15 April 2020

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

Audited annual financial results for the year ended 31 December 2019

Expansion in regulated markets drives record revenue and new customer acquisition

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 2019 ("the period").

Financial Highlights

- Group revenue increased 6% to a Group record US$560.3 million (2018: US$529.9[1] million); at constant currency revenue increased 10%
- Revenue from regulated and taxed markets represented a record level of Group revenue at 74% (2018: 70%) with revenue from regulated markets increasing 22% at constant currency
- B2C Casino revenue increased 13% to US$359.3 million (2018: US$317.6 million); at constant currency B2C Casino revenue increased 17%
- B2C Sport revenue increased 12% to US$90.0 million (2018: US$80.3 million); at constant currency B2C Sport revenue increased 19%
- B2C Poker revenue decreased 13% to US$42.7 million (2018: US$49.0 million) reflecting the challenging competitive environment, however revenue trend has stabilised as of mid-2018 driving H2 2019 to be 7% higher year on year
- B2C Bingo revenue increased 19% to US$38.5 million reflecting the contribution of newly acquired Bingo brands (2018: US$32.4 million); at constant currency B2C Bingo increased 24%; pro-forma B2C Bingo revenue decreased 3%
- Adjusted EBITDA[2] of US$85.6 million (2018: US$107.1 million) impacted mainly by US$25.6 million of additional gaming duties in part reflecting the Group's growth in regulated markets and FX headwinds; EBITDA was US$84.2 million (2018: US$129.1 million)
- Adjusted EBITDA margin of 15.3% (2018: 20.2%); EBITDA margin of 15.0% (2018: 24.4%)
- Adjusted Profit before tax of US$53.2 million (2018: US$86.7 million); Profit before tax of US$45.3 million (2018: US$108.7 million)
- Adjusted basic earnings per share of 13.5¢ (2018: 20.2¢); basic earnings per share of 11.3¢ (2018: 26.3¢)
- Final dividend of 3.0¢ per share (2018: 6.0¢ per share) bringing total dividends for the year to 6.0¢ per share (2018: 12.2¢) in line with the Group's dividend policy
- The Group continues to have a strong balance sheet with cash and cash equivalents of $99.5m at the Period end (2018: $133 million)

1. Before VAT accrual release
2. Excluding IFRS 16 impact

Operational Highlights

- Continued focus on safer gambling with launch of 888's '*Safer. Better. Together.'* strategy:
  - Interactions with UK customers regarding safer gambling increased 16% reflecting 888's proactive approach to preventing gambling-related harm
  - UK customers' usage of safer gambling tools increased 28% as 888 continues to promote safe play to its customers
  - Launch of "Too much is too much" safer gambling advertising campaign across TV, social and print channels in the UK and Spain in early 2020
  - Development of new *My Play* feature that will launch in 2020 across each of 888's websites to provide customers with improved understanding of their gambling behaviour and further increase the prominence of safer gambling tools

- B2C new customer acquisition increased 22% translating to a record of more than one million new customers joining 888's brands during the year
- Casino continued to deliver stand-out growth reflecting investment in product leadership with new customer acquisition up 43% year on year; active players up 26% year on year; deposits up 31% year on year
- Product innovation in Casino with improved personalisation and user experience recognised with two major industry awards: *EGR Casino Operator of the Year* and *Gaming Intelligence Casino Operator of the Year*
- Continued strong progress in Sport despite strong prior year comparatives with 19% year on year increases in both first-time depositors and deposits
- Continued investment in delivering growth opportunities for 888sport with the strategic acquisition and ongoing integration of the newly acquired sports betting team and proprietary platform
- Successful launch of 888's first ever proprietary sports book in Sweden post the period end in April 2020 with further markets planned during the remainder of the current year
- Poker remained an important new customer acquisition channel with 18% of B2C first time depositors joining through 888poker websites
- Investment in Poker turnaround with further development of the Group's new *Poker 8* platform and successful launch of shared player liquidity network across Portugal and Spain
- B2C Bingo new customer acquisition increased 23% supported by the acquisition of a portfolio of bingo brands, including Costa Bingo; pro-forma Bingo new customer acquisition increased 10%
- Further progress in the UK:
    - Revenue from VIP customers reduced to less than 5% of UK Casino reflecting the Group's successful recreational customer focus
    - Like for like UK Sport revenue increased 44% at constant currency with deposits increasing 30%
- Outstanding growth in Italy reflecting strength of the 888 brand and product proposition:
    - New customer acquisition increased 18% despite market-wide marketing restrictions introduced in mid-2019
    - Poker revenue in Italy increased 181% year on year
    - Sport deposits increased 30% year on year
- Strong growth across several other European regulated markets:
    - Highly successful launches in the regulated Swedish and Portuguese markets during the year
    - Strong progress in Romania with a 41% increase in customer acquisition
    - 15% increase in customer acquisition in Denmark
- Continued investment in the developing US market; successful launch of the Orbit platform in New Jersey in July 2019 with an additional 129 new games added

Current trading & outlook

- The Group has performed in line with the Board's expectations during 2020 so far with the trends reported in the Group's trading update on 24 March 2020 continuing through to today's date.
- As announced by the Group on 24 March 2020, the Board is monitoring closely the spread of COVID-19. While it is unclear how this fast-moving situation will evolve over the coming weeks and months and it is incredibly difficult to predict how consumers will react throughout this period of unprecedented uncertainty, as a purely online operator with diversified brands across product verticals and a strong balance sheet, the Board is confident in 888's ability to manage these challenges.

Itai Pazner, CEO of 888, commented:

"2019 was a year of further strategic progress for 888. During the year, 888 welcomed a record number of new customers – more than a million – to its international brands, launched in new regulated markets with very encouraging initial results, and completed the acquisition of a first-class sports betting platform and team.

Despite the headwinds of significantly increased gaming duties and challenging conditions in some of our global markets, 888 delivered a resilient financial performance during 2019 reflecting the strength of our unique *combination of technology, compliance and diversification across regulated markets. We entered 2020 with a record level of customers and the trends reported in our update on 24 March 2020 have continued in the year to date.*

The Board is closely monitoring the impact of COVID-19 on 888 and its customers. We continue to recognise that with people spending more time at home and with increased levels of stress and economic uncertainty, 888's unwavering commitment to preventing gambling related harm is even more important than ever. We are proactively communicating with our customers to provide information on safer gambling and, where necessary, offer support. In addition, in recent weeks we have introduced several new alerts to our proprietary safe gambling software, the Observer, which constantly scans all customer activity and flags any potential areas of concern to our highly trained customer care team to act upon in order to prevent harm.

Underpinned by the strength of 888's technology, our growing customer base and our talented and committed team, the Board continues to see a number of significant and exciting growth opportunities for 888 which we are confident of progressing during 2020 and beyond."

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

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

Financial summary

	2019[1] US$ million	2018[1] US$ million	Change Constant currency[2]	Change Reported
Revenue - B2C				
Casino	359.3	317.6	**17%**	**13%**
Sport	90.0	80.3	**19%**	**12%**
Poker	42.7	49.0	**(12%)**	**(13%)**
Bingo[3]	38.5	32.4	**24%**	**19%**
Total B2C	**530.5**	**479.3**	**15%**	**11%**
B2B[3]	**29.8**	**50.6**	**(39%)**	**(41%)**
Revenue before VAT accrual release	**560.3**	**529.9**	**10%**	**6%**
VAT accrual release [4]	-	10.7		
Revenue	**560.3**	**540.6**		**4%**
Adjustment of VAT accrual release	-	(10.7)		
Operating expenses[5]	(147.5)	(137.8)		**7%**
Gaming taxes and duties	(95.5)	(69.9)		**37%**
Research and development expenses[6]	(35.6)	(32.8)		**9%**
Selling and marketing expenses	(161.8)	(155.0)		**4%**
Administrative expenses[7]	(34.3)	(27.3)		**26%**
Adjusted EBITDA excluding IFRS 16 impact[8]	**85.6**	**107.1**	**(14%)**	**(20%)**
IFRS 16 impact on EBITDA	6.6	-		
Adjusted EBITDA[8]	**92.1**	**107.1**		
Depreciation and amortisation	(32.2)	(20.3)		
Finance	(6.7)	(0.1)		
Adjusted profit before tax	**53.2**	**86.7**		
Share benefit charges	(5.4)	(8.9)		
VAT accrual release	-	10.7		
Exceptional items[9]	(2.3)	11.1		
Gain from re-measurement of previously held equity interest in joint ventures	-	9.3		
Share of equity accounted associates loss	(0.2)	(0.2)		
Profit before tax	**45.3**	**108.7**		
Adjusted basic earnings per share	**13.5¢**	**20.2¢**		
Basic earnings per share	**11.3¢**	**26.3¢**		

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

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	2019[1] US$ million	2018[1] US$ million
Profit before tax	45.3	108.7
Finance	6.7	0.1
Depreciation	12.6	5.3
Amortisation	19.6	15.0
EBITDA	**84.2**	**129.1**
Exceptional items[9]	2.3	(11.1)
VAT accrual release[4]	-	(10.7)
Share benefit charges	5.4	8.9
Gain from re-measurement of previously held equity interest in joint ventures	-	(9.3)
Share of equity accounted associates loss	0.2	0.2
Adjusted EBITDA[8]	**92.1**	**107.1**

[1] Totals may not sum due to rounding.

[2] Constant currency: 888 reports its financial results in US$ however (i) it generates certain revenue streams from customers using other currencies and (ii) it incurs costs in various currencies. Due to the strong US$ in 2019 compared to 2018, reported revenue and profit were adversely impacted. Constant currency has been calculated as follows: (i) Revenue: with the exception of Poker, by applying 2018 exchange rates to revenue generated during 2019. Poker revenue was also adversely impacted given that many Poker customers fund their US$ bankroll using other currencies, which suffered reduced purchasing power compared to the US$. It is difficult to quantify reliably this indirect impact (other than a small adjustment which was made to Poker revenue generated in Euro) (ii) Costs: costs were retranslated by applying 2018 exchange rates.

[3] B2B in 2018 included Costa Bingo games, which is now presented in the B2C Bingo segment due to Costa Bingo games acquisition in March 2019.

[4] Revenue in 2018 includes US$10.7 million in respect of accrual release which relates to receipt of tax assessments in respect of legacy value-added tax in Germany.

[5] Excluding depreciation of US$12.6 million (2018: US$5.3 million) and amortisation of US$19.6 million (2018: US$15.0 million) and adding back US$3.8 million lease costs that are cancelled under IFRS 16 implementation.

[6] Adding back US$2.0 million lease costs cancelled under IFRS 16 implementation.

[7] Excluding share benefit charges of US$5.4 million (2018: US$8.9 million) and adding back US$0.7 million lease costs that are cancelled under IFRS 16 implementation.

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

[9] Exceptional charges of US$2.3 million (2018: exceptional income of US$11.1 million) in respect of organizational restructuring and legal and professional costs associated with M&A activity.

Results presentation and live audio webcast

Brian Mattingley (Non-Executive Chairman), Itai Pazner (Chief Executive Officer) and Aviad Kobrine (Chief Financial Officer) will host a presentation of the Group's 2019 Full Year results today at 10:00 (BST). For further details please contact 888@hudsonsandler.com or call +44 (0)207 796 4133.

The presentation will be webcast live and will be available via the following link: https://www.investis-live.com/888/5e6f646a5e20c2390004e5e1/wiwi A replay will be available on the 888 website (http://corporate.888.com/investor-relations) later today.

Enquiries and further information:

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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 or the Disclosure Guidance and Transparency Rules of the UK Listing Authority, 888 undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

CREATING VALUE BY PUTTING OUR CUSTOMERS FIRST

CHAIRMAN'S STATEMENT

Introduction

This Annual Report is being published at a time of unprecedented uncertainty regarding the impact of the COVID-19 outbreak, not only on the health of individuals, but also on the global economy.

888 is monitoring closely the spread of COVID-19 and following all government and local health organisation guidelines in order to keep its global teams safe and healthy. We have implemented our business continuity plan, including improvements to our technological infrastructure, priming of operational teams for emergency support, implementing work-from-home processes, and communicating clearly and constantly with personnel. The majority of our staff currently work from home across our locations.

While it is unclear how this fast-moving situation will evolve over the coming months, the postponement and cancellation of sporting events will impact 888's Sport vertical, which accounted for 16% of revenue in 2019. There is currently evidence of increased customer activity in the Group's Casino and Poker products that might, in part, compensate for the sports betting disruption for a period of time. However, in the event of a prolonged period of global macro-economic uncertainty, it is possible that consumer spending across the Group's online gaming product verticals may also become impacted.

888 recognises that, with people spending more time at home and with potentially increased stress from economic uncertainty, 888's vigilance on safe gambling and preventing gambling-related harm is even more important than ever. The Group continues to offer its customers support and is proactively communicating with its customers to make them aware of safe gambling tools to limit and control their play. In addition, 888 continues to leverage its unique Observer software to scan player data and identify potential areas of concern in order to prevent gambling harm.

As a purely online operator with diversified brands across product verticals and geographies, a strong balance sheet with $99.5m of cash and cash equivalents at the 2019-year end, and a proven track record of delivering operational efficiencies, 888 is confident in its ability to manage these challenges. Underpinned by the strength of 888's technology, its growing customer base and its talented and committed teams, 888 continues to see a number of significant growth opportunities for the Group which it is confident of progressing during 2020 and beyond.

Year in Review

2019 was another year of good progress for 888 during which the Group welcomed a record number of new customers – more than a million – to its international brands. This growth was achieved despite significant increase in gaming duties as well as challenging trading conditions in some of our global markets and demonstrates the strength of 888's unique combination of technology, marketing, diversification across markets, and product expertise.

888's growing global customer base reflects the Group's continued focus on delivering the safest, most enjoyable customer experience possible and, on behalf of everyone at 888, I would like to take this opportunity to thank all of our customers for placing their continued trust in our business.

The Group's revenue growth has again been driven by the continued expansion of 888casino across a number of regulated markets as well as strong revenue growth in 888sport. The Group's focus on providing its customers with a first-class product experience – one that is fun, fast, responsive, and personalised – has remained a competitive advantage and the outstanding success of our Orbit casino platform across multiple regulated markets during 2019 has been a stand-out achievement.

The Group has continued to focus on expanding in attractive regulated markets and we were delighted to launch in Sweden and Portugal during 2019. In addition, the success of our focus on developing a more recreational customer base has underpinned good growth in the UK market. In Europe, we were pleased to deliver strong performances in Italy and Romania which reflects the strength of our product and customer proposition.

Safer. Better. Together.

888's business is built on providing its customers with a consistently great experience. Ensuring that those who choose to visit our websites can do so with confidence and security is therefore foundational to our continued success. In addition, we focus with utmost diligence to ensure that anyone for whom our games are not intended, notably those who are underage or vulnerable, are not drawn into the gaming environment. We are committed to proactively deploying our technology and analytical expertise to identify and help customers who are at risk and we are continuing to develop the support and tools that we offer to customers to help them make informed, safe decisions about their gambling. Providing a safe environment is not only the right thing to do for our customers, but, by continuing to conduct business responsibly, we are in a stronger position to continue to generate long-term value for all stakeholders, including shareholders, employees and customers as well as the communities in which we do business.

In 2020, we have set out our ambitious strategy for enhancing and promoting safer gambling. To achieve this, we will continue to engage with relevant stakeholders, including regulators, industry bodies and charities, who share our commitment to the ceaseless improvement of standards across the industry. We expand further on our strategy and vision – which we have titled *Safer. Better. Together.* – in the 2019 Annual Report.

Strategic progress

888's ambition is to continue to develop as a leading global online gaming business with a focus on operating in sustainable, regulated markets. In order to achieve this we continue to: invest in developing our technologies, products and marketing capabilities; expand into new markets; explore M&A opportunities; and focus on developing the safest and most secure environment possible for customers.

During 2019, 74% of 888's revenue was generated from regulated and taxed markets. We are pleased to report the recovery of our business in the UK continued during the year underpinned by our sharpened focus on providing safe entertainment to recreational customers. In addition to this progress, the Group further expanded across several regulated European markets, including launching its offering in Sweden and Portugal, which marked 888's 12th and 13th regulated markets globally. 888 has an enviable track record of converting regulated market launches into significant growth and, as a result, the fast-evolving global regulatory landscape continues to present exciting opportunities for the Group.

During the first half of 2019, 888 completed two acquisitions including the landmark acquisition of a first-class sports betting platform and experienced team based in Dublin. For the first time, this has given 888 complete ownership of technology and product development across its four key online gaming product verticals. We have been delighted to welcome our new colleagues in Dublin to the Group and remain very excited by the long-term value-creation opportunities this acquisition presents.

New product development remains critical to 888's continued progress and we have been delighted with the positive impact of our Orbit casino platform throughout 2019 following its initial launch in May 2018. The Orbit Casino platform has been our most significant product development in recent years, delivering a user experience we believe is unrivalled in the market and underpinning our stated ambition to become the world's premier online casino brand.

Board and team

As reported in the Group's 2018 Annual Report, in January 2019, the Board announced the appointment of Itai Pazner, previously the Group's Chief Operating Officer (the "**COO**"), as 888's new Chief Executive Officer (the "**CEO**"). Itai Pazner has in-depth and widespread understanding of both 888 and the online gaming industry having spent the past 17 years with the Group. He replaced Itai Frieberger who made a fantastic contribution during his eight years as part of 888's executive leadership team.

In April, the Company announced that Ron McMillan had stood down from the Board as a non-executive Director in order to focus on his other commitments. On behalf of the Board, l would like to restate our thanks to Ron for his commitment to 888 during his time with the Group.

In September, we were pleased to announce the appointment of Mark Summerfield to the Board as an independent non-executive Director and Chair of the Company's Audit Committee. Mark brings extensive experience of working with boards and audit committees of major listed companies and he is already proving to be a valuable addition to 888. The Company continues to look at potential additional Non-Executive Director appointments to the Board to reflect 888's strong diversity and leadership objectives, whilst complementing and building upon the existing expertise of the Board.

In January 2020, post the year end, we announced that after more than 15 years with the Group, Aviad Kobrine will step down from his role as Chief Financial Officer during 2020. Aviad joined 888 in 2004 ahead of the Group's IPO and was appointed as CFO in June 2005. He has been an integral part of the leadership team and made a truly outstanding contribution to 888, supporting the Group's growth into a truly global online gaming business. On behalf of everyone at 888, I would like to wish Aviad every success for the future. Aviad will remain in his position until a successor is appointed to enable a seamless transition of responsibilities at the appropriate time. We are progressing our search for Aviad's successor and will provide an update in due course.

The Group's progress continues to be made possible by the outstanding skill and commitment of our global teams. I would like to take this opportunity to thank all my colleagues across our business for their hard work and contribution during 2019.

Outlook

The Board continues to believe that, as an agile operator with control of its own technology and diversification across products and markets, 888 is well positioned to deliver further growth.

Whilst the COVID-19 outbreak is setting back the global economy, 888 remains confident that it will be able to deliver on its plans for 2020 set out in this Annual Report. We are continuing to regularly communicate with our teams having successfully implemented a gradual and smooth transition to working from home. In addition, we have invested in IT and telephony upgrades to ensure that we manage this period of uncertainty.

With the spread of COVID-19 resulting in people spending increased time at home and perhaps experiencing heightened levels of stress and anxiety, the Board is in no doubt that 888's commitment to preventing gambling related harm is even more important than ever. We are proactively communicating with our customers to provide information on safer gambling and, where necessary, offer support. In addition, we have introduced new alerts to our proprietary safe gambling software system, the *Observer*, to ensure any areas of concern are immediately flagged to our highly trained customer care team so that they can interact with customers and prevent harm.

The 2019 financial year finished with a record revenue month in December 2019 and, as reported in our trading update on 24 March 2020, we have continued to perform in line with the Board's expectations during 2020 so far.

During 2019, we delivered good growth in our UK business, underpinned by an enhanced focus on entertaining recreational customers in a safe and secure environment. We intend to build on this further during the year ahead and direct additional investment to enhancing responsible gaming processes and tools across the Group's global markets.

The developing US market continues to present a significant long-term opportunity for 888 – one in which we will invest during the course of 2020 by strengthening our team, marketing and product offering. The Group remains committed to expanding in the US and we believe that we remain well-placed to capture the potential long-term opportunities unlocked by the future establishment of economically viable markets in newly regulated states. Nevertheless, we will continue to appraise potential partnerships that will support 888's continued expansion and long-term prospects in the regulated US market.

We remain focused on building on the momentum in our Casino business by continuing to enhance our product proposition. In Sport, we were pleased to launch our first proprietary sports product in Sweden in April 2020 with further markets planned during the remainder of the year. Whilst the Poker market has remained challenging for 888, we are firmly focused on improving our performance in this important product vertical and building on our improved performance in H2 2019. The Group has been pleased by progress made in the first-phase roll out of its new poker platform, Poker 8, which took place during the second half of 2019 and, looking ahead to 2020, we will be adding a number of exciting new product features which are set to be extended across the Group's poker markets over the coming months.

