysis

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

	Year ended 31 December 2015		
	GBP US $ million	EUR US $ million	ILS US $ million
10% strengthening	(0.6)	(0.5)	0.2
10% weakening	0.6	0.5	(0.2)

	Year ended 31 December 2014		
	GBP US $ million	EUR US $ million	ILS US $ million
10% strengthening	1.3	(0.3)	-
10% weakening	(1.3)	0.3	-

25 Fair value measurements

At 31 December 2015, the Group's available for sale investment is measured at fair value and at 31 December 2014, the Group's derivative financial instruments and available for sale investment were measured at fair value. For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

The Group's derivative financial instruments are measured at fair value under IAS 39 and are designated as level 2 in the fair value hierarchy. At 31 December 2015 the fair value of the Group's derivative financial instruments was $nil (2014: a liability of US$2.5 million), determined using forward exchange rates that are quoted in an active market).

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

26 Contingent liabilities and regulatory matters

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

(b) Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, the Board is unable to quantify reliably any material outflow of funds that may result, if any. Accordingly, no provisions have been made.

(c) The Group operates in numerous jurisdictions. Accordingly, and on the basis of tax advice obtained, the Group is filing tax returns, providing for and paying all taxes and duties it believes are due based on local tax laws and transfer pricing agreements. The Group is also periodically subject to audits and assessments by local taxing authorities.

There is significant uncertainty as to whether VAT is due in respect of certain services provided by the Group to customers in certain European Union Member States prior to 2015. These uncertainties are in respect of the determination of the place of supply of some or all of the services provided by the Group prior to 2015 and, insofar as the place of supply is determined to be the Member State in which the customer is located, whether a possible imposition of VAT on relevant services by certain Member States would be lawful. There is also uncertainty in certain Member States surrounding the tax base to be applied in the event that it is ultimately determined that VAT is due on any relevant services. Based on a thorough legal assessment, the Group considers that it is unlikely that any liability will arise and has, therefore, not recorded any liability in the Group financial statements. Furthermore, given the uncertainties surrounding the quantification of any VAT which may be payable, the Board believes that any attempt to either estimate or quantify the range of the amounts which may reasonably be in dispute would potentially be misleading and may be prejudicial to the Group's position in defending any claims for past VAT.

In respect of other taxes and duties, other than as provided in the Group financial statements, the Board considers it unlikely that any further liability will arise from the final settlement of such assessments.