M&A continues to be an important pillar in the Group's growth strategy and the Board will continue to carefully appraise and evaluate possible strategic and tactical deals during 2020 where we see the potential to enhance our business and create value.

Above all, even in light of the challenges of the COVID-19 outbreak, 888's focus in 2020 will remain on delivering a truly satisfying and safe experience for customers, thereby supporting strong and sustainable growth for our shareholders.

Brian Mattingley
Non-Executive Chairman

CEO'S STRATEGIC REPORT

INTRODUCTION

Driven to be one of the world's best performing online gaming companies, 888 continues to strive to provide customers with a safe and enjoyable experience. This is underpinned by the Group's proprietary technology and industry expertise developed over more than two decades.

Having taken over as Chief Executive Officer in January 2019, I am pleased to update the Group's stakeholders on a year of further progress for 888 which has been underpinned by good growth in both of our Casino and Sport product verticals. New product development remained a key focus and competitive advantage for 888 and the continued success of the Orbit casino platform across multiple regulated markets throughout 2019 has been a major achievement for the Group.

The COVID-19 outbreak has given rise to unprecedented challenges to the global economy, and 888 is no exception. I am proud to be able to say that we continue to prioritise the health and wellbeing of our staff and customers above all else. We have successfully implemented a smooth transition to employees working from home across the Group, and I am delighted with how our teams have adapted. In addition, we continue to recognise that, with people spending more time at home and with increased levels economic uncertainty, 888's vigilance on preventing gambling related harm is even more important than ever.

In the course of 2019, 888 completed two acquisitions including the strategic acquisition of a first-class sports betting platform and team based in Dublin, thereby giving 888 complete ownership of its technology and product development across its four key online gaming product verticals (Casino, Sport, Poker and Bingo). The post-acquisition integration of the sports betting platform is progressing in line with our plans and we were delighted to launch our first fully-in-house sports betting product in Sweden in April 2020.

Continuous investment in further enhancing responsible gaming processes and tools has remained a key focus for the Group and we are proud to have launched a new corporate responsibility framework. Our people are incredibly passionate about this critical focus for our Group which is expanded on in greater detail below and in subsequent areas of the 2019 Annual Report.

888 remains well positioned as a highly diversified operator across product verticals and regulated markets. As a result of the Group's continued momentum during the year as well as its strong technology and outstanding team, the Board continues to believe that 888 has an excellent platform to deliver continued growth and further shareholder returns.

SAFER. BETTER. TOGETHER

Launched in 2020, we have refined and expanded a new corporate social responsibility framework that will help 888 to deliver against its broader responsibilities and commitments as a business whilst also supporting the Group's long-term, sustainable growth. This framework covers three key focus areas:

1. A SAFE PLACE TO PLAY

We acknowledge the potential risks that online gambling can present. We are committed to continuous improvements to make gambling safe, enjoyable and not a cause of harm.

2. A GR8 WORKPLACE

The talent, commitment and skill of our global teams makes our business what it is. We are committed to promoting a working environment that enables our people – and our business - to flourish.

3. MORE THAN AN OFFICE

We are supportive of the communities where we operate and - although we have a relatively low environmental impact compared to certain other industries - we recognise and strive to mitigate the effects our operations have on the planet.

Our commitments and activity to drive continuous improvements in these three areas are expanded on in greater detail in the 2019 Annual Report. The Board views this framework as integral to delivering sustainable growth and long-term value for shareholders. It will be integrated throughout the business and be a core driving force of the way we operate.

GROWTH STRATEGY & PROGRESS

888's strategy for sustainable growth is focused on achieving the Group's significant potential across a diverse range of products and markets. The delivery of this strategy is based upon achieving the Group's organic growth potential as well as evaluating attractive M&A opportunities.

During 2019, the Group continued to make progress against the key pillars of its strategy, outlined below, underpinned by the strength of its people, unique technology and product expertise. 888 owns and develops its own online gaming technology and associated platforms which provide the bedrock of the Group's success and progress. Owning and developing its own technology enables 888 to create differentiated products, adapt to regulatory changes effectively, enhance customer safety, and respond quickly to new opportunities. In addition, multiple areas of 888's operations are directed by highly sophisticated business analytics which are critical to the Group's approach to safer gambling, product development, marketing, and customer relationship management.

During 2019, 888 continued to make progress against each of the following key pillars of its growth strategy:

Continue to protect customers and act responsibly
888's objective, above all else, remains to ensure that all those who visit the Group's websites can do so with confidence and safety, and that those for whom our products are not intended are not drawn into the gaming environment. We acknowledge the potential risks that online gambling can present and are committed to ongoing improvements to make gambling safe, enjoyable and not a cause of harm.

The Group's safer gambling commitments are outlined in more detail in the 2019 Annual Report. To deliver our comprehensive commitments in this crucial area of our business we are focused on progress in four key areas:

1) Knowing our customers
2) Our culture of care
3) Empowering our customers
4) Participating in industry collaboration to raise standards.

888's approach to each of these areas is underpinned by continued investments in its proprietary technology and highly trained Responsible Gaming team. During the first half of 2019, the Group appointed a new Responsible Gaming Director with extensive experience within 888 who has oversight of the continuous improvement of our responsible gaming operations, systems and processes.

888's specialist Responsible Gaming team continues to leverage the Group's in-house developed player behaviour monitoring tool, Observer, which sits at the heart of the Group's responsible gaming strategy. The Observer system uses sophisticated algorithms to flag unusual or potentially concerning customer activity to our team. Our highly trained colleagues then decide the most appropriate interaction with the customer that will help the customer to make informed decisions about their gambling and, where appropriate, select the right tools to control, limit or prevent their play. During 2019, the Group continued to invest in further developing its unique Observer software to better predict and identify problematic or potentially problematic gambling before any harm is caused in addition to investing in additional training for our Responsible Gaming team.

Ongoing development of 888's core B2C business
In 2019, revenue from 888's core B2C business continued to represent the significant majority of Group revenue at 95%. The Group remains focused on developing its B2C business by driving progress in each of its four product verticals: Casino, Sport, Poker and Bingo. We aim to do this by providing a first-class and safe online gaming entertainment experience for customers underpinned by continuous product development that differentiates 888's proposition from those of competitors.

The Group has ambitious targets to develop its core B2C business with a strategic focus on expanding 888's presence amongst casual customers across regulated markets globally. The strengths of 888's return-on-investment driven marketing underpinned by big-data algorithms as well as our first-class product technology team remain critical to the Group's ability to deliver continued growth in the B2C business.

Technology businesses in multiple areas of consumers' lives, from media and entertainment to travel and banking, are consistently innovating and raising the standards that consumers expect of online and mobile services. As a result, our customers' expectations of their digital experiences are increasing. Consequently, we continue to focus on improving multiple areas of our products including enhancing interfaces, greater personalisation, improving loading times, developing responsible gaming tools, and delivering quality customer support to ensure that our customers enjoy the best possible user experience with 888.

The Group's unique marketing expertise remains critical to growing and expanding 888's brands in a cost-efficient and profitable manner. The effectiveness of our marketing was again demonstrated in 2019 with a record number of new customers – in excess of one million - signing up to 888's brands during the year.

Casino – focused on being the global brand leader

Casino continued to deliver strong growth in 2019 with a 13% increase in revenue to US$359.3 million (2018: US$317.6 million) representing a 17% increase in revenue in 2019 at constant currency. Casino also delivered a 26% increase in active players from 2018 and a 43% increase in new customers from 2018. Further details on the Group's Casino performance are included in the Business & Financial Review.

Despite being the Group's largest product vertical, the Board believes that Casino continues to offer significant growth potential for the Group. Underpinned by the strength of 888's brand heritage developed over more than 20 years in the online casino industry in combination with the advantages of Orbit, our unique platform initially focused on the casino market, the Board believes that 888casino has the potential to become the world's dominant online casino brand.

The roll-out of Orbit commenced in May 2018 and represented the Group's most exciting new product development of recent years. The Orbit platform has enhanced the user experience through enhanced interface response times, increased customer personalisation by leveraging artificial intelligence ("AI") capabilities, and improved display of games and content to customers. The Group has seen very positive reactions in customer activity as Orbit has been rolled-out market by market. As a result, we are currently in the process of importing several of Orbit's exciting features into 888's Sport, Poker and Bingo products.

We are delighted that our product innovation and subsequent progress has been widely recognised with two important and high-profile industry awards (EGR – Casino Operator of the Year 2019 and Gaming Intelligence – Casino Operator of the Year 2020).

With approximately 1,000 different games now in its portfolio, 888casino continues to differentiate itself in the market by offering a unique range of content. We continue to bring together a curated selection of leading games from top-quality third-party providers alongside bespoke games developed by our *Section8* games studio. Section8 released more than 20 new titles last year (including our first ever 888 branded online scratch cards), taking the total number of in-house developed games offered by 888casino to more than 120. During 2019, nearly 1.5 million players played Section8-developed games on 888casino, wagering more than $3bn.

Sport – continued delivery against our ambitious growth plans

Sport continued to deliver solid growth in 2019 with a 12% increase in revenue to US$90.0 million (2018: US$80.3 million) representing a 19% year on year increase at constant currency. Sport also delivered a19% year on year increase in first time depositors ("FTDs") and deposits in 2019 against the prior year. Further details on the Group's Sport performance are included in the Business & Financial review.

888Sport has achieved standout growth over recent years and is now the Group's second largest product vertical. The Group's ambition is to continue to develop 888sport as a leading online sports betting brand across global regulated markets. To deliver this, we continue to focus on ensuring that 888 offers a world-class sports betting product for customers with a wide range of events and live betting options as well as competitive odds and a great user experience. In July 2019, the Group commenced the roll-out of a new in-house developed 888sport product interface. This was developed to deliver an improved customer experience and a more unified look and feel across 888's brands. The new interface was deployed during the second half of the year and we are encouraged with the early customer feedback to the enhanced product.

In March 2019, the Group was delighted to announce the exciting and strategically important acquisition of the sports betting platform and team previously behind the BetBright brand for a total consideration of US$ 19.3 million, thereby giving 888 complete ownership over an end-to-end sports betting platform for the very first time. During 2019, the Group was focused on the integration of the acquired technology and team into 888's business and we are pleased to have commenced a phased and market-by-market roll out of the Group's proprietary sportsbook solution with a successful launch in Sweden in April 2020.

The Board believes that this acquisition will enhance the Group's long-term prospects in the significant global sports betting market by adding a first-class team of sports betting professionals to the Group while also enabling 888 to fully leverage its marketing and analytics capabilities in this critical product vertical.

Poker – delivering product enhancements to return to growth

Poker revenue declined by 13% in 2019 to US$42.6 million (2018: US$ 49.0 million). However, Poker revenue in the second half of 2019 increased by 7% compared to H2 2018 reflecting an improvement in the Group's performance. Further details on the Group's Poker performance are included in the Business & Financial review.

Whilst Poker continued to be a challenging market for 888 during 2019, we maintained our strategic position as one of the top online poker brands globally by player liquidity. In addition, 888poker remained an important customer acquisition channel for the Group with 18% of the Group's B2C FTDs during the period joining 888 through 888poker's websites.

In July 2019, 888 launched 888poker in Portugal and, at the same time, introduced 888's first ever inter-country shared poker liquidity network in Europe. This has enabled 888's customers in Spain and Portugal to play poker against each other, thereby increasing the availability of the games and formats that 888's customers in those markets wish to play. We have been pleased with the reaction to the network with good levels of new customer acquisition in Portugal resulting in a considerable increase in liquidity available for Spanish players.

During 2019 we continued to promote and develop the 888poker brand by sponsoring the 50th anniversary *World Series of Poker* tournament, a partnership that we will continue in 2020. In addition, *888poker LIVE,* our series of live poker tournaments, continue to attract growing numbers of poker players from around the world to play in live events in some of the world's greatest cities. The increasing popularity of these events continues to support a steady rise in brand awareness for 888poker.

The Group is firmly focused on improving its Poker performance in 2020 in order to return Poker to long-term sustainable growth. To achieve this, we have been focused on delivering new product enhancements including the roll-out of *Poker 8*, a next generation poker platform, which we believe will sharpen 888's appeal amongst recreational poker players. In March 2019, we were pleased to begin a phased roll-out of Poker 8 to desktop players on the 888poker.com network which initially provided enhanced graphics, a cleaner interface and improved speed for players. We were pleased by the first phase of the roll-out and continued to add new features, including mobile focused enhancements, during the second half of 2019. During 2020, we have a number of additional new product features to add to Poker8 that have been developed following extensive research and feedback from customers and we are looking forward to introducing the final-phase platform across all of the Group's poker markets in the coming months. In addition to these product enhancements, we continue to develop new, larger prize pools for our players and, during 2020, we have two major events planned – the *Millions Superstorm* and the *SuperSeries* – that will enable players of all skill-levels to potentially access big prizes.

Bingo – building on our position in a challenging market

B2C Bingo recorded revenue growth of 19% to US$38.5 million in 2019 (2018: US$32.4 million) benefitting from the contribution of a portfolio of acquired Bingo brands in March 2019. On a like for like basis, Bingo revenues declined 3%*. New customer acquisition increased by 23% in 2019 (a 10% increase when excluding the newly acquired brands) with average revenue per player also increasing. Further details on the Group's Bingo performance are included in the Business & Financial Review.

In February 2019, the Group announced the acquisition of a portfolio of bingo brands, including the well-established Costa Bingo brand, which previously operated as B2B brands on the Group's B2B Dragonfish Platform. The addition of the new brands increased new customers acquisition by 23% and revenue by 19% (organically revenue declined 3% at constant currency and new acquisition increased 10%) in 2019.

The Bingo market in the UK has remained competitive and challenging for both the Group's B2C brands and B2B partners during 2019. This in part reflects increased fiscal pressures on UK operators as a result of a further increase in remote gaming duty as well as a stricter regulatory environment resulting in tighter customer controls being applied by responsible operators such as 888.

** At constant currency, adjusted for the acquired brands.*

Expansion in regulated markets

The Group's geographic expansion is based upon driving 888's growth in various markets that have sustainable regulatory frameworks for online gaming and where we are able to benefit from marketing opportunities for our brands. Revenue from regulated and taxed markets in 2019 continued to represent the majority of Group revenue at 74% of revenue (2018: 70%). Further details on the Group's geographic performance are contained in the Business & Financial Review.

The Group delivered growth in the UK market which represented 36% of Group revenue in 2019. This positive performance reflects 888's clear and unwavering focus on entertaining recreational customers in a safe and secure environment. As a result of this customer focus, FTDs in the UK increased by 26% whilst average revenue per customer decreased by 10% reflecting the Group's focus on providing safe entertainment for an increasingly recreational customer base. The success of our recreational customer focus has been further demonstrated by the reduction in the Group's UK Casino revenues generated by 'VIP' customers reducing to 4% in 2019, compared to approximately 35% at the beginning of 2018.

In Continental Europe, the Group continued to achieve excellent progress in Italy where revenue increased by 30% (37% at constant currency) and FTDs increased by 18% year on year despite the headwinds presented by the introduction of an industry-wide marketing ban in H2 2019. This strong performance reflected the strength of 888's brands in the Italian market, highly effective digital marketing investment, and the impact of Orbit, which was launched in the second half of the prior year.

The Group also performed very well in Romania reflecting strong momentum in both Sport and Casino, the latter of which benefitted from the launch of Orbit in August 2019. As previously indicated, the Group's progress in Spain was moderated by weaker Poker activity which also adversely impacted customer cross-sell into 888casino.

Revenue from Spain decreased by 10% (5% at constant currency) driven by increased competition in the Poker vertical. The Group is encouraged by the results of its shared liquidity network with Portugal launched during 2019 and from the progress of Poker 8 that will hopefully be deployed late 2020.

During 2019, the Group successfully launched in two new regulated European markets, Sweden and Portugal, where it is aiming to build on 888's proven track-record of efficiently achieving growth in attractive regulated markets. In Sweden, which is one of the largest online gaming markets in Europe, 888 launched its 888poker, 888casino and 888sport brands in January and the Board has been pleased with the performance. The Group continues to appraise new regulated markets and is looking forward to the anticipated regulation of the Netherlands during 2021.

In Portugal, the Group launched 888casino in January 2019 and, at the end of July 2019, was pleased to introduce the 888poker brand to the market. As mentioned above, the launch of Poker in Portugal has enabled the Group to establish its first European inter-country poker network and pool poker players across the Spanish and Portuguese markets.

In the US market, the Group remains focused on investing to deliver medium-to-long-term growth opportunities for 888. This includes continuing to appraise strategic partnerships that would provide both brand-building and market access opportunities for 888 in this developing and potentially significant market.

In July 2019, we were pleased to launch Orbit in New Jersey as 888 continues to invest in its product proposition in the US to align it with the quality and flexibility of the Group's products across other regulated markets globally. We have been encouraged by the performance of this product upgrade which was supported by increased marketing activity in the state including the extension of 888casino's sponsorship deal with the National Football League's (NFL) New York Jets for the 2019-20 season. The renewed partnership has built on 888's successful partnership during the 2018-19 season and delivered extensive 888casino branding within the 82,000-plus capacity MetLife Stadium in New Jersey. As part of the latest deal, New York Jets branding has also featured on 888casino's site and app in New Jersey with promotions also featured across the team's websites and social channels. 888casino was also proud to be the official game sponsor for the New York Jets' October 2019 match against the reigning NFL champions the New England Patriots which provided a unique brand-building opportunity for the Group.

During 2020, we intend to further invest in our team, marketing and product development to deliver continued progress in the US. In addition, we are evaluating the opportunity to launch our B2C brands in additional regulated US states either later in 2020 or in the first half of 2021.

We continue to appraise growth opportunities further afield and, in the first half of 2019, the Group, through its Dragonfish division, teamed up with a local partner, Boldt S.A., to apply for a license with the aim of establishing an online presence in the province of Buenos Aires, Argentina.

Enhancing efficiencies

Management remain steadfastly focused on maximising operational efficiencies and maintaining cost control by ensuring that the Group has the correct structure, teams and operations for success across its global markets.
In the first half of 2019, we expanded operations in Romania to support the Group's continued delivery against its long-term growth strategy. This expansion reflects the outstanding research and development and IT talent available to the Group in the Romanian market. As a result, the Group's team of more than 300 employees in Bucharest has been expanded through the transfer of a number of 888's technology team from Israel as well as a number of new hires. In addition, by streamlining and focusing the Group's world-class Israeli technology hub, we believe that we will deliver important operational efficiencies and further improve working practices to support the Group's long-term growth.

The Group's marketing ratio decreased to 28.9% of revenue in 2019 (2018: 29.3%). This reflected the optimisation and efficiency of 888's marketing investment which resulted in a strong 22% increase in FTDs in the B2C business in 2019. Overall the Group's cost ratio* increased to 85% of revenue (2018: 80%) primarily driven by: increased gaming duties in the UK due to the new tax regime; the Group's expansion in various regulated and taxed markets; and a partial increase in overheads due to the BetBright acquisition which has reduced profitability in 2019.

**Total of operating expenses, gaming taxes and duties, research and development expenses, selling and marketing expenses and administrative expenses of revenue.*

The decline in B2B revenue is a result of structural changes in the Group's B2B business, including: the termination of the Group's agreement with Cashcade; the acquisitions of Costa Bingo in 2019 and AAPN at the end of 2018; and weakness in the B2B Bingo market in the UK.

TEAM

888 has an outstanding team and culture across the business, which is led by a talented and experienced operational management team.

In March 2019, we were delighted to welcome approximately 90 new colleagues to the Group based in Dublin following the acquisition of the BetBright sport platform. The BetBright sportsbook has been developed by a fantastic team and our new colleagues bring genuine sports betting "DNA", expertise and industry know-how to the Group. Our new colleagues have embraced being a part of 888 and I would like to thank them for their commitment since joining 888.

Our team of approximately 1,400 people, now spanning seven global offices, is brought together by a shared customer-centric and "can-do" culture. On behalf of the Board, I would like to thank all my colleagues across the world for their contributions to the Group's continued progress during 2019.

Itai Pazner
Chief Executive Officer

Chief Financial Officer's Report

2019 Business & Financial Review

During 2019, 888 delivered further progress against its strategy for long term growth. The Group continued to focus on expanding its brands across regulated markets supported by delivering product innovations to further enhance the customer experience.

Financial Summary

	2019[1] US$ million	2018[1] US$ million	Change Constant currency[2]	Change Reported
Revenue - B2C				
Casino	359.3	317.6	**17%**	**13%**
Sport	90.0	80.3	**19%**	**12%**
Poker	42.7	49.0	**(12%)**	**(13%)**
Bingo[3]	38.5	32.4	**24%**	**19%**
Total B2C	**530.5**	**479.3**	**15%**	**11%**
B2B[3]	**29.8**	**50.6**	**(39%)**	**(41%)**
Revenue before VAT accrual release	**560.3**	**529.9**	**10%**	**6%**
VAT accrual release [4]	-	10.7		
Revenue	**560.3**	**540.6**		**4%**
Adjustment of VAT accrual release	-	(10.7)		
Operating expenses[5]	(147.5)	(137.8)		**7%**
Gaming taxes and duties	(95.5)	(69.9)		**37%**
Research and development expenses[6]	(35.6)	(32.8)		**9%**
Selling and marketing expenses	(161.8)	(155.0)		**4%**
Administrative expenses[7]	(34.3)	(27.3)		**26%**
Adjusted EBITDA excluding IFRS 16 impact[8]	**85.6**	**107.1**	**(14%)**	**(20%)**
IFRS 16 impact on EBITDA	6.6	-		
Adjusted EBITDA[8]	**92.1**	**107.1**		
Depreciation and amortisation	(32.2)	(20.3)		
Finance	(6.7)	(0.1)		
Adjusted profit before tax	**53.2**	**86.7**		
Share benefit charges	(5.4)	(8.9)		
VAT accrual release	-	10.7		
Exceptional items[9]	(2.3)	11.1		
Gain from re-measurement of previously held equity interest in joint ventures	-	9.3		
Share of equity accounted associates loss	(0.2)	(0.2)		
Profit before tax	**45.3**	**108.7**		
Adjusted basic earnings per share	**13.5¢**	**20.2¢**		
Basic earnings per share	**11.3¢**	**26.3¢**		

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

Reconciliation of profit before tax to EBITDA and Adjusted EBITDA

	2019[1] US$ million	2018[1] US$ million
Profit before tax	45.3	108.7
Finance	6.7	0.1
Depreciation	12.6	5.3
Amortisation	19.6	15.0
EBITDA	**84.2**	**129.1**
Exceptional items[9]	2.3	(11.1)
VAT accrual release[4]	-	(10.7)
Share benefit charges	5.4	8.9
Gain from re-measurement of previously held equity interest in joint ventures	-	(9.3)
Share of equity accounted associates loss	0.2	0.2
Adjusted EBITDA[8]	**92.1**	**107.1**

10 Totals may not sum due to rounding.

11 Constant currency: 888 reports its financial results in US$ however (i) it generates certain revenue streams from customers using other currencies and (ii) it incurs costs in various currencies. Due to the strong US$ in 2019 compared to 2018, reported revenue and profit were adversely impacted. Constant currency has been calculated as follows: (i) Revenue: with the exception of Poker, by applying 2018 exchange rates to revenue generated during 2019. Poker revenue was also adversely impacted given that many Poker customers fund their US$ bankroll using other currencies, which suffered reduced purchasing power compared to the US$. It is difficult to quantify reliably this indirect impact (other than a small adjustment which was made to Poker revenue generated in Euro) (ii) Costs: costs were retranslated by applying 2018 exchange rates.

12 B2B in 2018 included Costa Bingo games, which is now presented in the B2C Bingo segment due to Costa Bingo games acquisition in March 2019.

13 Revenue in 2018 includes US$10.7 million in respect of accrual release which relates to receipt of tax assessments in respect of legacy value-added tax in Germany.

14 Excluding depreciation of US$12.6 million (2018: US$5.3 million) and amortisation of US$19.6 million (2018: US$15.0 million) and adding back US$3.8 million lease costs that are cancelled under IFRS 16 implementation.

15 Adding back US$2.0 million lease costs cancelled under IFRS 16 implementation.

16 Excluding share benefit charges of US$5.4 million (2018: US$8.9 million) and adding back US$0.7 million lease costs that are cancelled under IFRS 16 implementation.

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

18 Exceptional charges of US$2.3 million (2018: exceptional income of US$11.1 million) in respect of organizational restructuring and legal and professional costs associated with M&A activity.

B2C revenue during 2019 increased by 11% to US$530.5 million (2018: US$479.3 million) and increased by 15% at constant currency. The B2C business represented 95% of total Group revenue in 2019 (2018: 90%). This revenue growth was underpinned by the recovery of the Group's UK business reflecting the success of our recreational customer focus as well as revenue growth in several regulated markets including Italy, Romania, Sweden, Denmark and USA. In terms of product verticals, the Group's momentum continued in its two largest product verticals, Casino and Sport, while its Poker and Bingo verticals remained more challenging.

B2C - Product segmentation

888 continues to focus on developing its B2C business across all four key product verticals in the industry: Casino, Sport, Poker and Bingo. The Group's focus remains on expanding 888's brands across global markets that have regulated frameworks for online gambling and we achieve this by investing in analytics driven marketing and product innovation as well as by applying data-driven customer relationship management ("CRM") that supports player retention and customer "cross-sell" between 888's products and brands. All of 888's activities are conducted within the parameters of providing a safe and secure online environment for customers.

During 2019, 888 acquired a Group record of more than one million new FTDs across its B2C brands globally representing a 22% increase year on year. As a result, active customers (defined as players that have wagered a positive amount during the period) increased by 19% year on year and deposits increased by 20% year on year. These positive trends across the Group's B2C operational KPIs reflected increased and innovative marketing, effective CRM, and a first-class customer proposition, particularly following the introduction of the Orbit platform to our Casino offering (see below) which commenced in 2018. 888's revenue by product segment is set out in the table below:

	2019[1] US$ million	2018[1] US$ million	Change Constant currency	Change Reported
Revenue - B2C				
Casino	**359.3**	**317.6**	**17%**	**13%**
Sport	**90.0**	**80.3**	**19%**	**12%**
Poker	**42.7**	**49.0**	**(12%)**	**(13%)**
Bingo	**38.5**	**32.4**	**24%**	**19%**
Total B2C	**530.5**	**479.3**	**15%**	**11%**
B2B	**29.8**	**50.6**	**(39%)**	**(41%)**
Revenue before VAT accrual release	**560.3**	**529.9**	**10%**	**6%**
VAT accrual release	**-**	**10.7**		
Revenue	**560.3**	**540.6**		***4%***

Casino

Results overview
Casino continued to deliver strong growth with a 13% increase in revenue to US$359.3 million (2018: US$317.6 million). At constant currency, Casino revenue increased by 17%. This good performance again demonstrated the strengths of 888's marketing and CRM as well as the positive impact of our Orbit platform that was first launched in mid-2018 and was fully deployed across 888's regulated markets and brands during 2019.

Casino FTDs increased by 43% and total Casino active players increased by 26%. Average revenue per player declined by 10% reflecting the Group's shift in focus towards a casual customer audience.

In the UK, the shift in Casino focus towards a casual customer audience continued with FTDs increasing by 53% and the proportion of revenue generated by "VIP" customers decreasing to just 4% in Q4 2019.

Product overview and developments
888casino offers its own versions of classic table games, such as blackjack and roulette together with exciting and exclusive Video Slots, Video Poker and Scratch card games developed by Section8, 888's in-house games studio. These in-house developed games, which are offered to customers alongside the best games from leading third-party providers, give 888casino a differentiated proposition in the market. The Group's success in Casino remains underpinned by 888's very strong brand as well as a relentless focus on customer experience.

During 2019, 888casino's performance continued to be driven by the success of Orbit, our newest web-based Casino platform that uses artificial intelligence ("AI") and machine learning driven recommendations to provide a more personalised display and seamless user experience for customers. The new platform, initially launched in 2018 and expanded across further markets during 2019, has also enabled 888 to offer even more games and better utilise its growing selection of content for customers. 888 added 464 new games (including 22 successful new games developed by Section8) across mobile and desktop platforms during the year.

The Group continued its geographic expansion with the launches of 888casino in the regulated Swedish and Portuguese markets in January 2019.

The Group is delighted that 888's Casino product innovation and subsequent progress was recognised with two important and high-profile industry awards: EGR – Casino Operator of the Year 2019 and Gaming Intelligence – Casino Operator of the Year 2020.

Sport
Results overview
Sport revenue increased by 12% to US$90.0 million (2018: US$80.3 million). At constant currency, Sport revenue increased by 19% year on year. This encouraging outcome was achieved despite strong prior year comparatives which included the impact of the FIFA World Cup during 2018.

Sport FTDs increased by 19% year on year and deposits increased by 19%. Mobile and in-play betting remained key drivers for 888sport with approximately 65% of bet volumes placed during events in 2019.

Product overview and developments
In March 2019, the Group was delighted to announce the acquisition of the technology platform and team previously behind the BetBright brand for a consideration of £15 million. The acquisition represented a major milestone for the Group, strengthening 888's product and technology capabilities to support the long-term development strategy of 888Sport. The post-acquisition integration plans have progressed in line with expectations and the Group was pleased to launch its first fully proprietary sports betting product in Sweden in April 2020 with plans to gradually deploy it across further markets thereafter.

As well as being the Group's second largest product vertical by revenue, Sport remains a highly important customer acquisition channel for the Group and provides additional value by cross-selling customers into other product verticals, most notably Casino.

During 2019, 888 introduced a new 888sport customer interface to improve functionality and the customer experience by integrating AI tools to enhance personalisation for players.

The Group continued its geographic expansion with the launch of 888sport in the regulated Swedish market in January 2019.

Poker

Results overview
Poker revenue decreased by 13% to US$42.7 million (2018: $49.0 million). The Group's Poker results have continued to be impacted by factors including increased competitor marketing activity in some of the Group's markets as well as the unilateral withdrawal of certain payment providers and ISP blocking in several unregulated markets. Nevertheless, Poker stabilised during H2 2019 with revenue up 7% compared to H2 2018. This result is in part the outcome of the successful launch of 888's first shared European poker network between Spain and Portugal.

Whilst active poker players declined by 7% year on year, Poker players deposits increased by 1% year on year reflecting 888poker's good customer retention that is underpinned by a quality product proposition.

Poker remains an important customer acquisition channel for the Group with 18% of the Group's B2C FTDs acquired through 888poker during the year. The flow of Poker players also playing Casino and Sport with 888's brands also continued to be an important driver of the Group's overall B2C business.

Product overview and developments
888poker focuses on providing a great customer experience to recreational Poker players by providing a range of games and formats to suit its customers' preferences across desktop and, increasingly, mobile devices.

The Group has been pleased by progress made in the first phase roll out of its new poker platform, Poker 8, during 2019. Poker 8 is a new and improved 'Orbit inspired' cross-territory poker platform that offers an even more engaging and enjoyable experience for 888poker players. The development of Poker 8 follows extensive ongoing research and feedback from customers. The platform's initial launch in 2019 upgraded several features for 888poker players on desktop computers. The Group is now looking forward to adding a number of exciting new product features and rolling out the final-phase platform across the Group's poker markets later in 2020.

In July 2019, 888poker was launched in Portugal enabling the Group to establish its first European interstate poker network and pool poker players across the Spanish and Portuguese markets for the very first time. 888poker has quickly become one of the leading platforms in the Portuguese market and has quickly taken considerable market share while, at the same time, injecting new liquidity for 888's poker players in the highly competitive Spanish market.

Bingo

Results overview
In February 2019, the Group acquired a portfolio of bingo brands including the well-established Costa Bingo brand from JPJ Group Plc for £18m. The Board believes that consolidating these brands, which were previously operated as B2B brands on the Group's Dragonfish Platform, into 888's B2C brand portfolio will deliver economy of scale opportunities through the application of the full extent of the Group's capabilities in product development, marketing, and customer relationship management to their operations.

B2C Bingo recorded a 19% increase in revenue to US$38.5 million (2018: US$32.4 million). This represented a 24% year on year increase at constant currency. This performance benefited from the contribution of newly acquired Bingo brands since mid-March. On a like for like* basis, Bingo revenues declined 3%.

New customer acquisition increased by 23% (a 10% increase excluding the newly acquired brands).

** At constant currency, adjusted for the acquired brands.*

Product overview and developments
888 offers online bingo entertainment across a wide array of branded Bingo sites, each with its own unique themes. The Group's leading Bingo brands include 888ladies, Wink Bingo and Costa Bingo.

The Group is continuing to focus on effective CRM, increased personalisation and product enhancements to its Bingo proposition with new in-house developed games and the addition of fresh third-party content. During the year, the Group continued to focus on product development by integrating several successful elements of its Orbit platform into the bingo vertical to enhance personalisation and improve the overall customer experience.

B2B REVIEW

Results overview
Revenue from Dragonfish, 888's B2B division, decreased by 41% to US$29.8 million (2018: US$50.6 million). This reflected several factors including the migration of Cashcade bingo, a former B2B customer, to its own proprietary platform as well as fiscal and regulatory challenges impacting the UK bingo market. These pressures resulted in some of the Group's brand partners prioritising reductions in their marketing investment and optimisations to their cost bases over investing in new customer acquisition.

Adjusting for currency headwind and the migration of Cashcade bingo, revenue from B2B decreased 15% year on year.
Revenue from our B2B business in the US market remained in line with the Board's expectations. The Group remains committed to exploring further partnerships and new growth opportunities for the Group's B2B business in the US.

Operational overview and developments
During the first half of the year, the Group initiated organisational changes at Dragonfish to bring all aspects of the B2B offer except marketing into one standalone business unit. These have enhanced the customer-focus of the Group's B2B operations in line with the Group's aim to provide an increasingly value-added proposition to a smaller number of larger customers across both the UK and international markets.

During the second half of the year, the Group commenced the gradual roll out of a new customer interface. This new interface has been inspired by the success of 888's Orbit casino platform and has been developed to enhance the customer experience, improve responsible gaming monitoring; and provide a better end-user experience. Dragonfish continued to invest in growing its games portfolio with 179 new games added to the platform and 18 new bingo "skins" added to the platform during the year. During 2019, the Group launched its first B2B Bingo network in Africa.

Revenue by geographic market

Regulated markets
888's strategic focus remains on achieving growth in sustainable, regulated markets where the Group can leverage its marketing expertise to achieve long-term, profitable growth.

Revenue from regulated markets continued to represent the majority of Group revenue in 2019 with revenue from regulated and taxed markets[1] accounting for 74% of revenue (2018: 70%).

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

The global regulatory landscape continues to develop and the Group remains focused on evaluating new regulated markets on a case-by-case basis dependent on their strategic and economic viability. During 2019, the Group was pleased to launch its Poker, Sport and Casino offerings in Sweden as well as its Casino offer in Portugal in January 2019 followed by the launch of Poker in Portugal in July 2019. The below table shows the Group's revenue by geographical market:

	2019 US$ million	2018 US$ million	Change from previous year	% of reported Revenue (2019)
EMEA (excluding the UK and Spain) [s]	**231.2**	**228.9**	***1%***	***41%***
UK	**204.1**	**170.6**	***20%***	***36%***
Spain	**60.9**	**68.0**	***(10%)***	***11%***
Americas	**51.7**	**48.1**	***7%***	***9%***
Rest of world	**12.4**	**14.3**	***(13%)***	***2%***
Revenue before VAT accrual release	**560.3**	**529.9**	***6%***	***100%***
VAT accrual release	**-**	**10.7**		
Total revenue	**560.3**	**540.6**		

EMEA (excluding the UK and Spain)

Revenue from EMEA excluding the UK and Spain increased by 1% to US$231.2 million (2018: US$228.9 million). 888 continued to experience rapid growth in European regulated markets with a revenue increase of 43% year on year (51% increase at constant currency). This outcome reflects strong progress in Sport and Casino across several regulated European markets.

In Italy, despite advertising restrictions in force from H2 2019 and strong comparatives including the impact of the 2018 FIFA World Cup, revenue increased by 30% (37% increase at constant currency) and FTDs increased by 18% year on year. This strong performance reflected the strength of 888's established brands in the Italian market as well as continued highly effective digital marketing investment. The Group's performance in Italy benefited from the impact of Orbit, which was launched in the second half of the prior year, which supported a 69% increase in new Casino players against the prior year.

Revenue from the Romanian market increased by 31% (40% increase at constant currency) during 2019 reflecting continued momentum in both Sport and Casino underpinned by growing brand awareness in the market. The Group launched its Orbit platform in Romania in August 2019 and has been encouraged by its performance so far. Romanian growth was accompanied by a 41% increase in FTDs driven by highly efficient marketing driving a lower cost per customer acquisition.

Revenue from the Danish market decreased by less than 1% with a 5% increase at constant currency, FTDs in Denmark increased by 15% year on year. This growth in customers reflected further progress in Sport as well as the impact of Orbit on Casino which launched in the second half of 2018.

As noted above, during 2019 the Group successfully launched in two new regulated European markets. In January, 888 launched Sport, Casino and Poker in the regulated Swedish market. The Board has been pleased with the Group's performance in this significant online gaming market so far with customer acquisition and revenue significantly ahead of initial expectations. The Group was awarded its 13th geographic licence in Portugal at the beginning of the year and successfully launched 888casino in Portugal in January. This was followed by the launch of 888poker in Portugal in July, thereby enabling the Group to establish its first European interstate poker network and pool poker players across the Spanish and Portuguese markets for the very first time. The Board is encouraged by the initial reaction to the 888-interstate network, with good levels of new customer acquisition in Portugal and a considerable increase in liquidity available for Spanish players. The Board continues to believe that shared liquidity will provide increased competitiveness and new opportunities for the Group's Poker product in Europe over the coming years.

Revenue from Germany, which represented 5.6%, of Group revenue decreased by 30% year on year due to a combination of restrictions on selected payment methods and, subsequently, proactive reductions of marketing spend by the Group for the short term.

Revenue from Middle East and Africa markets included in the EMEA segment decreased by 7% to US$42.4 million (2018: US$45.7 million).

UK

The Group delivered a pleasing recovery in its UK business in 2019 reflecting a clear and unwavering focus on entertaining recreational customers in a safe and secure environment. This was underpinned by further effective marketing investment as well as the appeal of the Group's enhanced Casino product proposition on the Orbit platform. UK revenue increased by 20% compared to the same period last year to US$204.1 million (2018: US$170.6 million). This was driven by strong FTDs growth of

26%, however, average revenue per customer as well as the proportion of revenue generated by VIPs decreased, reflecting the Group's focus on entertaining an increasingly recreational customer base.
Over recent years 888 has made considerable changes to its operating processes in the UK including tightening anti-money laundering processes, increasing customer due diligence and developing its customer protection tools and protocols. These changes have been aimed at providing the safest possible gambling environment for players and ensuring the Group is aligned with the market's regulatory environment. 888 is committed to continuing to invest in and enhance its responsible gaming processes and tools across all markets, and further details on the Group's safer gambling strategy and initiatives can be found in the 2019 Annual Report.

Spain
In Spain, revenue was US$60.9 million (2018: US$68.0 million) reflecting a 10% decrease in revenue year on year (5% decrease in constant currency). As a result, Spain represented 11% (2018: 13%) of total revenue. Casino FTDs in Spain increased 26% building a healthy customer base for 2020.

As previously indicated, the Group's progress in Spain was moderated by weaker Poker activity, which was impacted by heightened competition from operators that offered shared player liquidity with France (launched in 2018), which 888 did not participate in. The Group's subdued poker performance adversely impacted customer cross-sell into 888casino.

The Board remains confident in 888's prospects for Spain and, as described above, in July 2019 888 launched shared poker player liquidity between Spain and Portugal for the first time. We have been encouraged by the early signs and believe that this interstate network will inject increased momentum to 888's offering in the Spanish market in 2020. In 2020, the Group plans high profile tournaments; further product optimisation; additional new casino game vendors to support the cross-sell of poker players into Casino; and has confidence in the impact of Poker 8 within the Spanish market once launched.

US
Revenue from the US market remained in line with the Board's expectations during 2019.

888 is continuing to invest in its product proposition in the US to align it with the quality and flexibility of the Group's products across other regulated markets globally. In July 2019, the Group launched its Orbit platform in New Jersey supported by an increase in marketing activity. As a result, revenue from 888casino in New Jersey increased 56% year on year and it is the Group's belief that once all elements of its USA proposition are streamlined and the appropriate marketing spend is in place, it will be well placed to considerably grow its Casino volume in New Jersey.

Underpinned by further investment in our team, marketing and product development, we remain focused on achieving further progress in the US market in 2020. Having operated in the regulated US market since 2013, 888 enjoys experience in that evolving market and the Group remains focused on investing to deliver the medium-to-long-term growth opportunities for 888. The Board continues to appraise opportunities to provide both brand building and market access opportunities for 888 in the developing North American online gaming market.

Expenses overview

Operating expenses
The Group's expanding Casino and Sport offering resulted in higher commissions and associated expenses in respect of the Live Casino activity and the Sport third-party platform. As a result, Operating expenses* (which mainly comprise of staff related costs, commissions and royalties payable to third parties, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services) increased by 7% to US$147.5 million (2018: US$137.8 million). The proportion of operating expenses to revenue increased to 26.3% (2018: 25.6%). Operating expenses were also impacted by costs related to Sport events streaming and stricter regulatory requirements to enhance the scope of customer related screening. This was offset in part by a decrease in employment costs, compared to 2018, as a result of a cost reduction and a headcount optimisation plan implemented during 2019.

Reported operating expenses amounted to US$175.9 million (2018: US$158.1 million). The increase is mainly derived from higher level of depreciation and amortisation related to IFRS 16 and assets recognised on acquisitions of AAPN and Costa Bingo.

** As defined in the table set out above*

Gaming taxes and duties
Gaming duties levied in regulated and taxed markets substantially increased by 37% to US$95.5 million (2018: US$69.9 million). This is a result of the Group's revenue growth in the UK coupled with the increase in the UK Remote Gaming Duty rate from

15% to 21% effective from April 2019 resulting in incremental duties of US$15.3 million. In addition, gaming duties also increased in line with the Group's continued expansion in regulated markets such as Sweden and Portugal as well as strong revenue growth in both Italy and Romania where tax rates increased in January 2019 resulting in incremental duties of US$10.3 million. The increase was partly offset by a reduction of the gaming tax rate in Spain, from 25% to 20% effective from July 2019.

Research and development ("R&D") expenses

Research and development expenses increased by 9% to US$35.6 million (2018: US$32.8 million). This increase is caused in part by the Group's R&D investment in the BetBright Sport platform that was acquired in March 2019 as well as investment across regulated markets. During the year, the Group commenced the roll out of Poker 8, a new and improved Poker platform, across several regulated markets. The Group continues to invest in the development of new products, games and features that further enhance customer experience, with a specific emphasis on safer gaming and customer protection. As a result, the R&D expenses to revenue ratio increased to 6.4% (2018: 6.2%).

Reported research and development expenses amounted to US$33.6 million (2018: US$32.8 million).

Selling and marketing expenses

One of the key drivers of 888's business is effective and innovative marketing spend. Overall marketing expenses increased to US$161.8 million (2018: US$155.0 million). However, as a proportion of revenue, the selling and marketing ratio decreased to 28.9% (2018: 29.3%). The increase in marketing investment supported a strong 22% increase in FTDs in the Group's B2C business. At the same time, cost per new customer acquisition declined year on year reflecting the effectiveness of the Group's strict returns-driven marketing approach.

The increased marketing investment during 2019 reflected 888's focus on the UK market; the Group's launches in Sweden and Portugal; the Group's focus on building a wider customer base in Italy ahead of the country's advertising ban (introduced in mid-2019); and investment in the US market following the Group's acquisition in late 2018 which saw 888 take full control of its US facing B2C operations.

Administrative expenses

Administrative expenses* amounted to US$34.3 million (2018: US$27.3 million). The increased administrative expenses during 2019 reflected higher professional and corporate costs relating to the Group's launch in new regulated markets; the US market following obtaining full control of its US facing B2C operations; the Group's Brexit preparations; and legal costs related to the Group's revolving credit facility ("RCF") with Barclays Bank plc ("Barclays") agreed in February 2019 in order to provide short-term finance for 888's M&A activities.

Reported administrative expenses amounted to US$39.0 million (2018: US$36.2 million).

** As defined in the table set out above.*

Adjusted EBITDA

Adjusted EBITDA excluding the impact of IFRS 16 (which was adopted during 2019) was US$85.6 million (2018: US$107.1 million) and Adjusted EBITDA after the impact of IFRS 16 was US$92.1 million (2018: US$107.1 million). Adjusted EBITDA was adversely impacted by US$25.6 million of higher gaming duties as described above; US$6.2 million adverse currency impact compared to the prior year; and US$2.1 million costs relating to the newly acquired BetBright Sport platform.

The Adjusted EBITDA margin excluding the impact of IFRS 16 was 15.3% (2018: 20.2%) and Adjusted EBITDA margin after the impact of IFRS 16 was 16.4%. EBITDA for the period was US$84.2 million (2018: US$129.1 million) as detailed in the Financial Summary table.

Exceptional items

Exceptional costs of US$2.3 million (2018: Exceptional income of US$11.1 million) consist of US$1.0 million in legal and professional costs associated with the acquisitions of the Costa Bingo brands and the BetBright sport platform as well as US$1.3 million in restructuring costs related to employee redundancies as part of the Group's headcount cost optimisation project.

Share benefit charges

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

Equity settled share benefit charges of US$5.4 million (2018: US$8.9 million) mainly comprise new awards granted during the year and the full year effect of awards granted in previous years. Further details are given in the Directors' Remuneration Report set out in the 2019 Annual Report and in note 23 to the financial statements.

Finance income and expenses
Finance income of US$0.5 million (2018: US$0.6 million) less finance expenses of US$7.2 million (2018: US$0.7 million) resulted in a net expense of US$6.7 million (2018: US$0.1 million). The increased expense compared to the previous year is mainly comprised of US$2.9 million interest expenses resulting from the implementation of IFRS 16 and interest costs associated with the new RCF agreed with Barclays in February 2019 and US$4.3 million non-cash charge relating to currency exchange rates mainly a result of the revaluation of IFRS 16 liabilities explained by the strengthening of the ILS against the USD.
888 continually monitors foreign currency risk and takes steps, where practical, to ensure that net exposure is kept to an acceptable level.

Adjusted Profit before tax and Profit before tax
Adjusted Profit before tax was US$53.2 million (2018: US$86.7 million). Profit before tax declined to US$45.3 million (2018: US$108.7 million) as a result of the following:

(i) gaming duties increased by US$25.6 million, as explained above;
(ii) exceptional costs of US$2.3 million compared to exceptional income of US$11.1 million in 2018;
(iii) one-off VAT accrual release in 2018 of US$10.7 million;
(iv) gain from re-measurement of previously held equity interest in joint ventures in 2018 of US$9.3 million;
(v) amortisation charges increased to US$19.6 million (2018: US$15.0 million) related to the two acquisitions of AAPN and a portfolio of bingo brands including Costa Bingo; and
(vi) net finance expenses of US$6.7 million (2018: US$0.1 million), as explained above.

Taxation
Taxation for the period was US$3.7 million (2018: US$13.9 million). The decrease is primarily a result of the lower profit before tax during the period, the effect of foreign currency expenses following the strengthening of the ILS against the USD during 2019 (2018: foreign currency earnings result of the strengthening of the USD against the ILS) and withholding tax on a dividend distribution by a subsidiary to the parent company in 2018.

The Group has taken steps to mitigate Brexit-related risks, including the re-domiciliation of certain of its licensed entities to Malta and establishment of a data centre in Ireland, so that it can continue to serve European markets with no disruption. These steps did not have a material impact on the taxation level during 2019.

Adjusted Profit after tax and Profit after tax
Adjusted profit after tax[1] was US$49.5 million (2018: US$72.8 million). Profit after tax was US$41.6 million (2018: US$94.8 million).

[1] *As defined in note 9 of the financial statements*

Earnings per share
Basic earnings per share was 11.3¢ (2018: 26.3¢). The decline is a result higher gaming duties, higher depreciation and amortisation in 2019 whilst 2018 benefited from exceptional income, a one-off VAT accrual release and the gain from re-measurement of previously held equity interest in joint ventures, outlined above. Adjusted basic earnings per share is 13.5¢ (2018: 20.2¢). Further information on the reconciliation of Adjusted basic earnings per share is given in note 9 to 2019 financial statements.

Dividend
The Board of Directors is recommending a final dividend of 3.0¢ per share in accordance with 888's dividend policy, bringing the total for the year to 6.0¢ per share (2018: 12.2¢ per share). This reflects the performance of the Group, regulatory developments and the importance of retaining adequate cash to fund potential investment activities and as a prudent measure given the unprecedented uncertainty caused by COVID-19.

Cash flow
Net cash generated from operating activities increased to US$81.6 million (2018: US$42.1 million). The increase is primarily explained by a US$24.6 million exceptional payment on account of historical VAT in Germany in 2018 and a US$12.1 million reduction in customer deposits in 2018 whilst during 2019 there was almost no change in that balance.

Net cash used in investing activities was US$82.9 million (2018: US$30.6 million) explained by the acquisition of BetBright sport platform, Costa Bingo brands and AAPN Holdings LLC (US B2C) in the amounts of US$19.3 million, US$22.9 million and US$18.4 million, respectively. These investments were partially funded by an RCF loan.

Dividend payments during the year amounted to US$40.4 million (2018: US$56.6 million).

Balance sheet

Total assets as at 31 December 2019 amounted to US$433.1 million (2018: US$380.6 million). Goodwill and other intangible assets increased by US$40.1 million mainly as a result of the assets recognised following the acquisition of the BetBright Sport platform and Costa Bingo brands, and US$33.3 million right-of-use assets that were recognised, for the first time, as a result of adoption of IFRS 16. Further information is given in note 2.2 to the financial statements.

888's management extensively considers the allocation of capital resources, both as an integral part of the budgeting process and on an ongoing basis. The main decisions relate to the allocation of marketing and technology resource as part of management's strategic review of launching in regulated markets, as well as ensuring adequate resource for compliance and business development. Key decisions in 2019 related to 888's strategic positioning in the US market, the rollout of the Orbit platform and launch of the 'Safer. Better. Together' compliance and safer gambling strategy.

888's cash position as at 31 December 2019 was US$99.5 million (2018: US$133.0 million). The balance owed to customers at US$54.7 million (2018: US$57.1 million). In February 2019, 888 agreed an RCF with Barclays enabling the Group to borrow an amount of up to US$50 million. At year end the outstanding amount was US$18.0 million.

The decline in the cash balance compared to 31 December 2018 is a result of the payment of US$40.4 million dividend during 2019 and total payments of US$60.6 million in respect of the acquisitions of BetBright's Sport platform, Costa Bingo brands and AAPN (the US B2C business).

Going concern

In light of the unique and wide-ranging impact of the COVID-19 outbreak, the Group has carried out a careful and detailed going concern analysis. Full details of this analysis are set out in Note 2 to the Accounts below.

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

Aviad Kobrine
Chief Financial Officer

Risk management strategy

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

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

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

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

- it is responsible for 888's risk management systems and for reviewing their effectiveness;
- there is an on-going process for identifying, evaluating and managing the principal risks faced by 888;
- the systems have been in place during 2019 and up to the date of approval of the annual report and accounts; and
- they are regularly reviewed by the Board (please see the 2019 Annual Report for further details of the review conducted in 2019).

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

Risk appetite

Addressing risk is a high priority for the Board and effective risk management is an integral part of the way we conduct our business on a daily basis. The Board factors into the risk assessment impact, likelihood and appetite considerations. Risk is managed across the Group in the context of overall risk appetite and during 2019 the Board considered risk appetite to ensure adequate resources are allocated to identified risks. The Board reviewed and approved the following risk appetite statement:

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

888 faces the following significant risks:

Regulatory risk ➔ increased during 2019

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

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

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

What happened in 2019/20: The UK Gambling Commission ("UKGC") continued to take a strict approach towards compliance, tightening requirements, adopting more stringent policies and regulations, increasing the level of oversight over licensees and penalizing operators for failing to meet regulatory requirements and standards. The primary areas of focus for the UKGC were responsible gambling and prevention of underage gambling, consumer protection, and anti-money laundering. The UKGC adopted additional restrictions, e.g. a ban commencing in April 2020 on credit card transactions for gambling and stricter age verification obligations. The Group continued to work closely with the UKGC on compliance matters, and also to update its policies and procedures and to strengthen internal reporting lines to ensure compliance within the business, investing significant resources in regulatory compliance measures. In Germany, the Company is subject to prohibition orders issued by various German states, some of which have been upheld by German courts and others which are in the process of judicial review. While the Company continues to challenge the validity of these orders (where possible) and is seeking relief on this matter from the German Constitutional Court, it has been consulting closely with its German advisers as to the appropriate operational measures to be taken by the Group in light of the orders issued. The German regulatory landscape was amended in 2019 to introduce local licensing for sports betting. 888 applied for such a license in 2020, while evaluating the impact of licensure on its various offerings in the German market and the measures required to achieve compliance with licensing obligations. Specifically, as part of its license application, 888 will be required to undertake not to offer or broker any form of "unlawful gambling" once issued a license, wording intended to capture casino gambling. The Group is evaluating with its German counsel the validity of such an undertaking, its practical ramifications once a license has been issued, and any means available to mitigate its impact. In April 2020, a German court suspended the licensing process, pending a judicial determination of claims against the licensing process. It is presently unknown how long the suspension will last, but it may render the entire licensing process null and void. In early 2020, it was announced that the German states had reached a consensus that would result in regulatory reform in mid-2021, under which operators would be able to apply for a license to offer online slots and poker, subject to certain restrictions (e.g. deposit limits, maximum wagers, advertising restrictions, etc.) The full details of this regime have not yet been developed, but this development could significantly impact the Group's casino offering in the German market. In the Netherlands, where a law was approved in February 2019 to liberalize the market, the local regulator continues to take a proactive and strict approach towards enforcement of existing laws against operators whose operations are conducted in violation of the "prioritization criteria" for enforcement issued by the authorities, and which were updated with additional criteria during 2019. Several operators received significant fines due to the conduct of operations in a manner violating these criteria. Operators fined may also be barred from participating in the liberalized market or have their eligibility for licensing delayed. The Group has been studying these developments closely to ensure its offering is in line with the criteria as updated. In Sweden, the Group began operating under a local license in 2019. The Swedish regulator has shown itself to be strict and proactive in enforcing regulatory standards, and has on occasion informed the industry of its position on compliance by penalizing operators it perceived as non-compliant. 888 has studied the regulator's position and enforcement action closely to ensure that its operations are in-line with local requirements. In January 2019, the US Department of Justice issued a legal opinion on the scope of the federal Wire Act, overturning a previous opinion from 2011, and finding that the Act applies to all forms of gambling (not only sports betting, as was concluded in the previous opinion). Later in the year, a New Hampshire federal court set aside the aforementioned memorandum and rejected its interpretation of the Wire Act on substantive grounds, reverting to the *status quo ex ante*. The DOJ has appealed the decision and the appeal is likely to be considered in 2020. The case may eventually reach the US Supreme Court. The appeal indicates that the current Attorney General is opposed to online casino gambling. The Group continues to follow developments on this front closely, to evaluate their impact on US operations and future growth. Generally, the COVID-19 outbreak is giving rise to some delays in legislative and regulatory processes, including license applications, as well as temporary measures such as restrictions on advertising and promotions in Spain.

Brexit-related risks ➔ decreased during 2019

<u>The risk</u>: The status of Gibraltar as a result of "Brexit" remains unclear. Having redomiciled relevant operating entities to Malta, the remaining risks of Brexit to 888 are the potential for disruption to movements of staff between Spain and Gibraltar, and the potential adverse impact on economic and market conditions in the United Kingdom; amongst other matters, this could give rise to partial impairment of 888's online Bingo assets.

<u>Relevance to strategy</u>: The UK remains an important strategic market for 888, and Gibraltar remains important to 888 as the location of its headquarters.

<u>How the risk is managed:</u> 888 obtained a gaming licence in Malta and established a server farm in Ireland so that it can continue to serve European markets with no disruption to its business. 888 also aims to diversify its geographical customer base so as to mitigate dependency on the UK market.

<u>What happened in 2019</u>: The UK formally exited the European Union on January 31, 2020, with a transition period expected to conclude at the end of 2020. Cross-border passage and trade between Gibraltar and the EU will depend on the outcome of negotiations between the UK and the EU.

Information Technology and Cyber risks ➔ remained stable during 2019

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

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

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

place and infrastructure is built accordingly. System-wide availability and business-level availability is measured and logged in the IT information systems.

What happened in 2019: 888's main European data centre operations moved from Gibraltar to Dublin, with the new data centre introducing a very high standard of redundancy, performance and security, utilizing cutting edge technologies; a disaster recovery site for the primary on-premises data center was implemented on AWS cloud using VMware Cloud Technologies; security awareness training continued to be carried out for Group personnel at all locations by the Chief Information Security Officer; revised DDoS architecture was implemented as well as offensive denial-of-service simulation attacks to test 888 readiness; zero-day protection capabilities were implemented on critical services; cloud protection tools have been implemented to protect 888 cloud operations (two factor authentication and gateway tools); implementation of Identity Management System has been completed, covering the automation and provisioning of new employees with access and permissions to production and corporate environments; all corporate mailboxes were moved to Office 365 cloud services, with new security tools implemented as part of this process and more strict alignment to GDPR; machine learning capabilities were implemented for operational data for enhancing 888 Network Operation Center.

Taxation risk ➔ increased during 2019

The risk: Heightened attention continues to be given to matters of cross-border taxation in line with the G20/OECD Base Erosion and Profit Shifting recommendations. During 2019, the OECD/G20 Inclusive Framework on BEPS carried out public consultations regarding the agreed Programme of Work for Addressing the Tax Challenges of the Digitalisation of the Economy, based on two pillars: Pillar One, which addresses the allocation of taxing rights between jurisdictions and considers various proposals for new profit allocation and nexus rules; and Pillar Two (also referred to as the "GloBE" proposal), which focuses on the remaining BEPS issues and seeks to develop rules that would provide jurisdictions with a right to "tax back" where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation. Some countries, such as the UK and France, have implemented unilateral digital service taxes, which has met with threats of retaliation by the US. The UK also implemented the Offshore Receipts in respect of Intangible Property rules imposing UK tax on the receipt of royalties by offshore companies deriving from business activity in the UK. Gibraltar transposed the EU Anti Tax Avoidance Directive into its domestic law, including changes to its General Anti-Abuse Rule and Controlled Foreign Corporation rules. Due to pressure from the European Union, offshore jurisdictions including the British Virgin Islands have introduced new “substance” requirements with regard to IP companies and other entities. The likelihood of scrutiny of tax practices by tax authorities in relevant jurisdictions and the aggressiveness of tax authorities remains high. A finding of taxable presence of the Group in one or more jurisdictions (including pursuant to revised interpretations of the permanent establishment concept as mentioned above), a transfer pricing adjustment with respect to attribution of profit to such jurisdiction(s), or imposition of another form of tax as mentioned above, may have a substantial impact on the amount of tax and VAT paid by 888 or require significant payments by 888 in respect of historical tax liabilities. 888’s effective tax burden also increases due to the imposition or increase of gaming duty in markets in which the Group has customers, including the recently announced increase in the rate of UK remote gaming duty to 21% of GGR as from 1 April 2019, the additional Romanian gaming tax at 2% of deposits from 2019, and the increase in Italian gaming duty to 25% of GGR (24% for sports betting) from 2019. The Company's Israeli subsidiary entered into an Assessment Agreement with the Israeli Tax Authority in 2016, in which the subsidiary's transfer pricing remuneration was agreed with regard to tax years ending in 2015. The Company believes that the remuneration attributed for tax purposes to its Israeli subsidiary complies with the arm’s length standard, and therefore continues to rely on the transfer pricing agreement with regard to tax years following 2015, however the agreement has not been renewed. As such, and in light of the developments in taxation rules internationally, including in the field of transfer pricing pursuant to which new methodologies are gaining prominence, in the context of the tax audit detailed below, the Israeli Tax Authority may seek to increase the level of remuneration attributed to the Israeli subsidiary for tax purposes commencing from the 2016 tax year, which could have material financial consequences to the Company.

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

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

What happened in 2019: 888 continues to engage with tax authorities and obtain legal advice in order to regularise its tax position and mitigate exposures. As regards the inquiry in Germany regarding VAT, in 2018, 888 received assessments for tax years 2010-2017 and accordingly partially released the provision recorded in its financial statements in addition to the contingent liability; the Company has filed administrative appeals with regard to the assessments. The group's intellectual property holding company has redomiciled from the British Virgin Islands to Antigua, where the Group has a higher level of economic substance. In Israel, the local subsidiary is undergoing a tax audit with respect to years 2014-2017, which primarily focuses on transfer pricing matters. No assessment has yet been issued, and the Company has included a provision in its accounts in accordance with its assessment of the likely outcome. The Company also agreed to assessments issued in a routine periodic withholding tax audit of its Israeli subsidiary.

Retention of Key Personnel and Succession risk → increased during 2019 and 2020

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

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

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

What happened in 2019: During 2019, Itai Pazner successfully transitioned into his new role as CEO, replacing Itai Frieberger who remained on the Board until January 2020. Aviad Kobrine, our CFO, announced that he will be leaving the Company during 2020, and recruitment of his successor is in process, with Aviad agreeing to remain in his position until his successor is in place in order to enable a seamless transition of responsibilities at the appropriate time. Mark Summerfield joined the Board as a Non-executive Director and Chair of the Audit Committee, replacing Ron McMillan, who left the Board in April 2019.

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

The risk: As a multinational company based in a number of locations worldwide, the Company is dependent on the ability of its personnel to maintain their physical health and wellbeing, successfully carry out their roles from the Group's offices or remote locations, and at times to travel between sites. Business disruptions may occur when personnel are unable to work or communicate with one another, including due to pandemics such as COVID-19. Such outbreaks and the response thereto also affect the global economy, which can impact our customer base and consumer confidence and spending more generally, which can significantly affect our revenues. In particular, cancellation of sporting events adversely affects our Sport business, which accounted for 16% of revenue in 2019. There is currently evidence of increased customer activity in the Group's Casino and Poker products that might, in part, compensate for the sports betting disruption for a period of time. However, in the event of a prolonged period of global macro-economic uncertainty, it is possible that consumer spending across the Group's online gaming product verticals may also become impacted. COVID-19 is also impacting 888’s service providers to a varying extent; including 888’s live casino service provider, which if disrupted, may affect 888’s casino offering, as well as provider’s to 888’s Sport vertical during the transition to 888’s new proprietary platform, providers of customer KYC verification, payment processing and the like. 888 is presently identifying these risks, and mitigating them where possible.

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

How the risk is managed: The Company monitors developments which may affect its sites and customers, and where necessary and practicable takes steps to mitigate disruption to the business. 888 is satisfied that it has carried out a detailed and considered analysis of the prospective impact of COVID-19 across its business.

What happened in 2020: In light of the recent COVID-19 outbreak and limitations imposed in various Group locations, including with respect to self-isolation as well as restrictions on travel and conferences, the Company has taken a number of mitigation steps including enabling remote working and rebalancing of responsibilities between sites. The outbreak has given rise to the postponement and cancellation of sporting events, which is having an impact on 888’s Sport vertical which accounted for 16% of revenue in 2019. In parallel, there is currently evidence of increased customer activity in the Group's Casino and Poker products.

Data Protection risk ➔ remained stable during 2019

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

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

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

What happened in 2019: 888 reviewed and updated its internal data protection policies and procedures, as well as notices provided to the users (such as privacy notices, cookie notices and consent forms), so as to ensure alignment with regulatory developments and guidelines; reviewed a dedicated notice and choice mechanism (to be implemented on 888's online properties) so as to meet the regulatory requirements relating to the use of tracking technologies; designated a dedicated SAR officer responsible to ensure that data subjects requests to exercise rights are handled in an appropriate manner, in accordance with the internal procedures and within the regulatory timeframe; conducted a data protection impact assessment so as to ensure that data processing activities that envisage a risk to data subjects are carefully assessed and balanced with appropriate controls in order to safeguard data subjects' privacy expectations; the DPO of 888 acted to ensure a privacy-aware culture within 888 by way of conducting training and privacy awareness exercises to relevant employees and departments (e.g. customer support and marketing teams); the DPO of 888 produced an annual report with the objectives of providing an overview of the key events, regulatory investigations and inquiries, and data subjects' complaints since the GDPR entered into force, enabling 888's senior management to ascertain the data protection risks and challenges in the environment in which the Company operates and the regulatory exposure, support 888's senior management with the effort to take appropriate risk mitigation steps and allocate appropriate resources for handling data protection issues, and increase the awareness to data protection obligations and the 888's responsibilities; reviewed and responded to data subjects' complaints and regulatory inquiries relating to compliance with applicable data protection requirements; and monitored for and investigated data breach attempts/incidents and took the appropriate steps to enhance its cybersecurity posture and mitigate the residual risks.

Reputational risk➔ remained stable during 2019

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. Various regulators, most notably the UKGC and the Swedish regulator, have adopted stricter compliance and enforcement policies, conducting more in-depth reviews of operational practices and sanctioning operators found to be non-compliant. There appears to be growing sentiment in various jurisdictions that existing regulations do not sufficiently protect minors and vulnerable players or do enough to prevent the use of illicitly obtained funds for gambling purposes. This could result in reputational damage to the Group, as well as in the adoption of stricter regulations and enhanced enforcement measures.

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

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

What happened in 2019: During 2019, the UKGC continued its regulatory enforcement processes and actions which resulted in several public regulatory settlements with online operators, as published by the Commission. Such publications raise further concerns about the sector’s compliance with regulatory requirements pertaining primarily to Anti-Money Laundering and Social Responsibility. 888 continued to devote significant resources to putting in place prevention measures coupled with strict internal procedures to protect customers, and monitor and update procedures to ensure that minors are unable to access their gaming sites. 888 continues to improve on efforts to detect and prevent instances of problem gambling, and continues to review and update its anti-money laundering policies to better detect players suspected of using illicit funds for gambling. 888 has continued its review of all its websites and those of its B2B partners in light of the UK Advertising Standards Authority and Committees of Advertising Practice’s review of gaming industry practices, with a view to ensuring that content that may be particularly appealing to children, whether specific games or general creative elements on the site, have been removed or made accessible only after a robust age verification process has been completed. 888 has also integrated with the National Online Self-Exclusion Scheme (also known as “GAMSTOP”) to enable its customers to self-exclude on national level from all UK online gambling operators.

Partnership risk ➔ decreased during 2019, increased during 2020

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

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

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

What happened in 2019/20: In 2019, 888 acquired Costa Bingo and other formerly B2B bingo brands from its former B2B partner Jet Management. In June 2019, 888's US B2B partner Caesars announced that it will be wholly acquired by Eldorado Resorts; the impact on the relationship with 888 (if any) is presently unknown. By developing its own proprietary sports betting platform, 888 will also reduce its reliance on external providers. Certain of 888’s service providers have been impacted by the COVID-19 outbreak and its economic consequences, and 888 is in the process of identifying these risks and mitigating where possible.

Acquisition risks ➔ increased during 2019

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

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

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

What happened in 2019: In 2019, 888 acquired Costa Bingo and other formerly B2B Bingo brands from its former partner Jet Management, as well as acquiring the BetBright Sports betting technology. Both transactions were structured as asset acquisitions, and 888 is dedicating the necessary resources to effectively integrate these businesses into the Group.

Liquidity risk ➔ increased during 2019

The risk: 888 has taken an RCF from Barclays Bank plc in order to finance its activities. The credit facility contains covenants by the Group regarding the maintenance of certain financial ratios, as well as various regulatory compliance matters.

Relevance to strategy: Ongoing consolidation of the online gaming market has increased the importance of 888 being ready to acquire smaller operators, requiring readily available cash resources.

How the risk is managed: 888 monitors its ongoing compliance with the relevant financial ratios. 888, in-house and via its legal counsel, also monitor changes to the regulatory landscape which may have an impact on its obligations under the credit facility.

What happened in 2019 and 2020: In 2019, 888 executed the revolving credit facility with Barclays. 888's debt under the RCF as at 31 December 2019 is disclosed in note 20 below. In 2020 to the date of this Annual Report, 888 does not consider it has increased liquidity risk.

Regulation and general regulatory developments

As anticipated in our 2018 Annual Report, the most significant developments in the regulatory landscape governing gambling in 2019 were observed in the United States. An increasing number of US states ushered in legislation expanding the forms of gambling available within their territories – both online and offline. A significant number of states regulated (or reached advanced stages of regulating) sports betting, pursuant to the Supreme Court's overturning of the Professional and Amateur Sports Protection Act of 1992 ("PASPA") in 2018, and a smaller number of states introduced online casino gaming. The proliferation of online casino gaming was the source of some legal debate during 2019, which, to an extent, is likely to persist in 2020, as discussed further below.

2019 saw advancement and shift in regulation and law in additional geographies as well. Notable examples include Germany that saw an overhaul of its sports betting regime; Brazil that continued advancing towards the liberalization of its sports betting market; Switzerland that ushered in a regulated online gaming and betting market; and the Netherlands that continued progression towards a regulated and licensed market. The general trend continued to be towards adoption of localized legislation permitting the offering of gaming and betting services subject to local licensing requirements, with some notable exceptions taking a more restrictive approach.

888 continued to seize the trend towards accommodating regulation of online gaming to increase its presence in locally regulated markets and grow its licensing portfolio. We realize that the legal and regulatory environment governing our industry continues to change rapidly and that this experience is likely to be a reality for our business in the coming years. We therefore continue to adapt to shifting regulatory environments, while striving constantly to maintain the highest compliance standards and to support the move towards clearer regulation in the online gaming industry. We also look to build 888 on agile and adaptive foundations, capable of accommodating rapid and regular changes to the landscape within which we operate.

We look forward to working with our partners in the industry and with regulators toward shaping a regulatory landscape that is business-friendly whilst safeguarding the objectives of the industry's regulation.

The following paragraphs summarise the main relevant regulatory developments of 2019, and our expectations regarding changes that may impact 888 in 2020.

Europe

A growing number of European jurisdictions having completed the "re-regulation" of gambling (particularly online gambling) in recent years, by introducing or updating their gaming legislation to address technological advancements and present attitudes towards the industry. Notwithstanding that, a number of significant European markets, including markets that are significant for the 888 group, saw substantive regulatory change in 2019. There also persist certain Europe jurisdictions in which the regulatory regime continues to be ambiguous, non-compliant with EU law, or simply outdated. However, the number of such jurisdictions, in Europe, appears to be in consistent decline. Since the absence of well-tailored regulation is an obstacle to the growth of the industry and leaves players less protected and with less access to quality services, we hope that this decline will continue.

Though the industry had hoped for a greater degree of pan-European harmonization, 2019 saw virtually no attention from the EU and its institutions towards gambling. This may, again, have been the result of a focus on Brexit, or it may reflect a deeper lack of desire, on the EU's part, to address this contentious and controversial issue. 2019 was the second consecutive year with no landmark rulings by the European Court of Justice on matters pertaining to gambling, a notable absence after several years of rulings affecting the industry. This may indicate a lack of willingness by local courts to refer gambling-related matters to the ECJ, or it may be reflective of a more settled and up-to-date regulatory landscape taking shape across Europe.

Following the formal exit of the UK from the European Union on January 31, 2020, with a transition period expected to conclude at the end of 2020, Gibraltar may cease to be a part of the EU, with cross-border passage and trade between Gibraltar and the EU depending on the outcome of negotiations between the UK and the EU. During 2019, 888 continued the restructuring of its European-facing business, obtaining Maltese gambling licenses to complement its Gibraltar licenses, relocating certain corporate entities from Gibraltar to Malta, refreshing its Gibraltar licensing portfolio, establishing a new server farm in Dublin and reorganizing the distribution of players between licensed entities based on jurisdictional considerations. Notwithstanding Brexit, parts of the Group's business remain in Gibraltar, however the Group has taken the necessary measures to ensure that its operations (both its UK operations and its worldwide operations) continue undisturbed under any variation of Brexit.

A number of regulatory developments in European jurisdictions during 2019 are relevant to 888 and its operations:

- In the UK, 888's largest market, the Group continued adapting to meet the developing and increasingly more stringent regulatory requirements, a process which continues to require significant efforts and the implementation of changes in many areas of the business. We continue to work to adapt our operations and working modalities to ensure ongoing adherence to the various (and evolving) requirements applicable to our UK operations.
    - The UKGC continued to focus its efforts on the protection of consumers, specifically problem gamblers and underage gamblers, and on raising standards in the gambling market. Changes in 2019 included enhancements to age verification requirements, stricter responsible gambling standards, and in early 2020 – a ban on the use of credit cards for gambling. 888 continued to take all necessary measures to fully comply with UKGC requirements and to cooperate with the Commission in a fully transparent manner.
    - During 2019, the UKGC continued to take enforcement action against operators for failings pertaining primarily to money laundering and the use of proceeds of crime for gambling. We continue to closely monitor the UKGC's findings and determinations in these cases, to fully understand the regulator's positions and expectations from the industry, to anticipate regulatory trends and to ensure we conduct our operations in a manner that is commensurate with the standards required by the UKGC.
    - The Group continued to engage with the UKGC with respect to cases submitted to its attention by the UKGC and is committed to continuing its open and productive dialogue with the UKGC on all matters pertaining to our operations.
    - There continued to be calls, particularly within Parliament, for the imposition of stricter limitations on the advertising of gambling services. The senior government officials responsible for the sector under the current British administration appear to have adopted a circumspect approach towards the industry, which may result in both restrictive legislation and regulation, and a further tightening of regulatory standards by the relevant authorities. By way of example, the Gambling Related All-Party Parliamentary Group (APPG) issued a report in November 2019 urging, inter alia, the imposition of a GBP 2 staking limit for online gambling games (in line with the limit imposed on FOBTs). The same report advocated a ban on credit card gambling, a measure adopted by the UKGC in early 2020.
- On 1 January 2019, a new law regulating the online gaming market came into force in Sweden. 888 obtained a Swedish license under this new law and now offers its services in Sweden under a local license and in accordance with the new regulatory framework in place in this jurisdiction. The Swedish regulator showed itself, during 2019, to be strict and proactive in enforcing regulatory standards, occasionally revealing its approach to certain aspects of the regulatory framework by way of warning letters, sanctions and penalties. 888 continues to conduct its operations in this jurisdiction fully in line with its regulatory obligations and maintains a collaborative relationship with the local regulator.
- In Switzerland, a new law regulating the online gaming and betting market came into force on 1 January 2019, followed 6 months later by entry into force of the adjunct enforcement powers. The Swiss regime is predicated on local casinos (i.e. only the land-based casinos are entitled to offer services online), and at this time the Group has not entered into a collaboration with any such casino in connection with an online offering, and has therefore withdrawn from this market. We continue to follow this market and are open to potential business opportunities.
- In the Netherlands, progress towards liberalization of the market continued, and legislation introducing a new regulatory framework for online gaming was passed by Parliament in February 2019. Progress towards the adoption of secondary legislation necessary for implementation of the new regime has been slow, due to ongoing parliamentary debate related to the particulars of the regulatory regime. It is unclear when the new regime will come into force, with estimates pointing to 2021 as the soonest possible date. In the interim, the Dutch regulator continued to update and tighten its enforcement policy, adopting new "prioritization criteria" for enforcement, including ones not specifically related to the targeting of Dutch players (e.g. with respect to player age verification). The regulator also issued several fines, including to large international operators whose operations were perceived to be in violation of these criteria, and who are now expected

to suffer a delayed entry into the regulated market due to "bad actor" language in the new law. 888 continues to adhere strictly to the regulator's criteria, as updated from time to time, and to follow developments on the regulatory front.

- Germany’s regulatory landscape underwent significant changes during 2019, the full effects of which are likely to manifest themselves in 2020 and 2021. During 2019, the Group (along with many other operators) continued to defend the legality of its services in Germany on various fronts, primarily vis-à-vis states seeking to issue or enforce prohibition orders directed at the Group's services within such states, and with respect to attempts by the German authorities to block financial transactions related to gambling services. On 1 January 2020, an amendment to the Interstate Treaty on Gambling came into force, introducing a federal licensing scheme for sports betting, representing a significant departure from previous iterations of the Treaty and previous attempts to introduce regulatory reform. The licensing regime imposes certain restrictions with respect to the available offering (specifically – a monthly stake limit, limitations on live betting and advertising restrictions) and also requires licensees to make certain undertakings with respect to their group's operations with respect to the German market. The Group applied for a license under the new regime, which will remain in force until mid-2021. However, in April 2020 a German court suspended the licensing process pending a thorough evaluation of claims against the process. It is presently unknown if or when the process will be reinstated. As noted, applicants for a license must undertake that neither they nor their affiliated companies will operate or broker unlawful gambling in Germany once licensed; it is understood that this undertaking was primarily designed to capture applicants' online casino offerings. Along with its various German advisors, the Group is evaluating the impact of the amendment to the Treaty and of licensure under the new regime on the Group's German-facing business more generally. In early 2020, the German states agreed on a sweeping reform to the regulatory landscape, scheduled for mid-2021, which would see the introduction of a federal licensing regime for sports betting and certain casino products (primarily online slots) and poker. This would represent a departure from the historical ban on online casino, however the specific details of the new regime are yet to be confirmed, and therefore the commercial appeal of this opportunity and its overall impact is presently difficult to evaluate. As presently worded, the amended Treaty would allow operators to offer "arcade-style" online slot machines, which would be subject to low stake limits and restricted play options. Other types of casino games (e.g. table games) would be regulated on a state by state basis, and could remain within the state lottery's monopoly or subject to a restrictive concession model. The new Treaty would also impose a EUR 1,000 Euro monthly deposit limit which would apply across all operators (it is not clear yet how this would be implemented in practice.) The Group continues to seek a ruling from the German Constitutional Court which would overturn the ruling, in 2017, of the German Federal Administrative Court upholding a prohibition order issued against the Group's online casino offering in a single German state. Finally, the Group continues to be keen on constructive dialogue with the German authorities with respect to its operations in this significant jurisdiction. As a member of the local trade association, the Group together with other industry stakeholders is able to reach out to legislators and state governments in order to discuss the implementation of the future licensing regime.
- In Italy, an advertising ban imposed in 2018 came into force during 2019. The full impact of this ban on the Group and on the industry is likely to continue to become apparent in 2020. Other European jurisdictions, most notably Spain, continue to mull the possibility of imposing similar restrictions on the advertising of gambling services.
- Senior Spanish officials have expressed support for a ban on credit card gambling, advertising restrictions, gambling tax reform and other measures that, if adopted, could have a significant impact on the country's gambling landscape and on the Group.
- The Greek government has been making a renewed effort to activate a regulatory framework for online gambling that has been all but defunct since initially adopted. Late in 2019, the Greek government notified draft regulations governing online gambling to the European Commission, with a view to formally adopting them in 2020. The fate of this initiative is presently unclear, given previous attempts in this jurisdiction to regulate the industry. However, the Group, with its local advisers, is seeking to ensure it is properly positioned to pursue a possible license in this jurisdiction, if such becomes economically viable.

The United States

2019 saw two significant developments in the US regulatory landscape, both of which are likely to continue in 2020.

Following the 2018 US Supreme Court ruling overturning PASPA, a growing number of states introduced legislation legalizing retail and/or online sports betting. Of those states, some also legalized online or mobile casino gaming and poker. By and large, states introducing such liberalized regimes have preserved the link between online and land-based gambling, namely – allowing only existing land-based operators to expand their services online, in collaboration with approved vendors (such as 888). Though the largest US states (e.g. California, New York, Florida and Illinois) continue to hold out on liberalization of their online markets, a growing number of US states now either have a licensing regime for certain types of online gambling in place, or are considering adopting one. 888 continues to offer its services in collaboration with land-based partners in Nevada, New Jersey and Delaware and is pursuing commercial opportunities with local partners in other liberalized states.

Though there appeared to be some interest in federal legislation governing sports betting late in 2018, there was no traction on this front in 2019, and there appears to be no political interest in pursuing such legislation at this time. We do anticipate that the trend towards market liberalization and local licensing opportunities will continue on the state level in 2020, though the pace and scope of such reform may be impacted by the fact that 2020 is an election year.

The upcoming elections may also influence the other context that saw significant developments in 2019, namely the interpretation of the federal Wire Act and its applicability to casino gambling. In early 2019, the US DOJ released a 2018 memorandum overturning a 2011 DOJ memorandum on the interpretation of the federal Wire Act. The 2011 memorandum had restricted applicability of the Wire Act to sports betting only, and this interpretation was intended to be reversed by the 2018 memo. Given its far-reaching impact on the existing online casino industry, implementation of the 2018 memo was temporarily postponed. During that window, legal action against the memo was initiated before a New Hampshire federal court. Those proceedings culminated with a judgment "setting aside" the 2018 memo, and upholding the 2011 memo and its interpretation of the Wire Act on substantive grounds. As a result, the US Attorney General appealed the New Hampshire court ruling. The reasoning of the appeal suggests that the Attorney General not only supports an interpretation of the Wire Act that applies to online casino gambling, but is also more generally opposed to such services. The appeal will likely be considered in 2020, and irrespective of its outcome, the matter may eventually reach the US Supreme Court. While a reversal of the 2011 memo and the New Hampshire court ruling could impact certain aspects of the Group's US online casino operations, those operations remain undisturbed at this time. Naturally, the Group continues to closely monitor developments on this front.

We continue to believe the developments in the US will continue to transform the US into a major gambling market, and we continue to follow these developments as they evolve with a view to capitalizing on our strong position in this market.

Further afield

Two heavily populated districts of Argentina (the State and City of Buenos Aires) adopted legislation late in 2018 introducing commercial gambling services. Political changes and unrest in 2019 delayed the actual implementation of this legislation and to date, no licenses have been issued. The Group applied to obtain one of 7 available licenses with a local partner. The impact of the anticipated implementation of the 2018 law on the local market and on the ability of foreign operators, including the Group, to offer services to Argentinian players on a cross-border basis, remains to be seen.

Brazil adopted framework legislation late in 2018 which would bring commercial online gambling to this significant jurisdiction. During 2019, the country conducted a public consultation around secondary legislation which culminated in legislative proposals in late 2019. These were not eventually adopted, and progress on this front is expected during 2020. It is anticipated that the law will provide for an unlimited number of licenses, however the tax burden is expected to be significant. The Group will evaluate its position in this sizeable market once further details on the incoming regime become available.

The President of Ukraine announced his government's intention to reform the country's gambling laws in 2020. This is expected to include the introduction of a licensing regime for online gambling. Details of the anticipated reform are not yet known.

888 continues to follow these developments to assess their impact on our business and to identify potential opportunities for growth. The COVID-19 outbreak is giving rise to some delays in legislative and regulatory processes, including license applications, as well as temporary measures such as restrictions on advertising and promotions in Spain.

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 Pazner
Chief Executive Officer
15 April 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 US $ million	2018 US $ million
Revenue before VAT accrual release	3	**560.3**	529.9
VAT accrual release	19	**-**	10.7
Revenue		**560.3**	540.6
Operating expenses	4	**(175.9)**	(158.1)
Gaming duties		**(95.5)**	(69.9)
Research and development expenses		**(33.6)**	(32.8)
Selling and marketing expenses		**(161.8)**	(155.0)
Administrative expenses		**(39.0)**	(36.2)
Exceptional items	5	**(2.3)**	11.1
Operating profit before exceptional items, VAT accrual release and share benefit charge		**59.9**	86.8
Exceptional items	5	**(2.3)**	11.1
VAT accrual release		**-**	10.7
Share benefit charge	23	**(5.4)**	(8.9)
Operating profit	4	**52.2**	99.7
Finance income	7	**0.5**	0.6
Finance expenses	7	**(7.2)**	(0.7)
Gain from remeasurement of previously held equity interest in joint ventures		**-**	9.3
Share of post-tax loss of equity accounted joint ventures and associate	14	**(0.2)**	(0.2)
Profit before tax		**45.3**	108.7
Taxation	8	**(3.7)**	(13.9)
Profit after tax for the year attributable to equity holders of the parent		**41.6**	94.8
Earnings per share	9		
Basic		**11.3¢**	26.3¢
Diluted		**11.3¢**	25.8¢

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 US $ million	2018 US $ million
Profit for the year		**41.6**	94.8
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(0.1)**	(0.4)
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability, net of tax	6	**(2.2)**	1.1
Total other comprehensive (expense) income for the year		**(2.3)**	0.7
Total comprehensive income for the year attributable to equity holders of the parent		**39.3**	95.5

The notes below form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2019

	Note	2019 US $ million	2018 US $ million
Assets			
Non-current assets			
Goodwill and other intangible assets	12	240.4	200.3
Right-of-use assets	2.2	33.3	-
Property, plant and equipment	13	13.0	11.0
Investments	14	0.9	1.1
Non-current receivables	17	0.6	0.8
Deferred tax assets	15	2.8	1.4
		291.0	214.6
Current assets			
Cash and cash equivalents	16	99.5	133.0
Trade and other receivables	17	42.6	33.0
		142.1	166.0
Total assets		433.1	380.6
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	18	3.3	3.3
Share premium	18	3.7	3.6
Foreign currency translation reserve		(2.1)	(2.0)
Treasury shares	23	(0.7)	(1.2)
Retained earnings		160.5	156.6
Total equity attributable to equity holders of the parent		164.7	160.3
Liabilities			
Non-Current liabilities			
Deferred tax liability	15	4.0	2.3
Interest-bearing loans and borrowings	20	28.8	-
		32.8	**2.3**
Current liabilities			
Trade and other payables	19	130.9	136.0
Provisions	19	10.2	11.3
Income tax payable		10.1	11.4
Interest-bearing loans and borrowings	20	23.7	-
Severance pay liability	6	6.0	2.2
Customer deposits	21	54.7	57.1
		235.6	218.0
Total equity and liabilities		433.1	380.6

The notes below form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital US $ million	Share premium US $ million	Treasury shares US $ million	Retained earnings US $ million	Foreign currency translation reserve US $ million	Total US $ million
Balance at 1 January 2018	3.3	3.5	(0.7)	108.7	(1.6)	113.2
Profit after tax for the year attributable to equity holders of the parent	-	-	-	94.8	-	94.8
Other comprehensive (expense) income for the year	-	-	-	1.1	(0.4)	0.7
Total comprehensive income	-	-	-	95.9	(0.4)	95.5
Dividend paid (note 10)	-	-	-	(56.6)	-	(56.6)
Equity settled share benefit charges (note 23)	-	-	-	8.9	-	8.9
Acquisition of treasury shares	-	-	(0.8)	-	-	(0.8)
Exercise of deferred share bonus plan	-	-	0.3	(0.3)	-	-
Issue of shares to cover employee share schemes (note 18)	-	0.1	-	-	-	0.1
Balance at 31 December 2018	**3.3**	**3.6**	**(1.2)**	**156.6**	**(2.0)**	**160.3**
Profit after tax for the year attributable to equity holders of the parent	-	-	-	41.6	-	41.6
Other comprehensive (expense) income for the year	-	-	-	(2.2)	(0.1)	(2.3)
Total comprehensive income	-	-	-	39.4	(0.1)	39.3
Dividend paid (note 10)	-	-	-	(40.4)	-	(40.4)
Equity settled share benefit charges (note 23)	-	-	-	5.4	-	5.4
Exercise of deferred share bonus plan	-	-	0.5	(0.5)	-	-
Issue of shares to cover employee share schemes (note 18)	-	0.1	-	-	-	0.1
Balance at 31 December 2019	**3.3**	**3.7**	**(0.7)**	**160.5**	**(2.1)**	**164.7**

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

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

The notes below form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 US $ million	2018 US $ million
Cash flows from operating activities			
Profit before income tax		45.3	108.7
Adjustments for:			
Depreciation of property plant and equipment and right-of-use assets	2.2, 13	12.6	5.3
Amortisation	12	19.6	15.0
Interest income	7	(0.5)	(0.6)
Interest expenses	7	2.9	-
Gain from remeasurement of previously held equity interest in joint ventures	14	-	(9.3)
Share of post- tax loss of equity accounted associate	14	0.2	0.2
Exceptional items		-	(11.1)
VAT accrual release		-	(10.7)
Share benefit charges	23	5.4	8.9
Profit before income tax after adjustments		85.5	106.4
(Increase) Decrease in trade receivables		(7.5)	8.4
Increase in other receivables		(2.8)	(1.3)
Decrease in customer deposits		(1.4)	(12.1)
Increase (Decrease) in trade and other payables		15.6	(29.1)
Decrease in provisions		(1.1)	(24.6)
Cash generated from operating activities		88.3	47.7
Income tax paid		(6.7)	(5.6)
Net cash generated from operating activities		81.6	42.1
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(8.4)	(7.3)
Investment in BetBright	11	(19.3)	-
Investment in Costa Bingo	11	(22.9)	-
Investment in AAPN Holdings LLC	14	(18.4)	(9.2)
Interest received	7	0.5	0.6
Acquisition of intangible assets	12	(2.6)	(2.7)
Internally generated intangible assets	12	(11.8)	(12.0)
Net cash used in investing activities		(82.9)	(30.6)
Cash flows from financing activities			
Issue of shares to cover employee share schemes	18	0.1	0.1
Payment of lease liabilities		(7.5)	-
Interest paid		(1.4)	-
Proceeds from loans, net of transaction fee		32.5	-
Repayment of loans		(15.0)	-
Acquisition of treasury shares	23	-	(0.8)
Dividends paid	10	(40.4)	(56.6)
Net cash used in financing activities		(31.7)	(57.3)
Net decrease in cash and cash equivalents		(33.0)	(45.8)
Net foreign exchange difference		(0.5)	(0.8)
Cash and cash equivalents at the beginning of the year	16	133.0	179.6
Cash and cash equivalents at the end of the year[1]	16	99.5	133.0

[1] Cash and cash equivalents includes restricted short-term deposits of US$2.6 million (2018: US$1.5 million), see note 16.

Net cash generated from operating activities is presented after deduction of US$1.1 million paid during 2019 in respect of exceptional items (2018: US$24.6 million).

Trade and other payables include non-cash movement of US$3.2 million related to remeasurement of severance pay scheme liability (2018 US$1.1 million).The notes below form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2019 or the year ended 31 December 2018, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2018 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 2019 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2019 and 2018 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act

Company description and activities

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

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

Definitions

In these financial statements:

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

2 Significant accounting policies

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

2.1 Basis of preparation

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

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

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

2 Significant accounting policies (continued)

Going concern

The Group closely monitors and carefully manages its liquidity risk. Cashflow forecasts are regularly produced, and sensitivities run for different scenarios including but not limited to market closures, anticipated tax developments together with the crystallisation of tax risks, a major cyber attack, tighter regulation and loss of key personnel.

Cashflow forecasts have been updated in light of the COVID-19 outbreak, with the base case run using an assumption that postponement and cancellations of sports events will continue until September 2020. Casino, Poker and Bingo revenues are forecast to remain on budget including moderate growth compared to 2019. As described above there is currently evidence of increased customer activity in the Group's Casino and Poker products however this offsetting effect is not included in the base case due to the high levels of uncertainty involved. The base case scenario includes a 33% reduction in Sports related marketing within the going concern period as compared to Sport related marketing budget. Operating expenses for Casino, Poker and Bingo are in line with budget. A downside scenario has been run on the assumption of a decline of 20% in Casino, Poker and Bingo revenues (as compared to the base case) in addition to the shutdown of sports revenues until April 2021 and the implementation of certain possible regulatory restrictions. In the downside scenario, Group management have assumed additional cost savings of 30% can be implemented by reduced variable operating expense, in line with the revenue reduction.

The Group has access to a committed revolving credit facility of US$ 50 million under the RCF. Both under the base case assumptions and the downside scenario noted above, the Group will be able to operate within the covenants in the RCF and has sufficient financial headroom for the 12 months after the approval of the 2019 Annual Report and Accounts.

Under an extreme downside scenario reflecting a shutdown of Sport revenues until April 2021 and a very substantial decline in Casino, Poker and Bingo revenues, the likelihood of which the Directors consider remote, it is possible, without further mitigating actions, the Group would breach the finance cost to EBIT ratio covenant set out in the RCF, though not its leverage ratio covenant. If performance indicates the extreme downside was more likely, the Group would take mitigating actions in advance to maintain compliance with its external debt facility. These actions would include rationalisation of its cost base including cuts to discretionary capital expenditure and reduction of variable operating costs such as marketing expenditure, overheads and cuts to discretionary capital expenditure.

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

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, with the exception of the amendments to accounting standards effective for the annual periods beginning on 1 January 2019. These are described in more detail on the next following pages.

2.2 New standards, interpretations and amendments adopted by the Group

The following interpretation and amendments to International Financial Reporting Standards, issued by the IASB and adopted by the EU, were effective from 1 January 2019 and have been adopted by the Group during the year with no significant impact on the parent company or on the consolidated results or financial position:

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- IFRIC Interpretation 23 - Uncertainty over Income Tax.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation.

The Group has applied, for the first time, IFRS 16

2 Significant accounting policies (continued)

IFRS 16 Leases - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for most leases. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liabilities, any lease payments made before or at the commencement date and initial direct costs. Right-of-use assets are also subject for impairment losses and adjusted for any remeasurement of lease liabilities. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortised cost with the interest expense recognised within finance income (expense) in the consolidated statement of income.

In accordance with the transition provisions in IFRS 16, the Group applied the modified retrospective approach. Under this approach, a lessee does not restate comparative information and recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. At date of initial application, lease liabilities for leases previously classified as an operating lease applying IAS 17 were recognised and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are included within 'Interest-bearing loans and borrowings' (see note 20).

Right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Leases are mainly comprised of offices in the period between one to ten years.

The effect of adoption of IFRS 16 is as follows:

Impact on the statement of financial position as at 1 January 2019:

	US $ million
Assets	
Right-of-use assets	26.8
Liabilities	
Current Lease liabilities	(5.6)
Non-current lease liabilities	(21.2)
Net impact on equity	**-**

2 Significant accounting policies (continued)

Movement in the right of use assets during the period:

	Right-of-use assets US $ million
At 1 January 2019	26.8
Arising during the period	12.6
Depreciation	(6.1)
At 31 December 2019	**33.3**

Movement in lease liabilities during the period:

	Lease liabilities US $ million
At 1 January 2019	26.8
Arising during the period	12.6
Paid during the period	(7.5)
Interest	1.3
Exchange rate	1.6
At 31 December 2019	**34.8**

Impact on the statement of profit or loss for the year ended 31 December 2019:

	US $ million
Depreciation expense	(6.1)
Operating lease expense under IAS 17	6.6
Operating profit	**0.5**
Finance costs	(1.3)
Profit for the period	**(0.8)**

Impact on the statement of cash flows for the year ended 31 December 2019:

	US $ million
Net cash flows from operating activities under IAS 17	7.5
Net cash flows from financing activities	(7.5)
Net impact on cash flows	**-**

Following the adoption of IFRS 16, the Group's operating profit improved, while its interest expense increased. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

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

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

- Amendments to References to the Conceptual Framework in IFRS Standards, Effective date 1 January 2020

- Amendments to IAS 1 and IAS 8: Definition of Material, Effective date 1 January 2020

The directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial application.

2 Significant accounting policies (continued)

Critical accounting estimates and judgments

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

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

Critical judgements

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

Internally generated intangible assets
Costs relating to internally generated intangible assets, are capitalised if the criteria for recognition as assets are met. The initial capitalisation of costs is based on management's judgment that technological and economic feasibility criteria are met. In making this judgement, management considers the progress made in each development project and its latest forecasts for each project. Other expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For further information see note 12.

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

Key accounting estimates

The Group's response to Brexit is detailed on risk management strategy report. Having redomiciled relevant operating entities to Malta, the remaining risks of Brexit to 888 are the potential for disruption to movements of staff between Spain and Gibraltar, and the potential adverse impact on economic and market conditions in the United Kingdom; at this stage, the effect of Brexit on the carrying values of assets and liabilities cannot be quantified. Brexit has been considered when assessing other key accounting estimates.

2 Significant accounting policies (continued)

Taxation

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

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

The Group believes that its accruals or, where applicable, provisions for tax liabilities are appropriate. For further information see note 8.

Impairment of goodwill and other intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Cash flows are typically forecast for periods up to five years. For some cash-generating units it is appropriate to use forecasts extending beyond five years where future investment in the business is expected to result in a long-term growth being achieved outside of five years. For further information see note 12.

Provisions, contingent liabilities and regulatory matters

The Group makes a number of estimates in respect of the accounting for and disclosure of expenses and contingent liabilities for regulatory matters, including gaming duties. These are described in further detail in note 27.

Basis of consolidation

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

Revenue consists of income from online activities and income generated from foreign exchange commissions on customer deposit and withdrawals and account fees, which is allocated to each reporting segment. Revenue is recognised in the accounting periods in which the performance obligations associated with the transactions are satisfied after the deduction of certain promotional bonuses granted to customers and VAT, and after adding the fees and charges applied to customer accounts, and is measured at the fair value of the consideration received or receivable.

2 Significant accounting policies (continued)

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

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

Revenue from online activities comprises:

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

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

Poker (IFRS 15)
Poker online gaming revenue represents the commission (rake) charged from each poker hand in ring games and entry fees for participation in Poker tournaments less the fair value of certain promotional bonuses and the value of loyalty points accrued. In Poker tournaments certain promotional costs are accounted for, and entry fee revenue is recognised when the tournament has concluded.

B2B (IFRS 15)

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

- For services provided to business partners through its B2B unit, the Group considers whether for each customer it is acting as a principal or as an agent by considering which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly:

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

- Revenue derived from brand licensing on third party platforms represents the Group's net revenue share from that activity.

Operating expenses

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

Administrative expenses

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

Foreign currency

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

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

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

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

Taxation

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

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

Intangible assets

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

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

2 Significant accounting policies (continued)

Goodwill

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

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

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

Investment in equity accounted joint ventures and associates

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

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

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

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

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

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

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

Business combination

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

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

Trade receivables

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

Fair value measurement

The Group measures certain financial instruments, including derivatives and equity investments, at fair value at each balance sheet date. The fair value related disclosures are included in notes 25 and 26. Fair value is the price that would be received or paid in an orderly transaction between market participants at a particular date, either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for that asset or liability accessible to the Group.

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

Cash and cash equivalents

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

2 Significant accounting policies (continued)

Equity

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

Treasury shares

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

Trade and other payables

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

Liabilities to customers

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

Leases

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease and measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

Office lease	1-10 years
Motor vehicles	3 years

Lease liabilities

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

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.

2 Significant accounting policies (continued)

Dividends

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

Equity-settled Share benefit charges

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

Severance pay schemes

The Group operates two severance pay schemes:

Defined benefit severance pay scheme

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

Severance pay scheme surpluses and deficits are measured as:

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

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

Defined contribution severance pay scheme

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

Loans and borrowings

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

3 Segment information

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

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

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

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

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

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.
2 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties and selling and marketing expenses.
3 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.
4 As defined in note 9.

3 Segment information (continued)

	B2C					B2B	Consolidated
	Casino	Poker	Sport	Bingo	Total B2C		
2018	US $ million						
Segment revenue before VAT accrual	**317.6**	**49.0**[1]	**80.3**	**32.4**	**479.3**	**50.6**[1]	**529.9**
VAT accrual release	**-**	**-**	**-**	**-**	**10.7**	**-**	**10.7**
Segment revenue					**490.0**	**50.6**	**540.6**
Segment result[2]					**218.7**	**25.4**	**244.1**
Unallocated corporate expenses[3]							(155.5)
Exceptional items							11.1
Operating profit							**99.7**
Finance income							0.6
Finance expenses							(0.7)
Gain from remeasurement of previously held equity interest in joint ventures							9.3
Share of post-tax loss of equity accounted associate							(0.2)
Taxation							(13.9)
Profit after tax for the year							**94.8**
Adjusted profit after tax for the year[4]							**72.8**
Assets							
Unallocated corporate assets							**380.6**
Total assets							**380.6**
Liabilities							
Segment liabilities					**55.5**	**1.6**	**57.1**
Unallocated corporate liabilities							**163.2**
Total liabilities							**220.3**

1 Revenue recognised in accordance with IFRS 15 – Revenue from contracts with customers.

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

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

4 As defined in note 9.

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

3 Segment information (continued)

Geographical information

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

Revenue by geographical market (based on location of customer)

	2019 US $ million	2018 US $ million
EMEA (excluding the UK and Spain)[1]	**231.2**	228.9
UK	**204.1**	170.6
Spain	**60.9**	68.0
Americas	**51.7**	48.1
Rest of world	**12.4**	14.3
Revenue before VAT accrual release	**560.3**	529.9
VAT accrual release	**-**	10.7
Total revenue	**560.3**	540.6

[1] Non-European revenue included in the market during 2019 amount to US$42.8 million (2018: US$45.7 million).

Non-current assets by geographical location

	Carrying amount of non-current assets by location	
	2019 US $ million	2018 US $ million
Gibraltar	**158.5**	135.6
Rest of world	**129.7**	77.6
Total non-current assets by geographical location[1]	**288.2**	213.2

[1] Excludes deferred tax assets of US$2.8 million (2018: US$1.4 million)

4 Operating profit

	Note	2019 US $ million	2018 US $ million
Operating profit is stated after charging:			
Staff costs (including Executive Directors)	6	**98.0**	95.7
Gaming duties		**95.5**	69.9
Selling and marketing expenses		**161.8**	155.0
Exceptional items	5	**2.3**	(11.1)
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:			
Statutory audit of the consolidated financial statements		**0.8**	0.7
Other assurance services		-	-
Depreciation of property plant and equipment and right-of-use assets (within operating expenses)	2.2,13	**12.6**	5.3
Amortisation (within operating expenses)	12	**19.6**	15.0
Chargebacks		**3.3**	2.8
Payment of service providers' commissions		**23.6**	23.2

5 Exceptional items

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

	2019 US $ million	2018 US $ million
Exceptional legal and professional costs	**1.0**	0.9
Restructuring costs	**1.3**	-
Historical VAT charge	**-**	(22.4)
Provision - regulatory matters	**-**	10.4
Total exceptional items[1]	**2.3**	(11.1)

[1] Tax effect of the exceptional items is US$0.3 million credit (2018: US$0.3 million tax charge)

Exceptional legal and professional costs

During 2019, the Group incurred legal and professional costs of US$1.0 million (2018: US$0.9 million) associated with the acquisitions of Jet Bingo brands and BetBright's sports betting platform.

Restructuring costs

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

Historical VAT charge

In 2017, the Group recorded a provision for exceptional items of US$45.3 million in respect of historical value added tax relating to the provision of gaming services in Germany prior to 2015. During 2018, following receipt of tax assessments from the Tax Authorities in Germany, the Group paid US$24.6 million on account of this provision and released US$22.4 million of the provision.

Provision - regulatory matters

During 2018, the Group recorded a provision of US$10.4 million in respect of regulatory matters related to legacy customers' activity in prior periods. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group. See also note 19.

6 Employee benefits

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

	2019 US $ million	2018 US $ million
Wages and salaries	**97.4**	94.6
Social security	**5.1**	4.9
Employee benefits and severance pay scheme costs	**7.8**	8.0
	110.3	107.5
Staff costs capitalised in respect of internally generated intangible assets	**(12.3)**	(11.8)
	98.0	95.7

In the consolidated income statement total staff costs, excluding share benefit charges of US$5.4 million (2018: US$8.9 million), are included within the following expenditure categories:

	2019 US $ million	2018 US $ million
Operating expenses	**50.8**	51.9
Research and development expenses	**26.9**	25.6
Administrative expenses	**20.3**	18.2
	98.0	95.7

The average number of employees by category was as follows:

	2019 Number	2018 Number
Operations	**843**	805
Research and development	**427**	388
Administration	**143**	127
	1,413	1,320

At 31 December 2019 the Group employed 1,413 (2018: 1,364) staff.

At 31 December 2019 the Group used the services of 62 chat moderators (2018: 210) and 153 contractors (2018: 82).

Severance pay scheme - Israel

The Group has defined contribution plan pursuant to section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service at the date of their departure. The Group recognised an expense in respect of contribution to the defined contribution plan during the year of US$1.1 million (2018: US$0.8 million).

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

The current service cost and the present value of the defined benefit obligation are measured using the projected unit credit method. Under this schedule, the Company contributes on a monthly basis at the rate of 8.3% per cent of the aggregate of members’ salaries.

The disclosures set out below are based on calculations carried out as at 31 December 2019 by a qualified independent actuary.

6 Employee benefits (continued)

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

	2019 US $ million	2018 US $ million
Included in the balance sheet:		
Severance pay scheme liability (within trade and other payables)	**6.0**	2.2
Included in the income statement:		
Current service costs (within operating expenses)	**1.5**	1.6
Current service costs (within research and development)	**1.3**	1.5
Current service costs (within administrative expenses)	**0.8**	0.7
Included in the statement of comprehensive income:		
Remeasurement of severance pay scheme liability	**2.2**	(1.1)

Movement in severance pay scheme liability:

Severance pay scheme assets	2019 US $ million	2018 US $ million
At beginning of year	**21.9**	22.5
Interest income	**1.0**	0.8
Contributions by the Group	**3.1**	3.6
Benefits paid	**(6.0)**	(3.2)
Return on assets less interest income already recorded	**0.1**	(0.2)
Exchange differences	**1.7**	(1.6)
At end of year	**21.8**	21.9

Severance pay plan liabilities	2019 US $ million	2018 US $ million
At beginning of year	**24.1**	25.8
Interest expense	**1.0**	0.9
Current service costs	**3.6**	3.8
Benefits paid	**(6.1)**	(3.2)
Actuarial gain on past experience	**(0.2)**	(0.2)
Actuarial loss on changes in financial assumptions	**3.4**	(1.2)
Exchange differences	**2.0**	(1.8)
At end of year	**27.8**	24.1

As at 31 December 2019 the net accounting deficit of the defined benefit severance pay plan was US$6.0 million (2018: US$2.2 million). The Scheme is backed by substantial assets amounting to US$21.8 million at 31 December 2019 (2018: US$21.9 million). The net accounting deficit of defined benefit severance plan is a result of two elements:

- Potential liability to pay further contributions to employees who will be made redundant, if the fund does not hold sufficient assets to pay all benefits relating to employee service at the date of their departure.
- Volatility of Israeli government bond rates may have substantial impact in absolute terms on the net liability. A decrease in the discount rate from 4.46% in 2018 to 2.88% in 2019 resulted in a US$3.4 million increase the plan liabilities.
- A further decrease in the discount rate by 0.25% per annum (i.e. 2.88% to 2.63%) would increase the plan liabilities by US$0.7 million (2018: US$0.5 million).

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

6 Employee benefits (continued)

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

The expected contribution for 2020 is US$3.8 million.

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

	2019 %	2018 %
Discount rate (nominal)	**2.88**	4.46
Estimated increase in employee benefits costs	**5.14**	5.14
Voluntary termination rate	**75**	75
Inflation rates based on Israeli bonds	**1.52**	1.52

Sensitivity of balance sheet at 31 December 2019

The results of the calculations are sensitive to the assumptions used. The balance sheet position revealed by IAS 19 calculations must be expected to be volatile, principally because the market value of assets (with significant exposure to equities) is being compared with a liability assessment derived from corporate bond yields.
The table below shows the sensitivity of the IAS 19 balance sheet position to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept as disclosed above.

	Resulted (surplus)/ deficit US $ million	Change from disclosed US $ million
Discount rate less 0.25%	**(0.7)**	(0.5)
Estimated increase in employee benefits costs plus 1%	**(8.6)**	(2.6)
Voluntary termination rate decrease 5%	**(6.2)**	(0.2)
Inflation rates up 0.25%	**(5.4)**	0.6

7 Finance income and finance expenses

Finance income:

	2019 US $ million	2018 US $ million
Interest income	**0.5**	0.6
Finance income	**0.5**	0.6

Finance expenses:

	2019 US $ million	2018 US $ million
Foreign exchange losses	**4.3**	0.7
Interest expenses related to right of use lease liabilities	**1.3**	-
Interest bearing credit facility	**1.6**	-
Finance expenses	**7.2**	0.7

8 Taxation

Corporate taxes

	2019 US $ million	2018 US $ million
Current taxation		
Gibraltar taxation	**0.4**	2.2
Other jurisdictions taxation	**2.3**	11.9
Adjustments in respect of prior years	**1.7**	(0.2)
	4.4	**13.9**
Deferred taxation		
Origination and reversal of temporary differences	**(0.7)**	**-**
Taxation expense	**3.7**	**13.9**
Deferred taxation related to items recognised in OCI		
Remeasurement of severance pay liability	**(1.1)**	-

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

	2019 US $ million	2018 US $ million
Profit before taxation	**45.3**	108.7
Standard tax rate in Gibraltar (2019: 10%, 2018: 10%)	**4.5**	10.9
Higher effective tax rate on other jurisdictions	**1.9**	4.1
Tax on dividend distribution from other jurisdictions	**-**	5.5
Expenses not allowed for taxation	**0.2**	1.8
Deferred tax	**(0.7)**	-
Capital allowances in excess of depreciation	**(0.5)**	(0.8)
Non-taxable revaluation of equity interest	**-**	(0.9)
Non-taxable income	**(1.8)**	(6.5)
Adjustments to prior years' tax charges	**0.1**	(0.2)
Total tax charge for the year	**3.7**	13.9

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

Gibraltar

Gibraltar companies are subject to a corporate tax rate of 10%. Gibraltar corporate tax expenses for the year are significantly lower compared to 2018, as a result of lower profit before tax and re-domiciliation of several companies to Malta.

Malta

During the year, the Company redomiciled several its Gibraltar companies to Malta, and also incorporated a number of new Maltese companies. Maltese companies are subject to a corporate tax rate of 35%, however a deemed dividend deduction of 30% reduces the effective rate to 5%. In order to qualify for the deduction, the Company must pay an appropriate dividend to its shareholders from trading income.

Israel

The domestic corporate tax rate in Israel in 2019 is 23% (2018: 23%). The Company's Israeli subsidiary concluded an assessment agreement with respect to all tax years up to and including 2014 and entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner as regards to 2015.

UK

8 Taxation (continued)

The Group's subsidiary in the UK is subject to a corporate tax rate of 19% (2018: 19%). In addition to the previously enacted reduction in the UK corporation tax rate to 19% from April 2017, the UK government announced and substantively enacted a further reduction to 17% from April 2020.

Romania

The Group's subsidiary in Romania is subject to a corporate tax rate of 16% (2018: 16%).

US

The Group's subsidiaries in US are subject to federal corporate tax rate of 21% (2018: 21%), and state (New Jersey) tax rate of 9% (2018: 9%).

Sensitivity analysis

The key operating companies in the Group are incorporated, managed and controlled and tax resident mainly in Gibraltar, with several operating companies tax residents in Malta. The Group's subsidiaries are located in different jurisdictions and these subsidiaries are taxed locally on their respective profits which are determined based on transfer pricing studies. Effective tax rate increased by 1% would result in an increase in the tax charge (and associated provision) of US$0.5 million (2018: US$1.1 million).

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 and outstanding during the year during the year.

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 2,128,947 Ordinary Shares (2018: 5,759,968) and no market-value options (2018: 18,481).
The number of equity instruments excluded from the diluted EPS calculation is 3,802,458 (2018: 2,078,991).

	2019	2018
Profit for the period attributable to equity holders of the parent (US$ million)	**41.6**	94.8
Weighted average number of Ordinary Shares in issue and outstanding	**367,173,313**	361,122,725
Effect of dilutive Ordinary Shares and Share options	**2,128,947**	5,778,449
Weighted average number of dilutive Ordinary Shares	**369,302,260**	366,901,174
Basic earnings per share	**11.3¢**	26.3¢
Diluted earnings per share	**11.3¢**	25.8¢

9 Earnings per share (continued)

Adjusted earnings per share

The Directors believe that EPS excluding VAT accrual release, exceptional items, share benefit charges, gain from remeasurement of previously held equity interest in joint ventures and share of post- tax loss of equity accounted associate ("Adjusted EPS") allows for a further understanding of the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit to profit excluding VAT accrual release, exceptional items, share benefit charges, gain from remeasurement of previously held equity interest in joint ventures and share of post-tax loss of equity accounted associate ("Adjusted profit"):

	2019 US $ million	2018 US $ million
Profit for the period attributable to equity holders of the parent	**41.6**	94.8
VAT accrual release	**-**	(10.7)
Exceptional items (see note 5)	**2.3**	(11.1)
Share benefit charges (see note 23)	**5.4**	8.9
Gain from remeasurement of previously held equity interest in joint ventures	**-**	(9.3)
Share of post-tax loss of equity accounted associate (see note 14)	**0.2**	0.2
Adjusted profit	**49.5**	72.8
Weighted average number of Ordinary Shares in issue	**367,173,313**	361,122,725
Weighted average number of dilutive Ordinary Shares	**369,302,260**	366,901,174
Adjusted basic earnings per share	**13.5¢**	20.2¢
Adjusted diluted earnings per share	**13.4¢**	19.8¢

10 Dividends

	2019 US $ million	2018 US $ million
Dividends paid	**40.4**	**56.6**

An interim dividend of 3.0¢ per share was paid on 18 October 2019 (US$11.0 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2019 of 3.0¢ per share, which will be recognised in the 2020 financial statements once approved.

In 2018 an interim dividend of 4.2¢ per share was paid on 31 October 2018 (US$15.2 million) and a final dividend of 6.0¢ per share plus an additional one-off 2.0¢ per share were paid on 23 May 2019 (US$29.4 million).

11 Business combinations

Acquisition of Jet Bingo brands

On 19 February 2019, the Group announced the signing of an agreement for the acquisition of a portfolio of Bingo brands, including Costa Bingo and certain other Bingo brands of Jet Management Group Limited and Jet Media Limited (together, "Jet") for consideration of £18.0 million (US$22.9 million). Jet is part of the group of companies headed by JPJ Group plc, which owns the Jackpotjoy brands. The consideration was satisfied all in cash during 2019.

Jet has been a partner of Dragonfish, the Group's B2B Bingo division, since 2009 with brands including Costa Bingo, City Bingo and Sing Bingo. The acquisition gives the Group full control of these successful brands from a marketing perspective to support and further strengthen the Group's position in the UK online bingo market. Revenue of the acquired business since the acquisition date amount to US$8.3 million. Results of the acquired business are measured as part of Bingo segment. See also note 3.

The fair values of the identifiable assets and liabilities acquired were:

	Fair Value recognised on acquisition US $ million
Assets	
Other intangible assets[1]	21.5
Total assets	21.5
Liabilities	
Deferred tax liability	2.2
Total Liabilities	2.2
Total identifiable net assets at fair value	**19.3**
Goodwill arising on acquisition	**4.2**
Purchase consideration transferred	23.5
Fair value of purchase consideration	**23.5**

[1] Other intangible assets consist of Customer list of US$19.2 million and Brand name of US$2.3 million.

11 Business combinations (continued)

Acquisition BetBright's sports betting platform

On 4 March 2019, the Group announced the acquisition of BetBright's sports betting platform for £15.0 million. The consideration was satisfied all in cash, with £15.0 million (US$19.3 million) paid during H1 2019. The acquisition strengthens 888's product and technology capabilities and will support the long-term development strategy for 888Sport. During 2019 the Group was focused on the integration of the acquired technology and team into 888's business with the aim of commencing a phased and market-by-market roll out of the Group's proprietary sportsbook solution during 2020.

The fair values of the identifiable assets and liabilities acquired were:

	Fair Value recognised on acquisition US $ million
Assets	
Property, plant and equipment	0.2
Other intangible assets[1]	19.1
Total identifiable net assets at fair value	**19.3**
Purchase consideration transferred	19.3
Fair value of purchase consideration	**19.3**

[1] Other intangible assets consist of Sport platform technology of US$18.3 million and the right to access third party customer list of US$0.8 million.

12 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 2018	146.1	21.6	80.6	248.3
Additions	-	2.7	12.0	14.7
Acquisition of a subsidiary (AAPN buyout)	30.9	9.9	-	40.8
At 31 December 2018	**177.0**	**34.2**	**92.6**	**303.8**
Additions[1]	-	3.1	11.8	14.9
Acquisition of BetBright Sport platform	-	19.1	-	19.1
Acquisition of Jet Bingo brands	4.2	21.5	-	25.7
Disposals	-	(0.5)	-	(0.5)
At 31 December 2019	**181.2**	**77.4**	**104.4**	**363.0**
Amortisation and impairments:				
At 1 January 2018	20.7	16.2	51.6	88.5
Amortisation charge for the year	-	3.2	11.8	15.0
At 31 December 2018	**20.7**	**19.4**	**63.4**	**103.5**
Amortisation charge for the year	-	10.3	9.3	19.6
Disposals	-	(0.5)	-	(0.5)
At 31 December 2019	**20.7**	**29.2**	**72.7**	**122.6**
Carrying amounts				
At 31 December 2019	**160.5**	**48.2**	**31.7**	**240.4**
At 31 December 2018	156.3	14.8	29.2	200.3
At 1 January 2018	125.4	5.4	29.0	159.8

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

Following a review of fully written down assets, assets no longer in use with a total cost and accumulated amortisation of US$0.5 million were written off in 2019 (2018: nil).

Acquired intangible assets

Acquisition during the period

Fair Value of acquired intangible assets recognised on the acquisition of Jet Bingo brands consisting of Customer list of US$19.2 million and Brand name of US$2.3 million. The estimated remaining useful life of the Customer list and Brand name is 12 years (using the sliding scale method with 70% of the value to be amortised over 5 years) and 10 years, respectively.

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

Acquisition in 2018

Fair value of acquired intangible assets recognised on acquisition of AAPN included licence to operate, trade names and customer relationships. The estimated remaining useful life of the acquired intangible assets is 5 years, 5 years and up to 12 years, respectively

12 Goodwill and other intangible assets (continued)

Software licences

No impairment tests were considered to be required at 31 December 2019 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 2019 and the carrying value of other intangible assets is considered to be appropriate.

Internally generated intangible assets

This category of assets includes capitalised development costs in accordance with IAS 38. The material projects as included within the carrying amount above include compliance with local regulatory requirements in certain jurisdictions US$5.4 million (2018: US$5.6 million) and a major upgrade to the gaming systems platform US$26.3 million (2018: $23.5 million). No impairment tests were considered to be required at 31 December 2019 and the carrying value of internally generated intangible assets is considered to be appropriate. At 31 December 2019 there were projects with carrying value US$8.4 million (2018: US$4.3 million) which were not completed and therefore not being amortised. All of these projects are expected to complete and commence amortisation in 2020.

Goodwill

Goodwill - Jet

The recognised goodwill reflects the potentially significant opportunities in the Bingo business to create additional value for the Group.

Analysis of goodwill by cash generating units:

	B2C			B2B	Consolidated
	Bingo	AAPN	Other	Bingo	Total goodwill
	US $ million				
Carrying value at 31 December 2019	**104.4**	**30.9**	**0.3**	**24.9**	**160.5**
Carrying value at 31 December 2018	95.4	30.9	0.3	29.7	156.3

Reorganisation of goodwill

Following the acquisition of B2B partner Jet by the B2C cash generating unit (see note 11), management undertook a review of the goodwill allocated to its cash generating units. This resulted in an $4.8m of goodwill being reallocated from B2B to B2C cash generating unit.

Prior to the reallocation of the goodwill, impairment reviews were carried out for each individual goodwill CGU with no impairment identified. The carrying values of the assets were compared with the recoverable amounts, the recoverable amount was estimated based upon a value in use calculation, based upon management forecasts, as at 31 December 2019, for the years ending 31 December 2020 and up to 31 December 2024. An impairment review was also carried on the reallocated goodwill using the assumptions shown below.

Impairment

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

12 Goodwill and other intangible assets (continued)

Goodwill - Bingo B2C and B2B business

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

Key assumptions and inputs used

Cash flow projections have been prepared for a five year period, following which a long- term growth rate has been assumed. Underlying growth rates, as shown in the table below for each of B2B and B2C, have been applied to revenue and are based on past experience, including the results in 2018 and 2019 and projections of future changes in the UK online bingo gaming market. Key assumptions in preparing these cash flow projections include zero short-term revenue growth rate, continued optimisation of costs per customer acquisition and the expectation that the Group will continue to operate and be subject to gaming duties in its core jurisdictions.

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

	Pre-tax discount rate applied[1]	Underlying growth rate[2] year 1	Underlying short-term growth rate years 2-5	Long-term growth rate year 6+	Operating expenses increase years 1-5	Operating expenses increase year 6+
At 31 December 2019	**9%**	**2%**	**0%**	**2%**	**0%**	**2%**
At 31 December 2018	9%	2%	3%	2%	2%	2%

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

2 The underlying growth rates of Bingo B2C and Bingo B2B units are 6% and (3%), respectively. This outcome is a direct result of recognising Jet as Bingo B2C rather than B2B for the first full year following the acquisition of Jet bingo brands.

The calculation of value in use for Bingo B2C and Bingo B2B units is most sensitive to the following assumptions:

(i) Revenue growth rate assumptions. Growth rates are based on past experience and projections of future changes in the online gaming market, the continued highly competitive UK Bingo market as well as the proactive steps 888 has taken to address the tighter regulatory environment in the UK. A reduction of the short-term growth rates by 2% for each of B2B and B2C would result in zero headroom for Bingo B2B and Bingo B2C, respectively.

(ii) Cash flow forecast – cash flow projections may be affected by changes in the UK gaming market including possible economic slowdown as a result of Brexit. A reduction of 34% and 10% in the cash flow projections for each of B2B and B2C would result in zero headroom for Bingo B2B and Bingo B2C, respectively.

Goodwill - AAPN

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

12 Goodwill and other intangible assets (continued)

Key assumptions and inputs used

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

The pre-tax discount rate that is considered by the Directors to be appropriate is the Group's specific Weighted Average Cost of Capital, adjusted for tax, and including an addition risk premium which is considered to be appropriate for the US B2C cash generating unit.

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

(i) Market share assumptions - A reduction of 25% in market share assumptions for each state would result in zero headroom for US B2C value in use.

(ii) Pre-tax discount rate – An increase of Pre-tax discount rate from 15% to 18% would result in zero headroom for US B2C value in use.

13 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 2018	44.1	5.5	15.2	64.8
Additions	6.4	0.6	0.3	7.3
Disposals	(3.5)	-	-	(3.5)
At 31 December 2018	**47.0**	**6.1**	**15.5**	**68.6**
Additions	7.5	0.3	0.8	8.6
Disposals	(0.1)	(0.1)	-	(0.2)
At 31 December 2019	**54.4**	**6.3**	**16.3**	**77.0**
Accumulated depreciation				
At 1 January 2018	38.6	3.6	13.6	55.8
Charge for the year	4.4	0.5	0.4	5.3
Disposals	(3.5)	-	-	(3.5)
At 31 December 2018	**39.5**	**4.1**	**14.0**	**57.6**
Charge for the year	5.7	0.5	0.3	6.5
Disposals	(0.1)	-	-	(0.1)
At 31 December 2019	**45.1**	**4.6**	**14.3**	**64.0**
Carrying amounts				
At 31 December 2019	**9.3**	**1.7**	**2.0**	**13.0**
At 31 December 2018	**7.5**	**2.0**	**1.5**	**11.0**
At 1 January 2018	5.5	1.9	1.6	9.0

Following a review of fully written down assets in 2018, assets no longer in use with a total cost and accumulated depreciation of US$3.5 million were written off

14 Investments

Investments in associate

The following entities meet the definition of an associate and have been equity accounted in the consolidated financial statements:

Name	Relationship	Country of incorporation	Effective interest 31 December 2019	Effective interest 31 December 2018
Come2Play Limited	Associate	Israel	20%	20%

On 15 April 2015 the Group acquired 20% of the Ordinary Shares of Come2Play Limited for a cash payment of US$1.5 million. As at 31 December 2019 the Group had investment in associate of US$0.7 million (2018: US$0.9 million). Further disclosures have not been provided as the investment is not material to the Group.

A reconciliation of the movements in the Group's interest in equity accounted associate is shown below:

	US $ million
At 1 January 2018	1.1
Share of post-tax loss of equity accounted associate	(0.2)
At 31 December 2018	**0.9**
Share of post-tax loss of equity accounted associate	(0.2)
At 31 December 2019	**0.7**

Investments in 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 had 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.

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

On 10 December 2018 ("AAPN buyout day"), the Group acquired an additional 53% interest in the voting shares of AAPN Holdings LLC (AAPN), increasing its ownership interest to 100% for cash consideration of US$28.5 million. US$10.0 million was paid (gross of US$0.8 million cash acquired) to the non-controlling shareholders on the day of acquisition and additional US$18.4 million paid during the first quarter of 2019.

The Group remeasured its previously held 47% equity interest in AAPN at its acquisition-date fair value and recognised US$9.3 million gain in the consolidated income statement. The US$30.9 million goodwill recognised on acquisition represents the potential revenues from the US market as the states regulate online gambling.

AAPN results were under the joint venture framework until AAPN buyout day. Starting 11 December 2018 AAPN results are included in the consolidated income statement. AAPN assets and liabilities as of 31 December 2019 and 31 December 2018 are included in the consolidated balance sheet.

14 Investments (continued)

Group's share of post-tax losses of the joint ventures for the period 1 January 2018 – 10 December 2018 as are as follows:

Income statement of US joint ventures

	US $ million
Revenue	2.7
Expenses	(10.8)
Post tax loss of joint ventures	**(8.1)**
Expenses attributed to class B holders	(2.0)
Total post tax loss of joint ventures attributed to the Group	**(10.1)**
Group effective interest in joint ventures	47%
Group share of post tax loss of joint ventures[1]	**(4.7)**

[1] The Group's investment in the US joint ventures had reduced to nil due to the US joint ventures' cumulative losses exceeding the Group's investment. In 2018 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$4.7 million in its consolidated income statement in 2018. The total amount of unrecognised loss as of AAPN buyout day is US$13.2 million.

Other investments

The Group holds equity instruments designated at fair value through OCI of US$0.2 million at 31 December 2019 (31 December 2018: US$0.2 million).

15 Deferred taxes

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

	2019 US $ million	2018 US $ million
Deferred tax relates to the following:		
Accrued severance pay	**1.4**	0.2
Vacation pay accrual	**0.5**	0.5
Property, plant and equipment	**1.2**	1.0
Intangible assets	**(4.3)**	(2.6)
	(1.2)	(0.9)
Reflected in the statement of financial position as follows:		
Deferred tax assets	**2.8**	1.4
Deferred tax liabilities	**(4.0)**	(2.3)

The Group has no tax losses at 31 December 2019 (2018: nil) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Deferred tax liabilities of US$2.2 million have been recognised in respect of the fair value of acquired intangible assets recognised on acquisition of Sport platform and Bingo brands (2018: US$2.3 million in respect of the fair value of acquired intangible assets recognised on acquisition of AAPN).

16 Cash and cash equivalents

	2019 US $ million	2018 US $ million
Cash and short-term deposits	**42.2**	74.4
Customer funds	**54.7**	57.1
Restricted short-term deposits	**2.6**	1.5
	99.5	133.0

Customer funds represent bank deposits matched by liabilities to customers and progressive prize pools of an equal value (see note 21). Restricted short-term deposits represent amounts held by banks primarily to support guarantees in respect of regulated markets licence requirements.

17 Trade and other receivables

	2019 US $ million	2018 US $ million
Trade receivables	**26.5**	19.0
Other receivables	**10.9**	10.3
Prepayments	**5.2**	3.7
Current trade and other receivables	**42.6**	33.0
Non-current prepayments	**0.6**	0.8
	43.2	33.8

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 25 provides credit risk disclosures on trade and other receivables.

18 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2019 Number	**31 December 2018 Number**	**31 December 2019 US $ million**	**31 December 2018 US $ million**
Ordinary Shares of £0.005 each	1,026,387,500	1,026,387,500	**8.1**	8.1

	Allotted, called up and fully paid			
	31 December 2019 Number	**31 December 2018 Number**	**31 December 2019 US $ million**	**31 December 2018 US $ million**
Ordinary Shares of £0.005 each at beginning of year	**364,284,539**	359,679,561	**3.3**	3.3
Issue of Ordinary Shares of £0.005 each	**4,063,255**	4,604,978	**-**	-
Ordinary Shares of £0.005 each at end of year	**368,347,794**	364,284,539	**3.3**	3.3

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan (see note 23) during 2019 and 2018:

During 2019, the Company issued 4,063,255 shares (2018: 4,604,978) out of which 32,440 shares (2018: 60,182) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$0.1 million (2018: US$0.1 million).

Shares issued are converted into US$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US$3.3 million (2018: US$3.3 million) and is split into 368,347,794 (2018: 364,284,539) Ordinary Shares. The share capital in UK sterling (GBP) is £1.8 million (2018: £1.8 million).

19 Trade, other payables and provisions

	2019 US $ million	**2018 US $ million**
Trade payables	**28.4**	30.8
Accrued expenses[1]	**79.9**	63.6
Liability in respect of AAPN buyout[2]	**-**	18.5
Other payables	**22.6**	23.1
Total trade and other payables	**130.9**	136.0
Provisions[3]	**10.2**	11.3
	141.1	147.3

1 During 2018 the Group released US$10.7 million of accrued liability is respect of VAT due, following the receipt of tax assessments from the German tax authorities in respect of 2015-2017.

2 In 2018, the Group acquired the remaining 53% interest in the voting shares of AAPN for cash consideration of US$28.4 million. US$10.0 million (gross of US$0.8 million cash acquired) was paid on the day of acquisition and additional US$18.4 million was paid during 2019.

3 Includes mainly provisions in respect of regulatory matters related to legacy customers' activity in prior periods.

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

19 Trade, other payables and provisions (continued)

Provisions

The Group has recorded a provision in respect of regulatory matters related to legacy customers' activity in prior periods. This amount represents management's best estimate of probable cash outflows related to these matters, which are closely monitored by the Group.

During 2017, the Group recorded a provision for exceptional items of US$45.3 million in respect of historical value added tax relating to the provision of gaming services in Germany prior to 2015. During 2018, following receipt of tax assessments from the Tax Authorities in Germany, the Group paid US$24.6 million on account of this provision and released US$22.4 million of the provision, as described in note 5.

Movement in the provision during the year is as follows:

	Total US $ million
At 1 January 2018	**47.0**
Arising during the year	**10.4**
Paid during the year	**(24.6)**
Released to income statement during the period	**(22.4)**
Exchange rate	**0.9**
At 1 January 2019	**11.3**
Paid during the year	**(1.1)**
At 31 December 2019	**10.2**
Current	**10.2**
Non-current	**-**

20 Interest-bearing loans and borrowings

	2019 US $ million	2018 US $ million
Lease liabilities[1]	**34.8**	-
Interest-bearing loan – RCF[2]	**17.7**	-
Total interest-bearing loans and borrowings	**52.5**	-

1 The Group applies, for the first time, IFRS 16 – Leases, see note 2.2. At 1 January 2019, US$26.8 million was recognised as lease liabilities – being the present value of $29.2 million remaining lease payments, discounted using a weighted average incremental borrowing rate of 3.9%. As at 31 December 2019, the lease liabilities of US$34.8 million include interest of US$1.3 million.

2 During the period, 888 has finalised a revolving credit facility ("RCF") with Barclays Bank plc of up to US$50.0 million in order to finance its M&A activities in the short term. At 31 December 2019 the Group has RCF liability of US$18 million. Arrangement fee of US$0.5 million is amortised to income statement over period of the RCF.

	Lease liabilities US $ million	RCF US $ million	Total US $ million
At 1 January 2019	26.8	-	26.8
Arising during the period	12.6	32.5	30.1
Paid during the period	(7.5)	(15.0)	(7.5)
Interest expenses	1.3	1.3	1.5
Interest paid	-	(1.1)	
Exchange rate	1.6	-	1.6
At 31 December 2019	**34.8**	**17.7**	**52.5**
Current	6.0	17.7	23.7
Non-current	28.8	-	28.8

21 Liabilities to customers and progressive prize pools

	2019 US $ million	2018 US $ million
Liabilities to customers	**48.3**	49.5
Progressive prize pools	**6.4**	7.6
	54.7	57.1

22 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 2019 %	Percentage of equity interest 2018 %	Nature of business
VHL Financing Limited	Gibraltar	100	100	Holding company
VHL Financing (Malta) Limited	Malta	100	100	Holding company
Virtual Global Digital Services Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar during 2019
Virtual Digital Services Limited	Malta	100	100	Holder of gaming licences in Malta 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
888 Italia Limited	Malta	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Malta	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	Malta	100	100	Holder of Romanian online gaming licence
888 (Ireland) Limited	Malta	100	100	Holder of Irish online betting licence
888 Denmark Limited	Malta	100	100	Holder of Danish online gaming licence
888 Portugal Limited	Malta	100	100	Holder of Portuguese online gaming licence
888 Sweden Limited	Malta	100	100	Holder of Swedish online gaming licence
Virtual Emerging Entertainment Limited	Gibraltar	100	100	Trademark licensor
Gisland Limited	Gibraltar	100	100	Payment transmission
Virtual IP Assets Limited	BVI[1]	100	100	Holder of group IP assets
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
888 US Services Inc.	New Jersey, USA	100	100	Provider of US-based services for US operations
Dixie Operations Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Random Logic Ventures Limited	Israel	100	100	Investment holding company
Sparkware Technologies SRL	Romania	100	100	Software development
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
Virtual Internet Services (Ireland) Limited	Ireland	100	100	Data hosting services
Virtual Share Services Limited	Gibraltar	100	100	Administration of employee equity schemes
888 US Inc.	Delaware, USA	100	100	Holder of AAPN
888 US Holdings Inc.	Delaware, USA	100	100	Holder of AAPN
AAPN Holdings, LLC	Delaware, USA	100	47	Holding company
AAPN New Jersey LLC	New Jersey, USA	100	47	Holder of Casino Service Industry Enterprise licence in New Jersey
Spectate Limited	Ireland	100	N/A	Software development
Gaming Ventures Europe 2019 Limited	Malta	100	N/A	Holder of gaming licences in Malta for European markets which are not locally regulated
Entertainment Ventures Europe 2019 Limited	Malta	100	NA	Holder of gaming licences in Malta for European markets which are not locally regulated

Virtual IP Assets Limited has been redomiciled to Antigua with effect as of 22 November 2019.

23 Share benefit charges

Equity-settled share benefit charges

As at 31 December 2019 the Group has equity-settled employee shares and share options granted under two equity-settled employee share incentive plans - the 888 All-Employee Share Plan ("AEP"), which expired according to its terms in August 2015, and the 888 Long-Term Incentive Plan 2015 ("LTIP") which was adopted at the Extraordinary General Meeting on 29 September 2015. The 888 Long-Term Incentive Plan 2015 is open to employees (including Executive Directors) and full-time consultants of the Group, at the discretion of the Remuneration Committee. Awards under this scheme will vest in instalments over a fixed period of at least three years subject to the relevant individuals remaining in service. Certain of these awards are subject to additional performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors' Remuneration Report.

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

The Company grants equity awards under which shares of the Company are issued to employees at nil consideration. The nominal value of such shares is covered internally. Details of equity settled shares and share options granted as part of the AEP, the LTIP and the DSBP are set out below.

Share options granted

	2019 **Weighted average exercise price**	**Number**	**2018** **Weighted average exercise price**	**Number**
Outstanding at the beginning of the year	**£1.08**	**33,092**	£1.26	97,968
Market value options lapsed during the year	**£1.02**	**(652)**	£1.08	(4,694)
Market value options exercised during the year	**£1.08**	**32,440**	£1.38	(60,182)
Outstanding at the end of the year	**-**	**-**	£1.08	33,092

Ordinary Shares granted (without performance conditions)

	2019 **Number**	**2018** **Number**
Outstanding at the beginning of the year	**3,578,276**	4,083,372
Shares granted during the year	**1,702,870**	910,159
Lapsed future vesting shares	**(398,981)**	(141,397)
Shares issued during the year	**(2,970,183)**	(1,273,858)
Outstanding at the end of the year	**1,911,982**	3,578,276
Averaged remaining life until vesting	**1.45 years**	0.59 years

23 Share benefit charges (continued)

Deferred Share Bonus Plan

	2019 Number	2018 Number
Outstanding at the beginning of the year	**338,201**	211,691
Shares granted during the year	**-**	197,074
Shares exercised during the year	**(136,254)**	(70,564)
Outstanding at the end of the year	**201,947**	338,201
Averaged remaining life until vesting	**0.54 years**	1.02 years

The aforementioned grants under the DSBP were approved by the Board as part of the annual bonus award to the Executive Directors for 2016-2018, pursuant to which an amount equal to 100% of salary was granted in cash, with the additional 50% of salary deferred into shares of the Company. These grants were made on 21 March 2018 to the CEO (117,965 Shares) and CFO (79,109 Shares) and 28 June 2017 to the CEO (130,914 Shares) and CFO (80,777 Shares), with the shares vesting in equal tranches over three years. Ordinary Shares granted for future vesting are valued at the share price at grant date, which the Group considers approximates to the fair value. On 28 March 2018, the Group purchased 197,074 shares and on 29-30 June 2017 the Group purchased 211,691 shares on the open market at an average price of 277.9¢ per share and 255.31¢ per share, respectively, all of which were recognised as treasury shares as of 31 December 2019.

Ordinary shares granted (subject to performance conditions)

	2019 Number	2018 Number
Outstanding at the beginning of the year	**4,142,129**	5,991,888
Shares granted during the year	**1,703,845**	1,372,015
Lapsed future vesting shares	**(613,093)**	-
Shares issued during the year	**(1,060,632)**	(3,221,774)
Outstanding at the end of the year	**4,172,249**	4,142,129
Averaged remaining life until vesting	**1.34 years**	1.25 years

Shares granted during the year (1,703,845) are 100% dependent on total shareholder return (TSR) compared to a peer group of companies. All other shares outstanding at the end of the year (2,468,405) 50% 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 in the 2019 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:	2019	2018
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	**£1.74**	£1.72
Number of shares granted	**1,703,845**	686,008
Average risk-free interest rate	**0.75%**	0.98%
Average standard deviation	**27%**	26%
Average standard deviation of peer group	**30%**	29%

23 Share benefit charges (continued)

Valuation information – shares granted

	2019		2018	
	Without performance conditions	**With performance conditions**	**Without performance conditions**	**With performance conditions**
Weighted average share price at grant date	**£1.62**	**£1.67**	£2.76	£2.70
Weighted average share price at issue of shares	**£1.61**	**£1.56**	£2.29	£2.30

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

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

Share benefit charges

	2019 US $ million	2018 US $ million
Equity-settled		
Equity-settled charge for the year	**5.4**	8.9
Total share benefit charges	**5.4**	8.9

24 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:

	2019 US $ million	2018 US $ million
Short-term benefits	**5.9**	3.2
Post-employment benefits	**0.3**	0.2
Share benefit charges – equity-settled	**1.9**	4.2
	8.1	7.6

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

25 Financial risk management

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

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

- Cash and cash equivalents;
- Trade and other receivables;
- Trade and other payables;
- Customer deposits;
- Lease liabilities;
- Interest-bearing loan – RCF;
- Equity instruments designated at fair value through OCI.

Detailed analysis of these financial instruments is as follows:

Financial assets	2019 US $ million	2018 US $ million
Trade and other receivables[1] (note 17)	**37.4**	29.3
Cash and cash equivalents (note 16)	**99.5**	133.0
Equity instruments designated at fair value through OCI (note 14)	**0.2**	0.2
	137.1	162.5

[1] Excludes prepayments and non-current other receivables.

In accordance with IFRS 9, trade and other receivables and cash and cash equivalents are classified as financial assets at amortised costs. Equity investments are measured at fair value through other comprehensive income (FVOCI) without subsequent recycling to income statement.

Financial liabilities	2019 US $ million	2018 US $ million
Trade and other payables[1] (note 19)	**102.5**	100.7
Customer deposits (note 21)	**54.7**	57.1
Lease liabilities – IFRS 16 (note 20)	**34.8**	-
Interest-bearing loan – RCF (note 20)	**17.7**	-
	209.7	157.8

[1] Excludes taxes payable.

In accordance with IFRS 9, all financial liabilities are held at amortised cost.

Capital

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

25 Financial risk management (continued)

The main financial risk areas are as follows:

Credit risk

Trade receivables

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

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

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

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt as at year end amounting to US$0.1 million arising from a PSP failing to discharge its obligation (2018: US$0.1 million). This has been charged to the consolidated income statement.

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards (“chargebacks”) or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2019 was US$1.0 million (2018: US$1.1 million).

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

Cash and cash equivalents

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

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

Customer funds

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

25 Financial risk management (continued)

Restricted short-term deposits

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

The Group's maximum exposure to credit risk is the amount of financial assets presented above, totalling US$137.1 million (2018: US$162.5 million).

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 (undiscounted payments):

2019	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]	**15.8**	**73.7**	**13.0**	**-**	**102.5**
Customer deposits	**54.7**	**-**	**-**	**-**	**54.7**
Lease liabilities	**-**	**1.7**	**4.3**	**34.5**	**40.5**
Interest-bearing loan – RCF	**-**	**-**	**18.0**	**-**	**18.0**
	70.5	**75.4**	**35.3**	**34.5**	**215.7**

1 Excludes taxes payable.

2018	On demand US $ million	In 3 months US $ million	Between 3 months and 1 year US $ million	More than 1 year US $ million	Total US $ million
Trade and other payables[1]	11.6	83.1	6.0	-	100.7
Customer deposits	57.1	-	-	-	57.1
	68.7	83.1	6.0	-	157.8

1 Excludes taxes payable.

Market risk

Currency risk

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

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

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

At 31 December 2019 the Group does not have any open foreign exchange forward contracts.

25 Financial risk management (continued)

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

	2019					
	GBP	**EUR**	**ILS**	**USD**	**Other**	**Total**
	US $ million	**US $ million**	**US $ million**	**US $ million**	**US $ million**	**US $ million**
Cash and cash equivalents	27.7	34.4	5.0	27.4	5.0	**99.5**
Trade and other receivables	9.2	19.6	0.3	2.1	6.2	**37.4**
Equity instruments designated at fair value through OCI	-	-	-	0.2	-	**0.2**
Monetary assets	**36.9**	**54.0**	**5.3**	**29.7**	**11.2**	**137.1**
Trade and other payables	(18.0)	(24.7)	(16.3)	(41.1)	(2.4)	**(102.5)**
Customer deposits	(9.3)	(14.4)	-	(27.9)	(3.1)	**(54.7)**
Lease liabilities	(3.3)	(10.4)	(20.2)	(0.4)	(0.5)	**(34.8)**
Interest-bearing loan – RCF	-	-	-	(17.7)	-	**(17.7)**
Monetary liabilities	**(30.6)**	**(49.5)**	**(36.5)**	**(87.1)**	**(6.0)**	**(209.7)**
Net financial position	**6.3**	**4.5**	**(31.2)**	**(57.4)**	**5.2**	**(72.6)**

	2018					
	GBP	**EUR**	**ILS**	**USD**	**Other**	**Total**
	US $ million	**US $ million**	**US $ million**	**US $ million**	**US $ million**	**US $ million**
Cash and cash equivalents	37.8	38.6	13.2	39.7	3.7	**133.0**
Trade and other receivables	6.2	14.9	0.5	2.3	5.4	**29.3**
Equity instruments designated at fair value through OCI	-	-	-	0.2	-	**0.2**
Monetary assets	**44.0**	**53.5**	**13.7**	**42.2**	**9.1**	**162.5**
Trade and other payables	(16.2)	(16.1)	(19.9)	(46.9)	(1.6)	(100.7)
Customer deposits	(8.7)	(17.6)	-	(29.0)	(1.8)	(57.1)
Monetary liabilities	**(24.9)**	**(33.7)**	**(19.9)**	**(75.9)**	**(3.4)**	**(157.8)**
Net financial position	**19.1**	**19.8**	**(6.2)**	**(33.7)**	**5.7**	**4.7**

Sensitivity analysis

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

	Year ended 31 December 2019		
	GBP	**EUR**	**ILS**
	US $ million	**US $ million**	**US $ million**
10% strengthening	**(0.6)**	**(0.5)**	**3.1**
10% weakening	**0.6**	**0.5**	**(3.1)**

	Year ended 31 December 2018		
	GBP	**EUR**	**ILS**
	US $ million	**US $ million**	**US $ million**
10% strengthening	(1.9)	(2.0)	0.6
10% weakening	1.9	2.0	(0.6)

25 Financial risk management (continued)

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 and debt obligations (RCF).

At 31 December 2019 the Group has US$18.0 million RCF and is exposed to floating rate risk. Given the magnitude of the max drawable amount under the RCF (US$50 million) interest rate fluctuations are not expected to be significant.

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Effect on profit before tax	2019		2018	
	Interest bearing deposits US $ million	Debt obligations (RCF) US $ million	Interest bearing deposits US $ million	Debt obligations (RCF) US $ million
50bp increase	**0.1**	**(0.1)**	0.3	-
50bp decrease	**(0.1)**	**0.1**	(0.3)	-

26 Fair value measurements

At 31 December 2019 and 2018, the Group's equity investment is measured at fair value (level 2). For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

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

27 Provisions, contingent liabilities and regulatory issues

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

(b) In 2017, in response to an inquiry from the tax authorities in Germany relating to a legacy VAT matter, the Group disclosed a contingent liability of US$18.5 million, relating to issues on which the Group considered that it has strong arguments but regarding which it remained possible that there would be a cash outflow. During 2018 following further discussions with tax authorities in Germany culminating in the issuance of tax assessments, the Board, supported by their updated legal advice, considered that the risk of cash outflow in respect of these services is remote, and therefore the contingent liability no longer exists. The Board has reserved its position and all legal rights, based on the legal advice received.

27 Provisions, contingent liabilities and regulatory issues (continued)

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

Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has received notices, communications and legal actions from a small number of regulatory authorities and other parties in respect of its activities. The Group has taken legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, for the majority of these matters the Board is unable to quantify reliably the outflow of funds that may result, if any. For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements within Provisions. Except for the regulatory matters described in note 19, these amounts are not material at 31 December 2019.