



Annual Report & Accounts 2013

888 is one of the **world's** most popular online gaming **entertainment** companies.

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

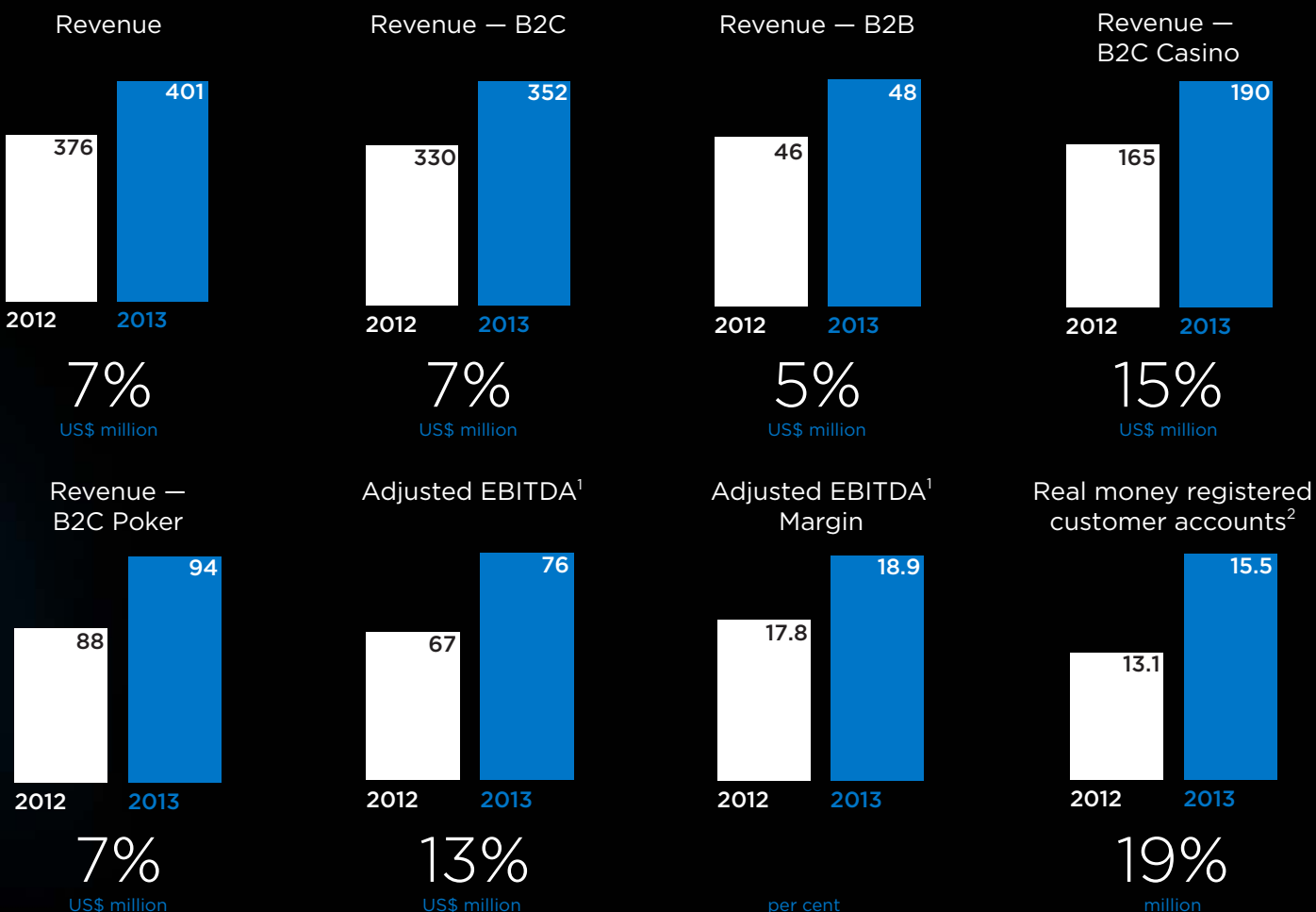
888's trusted brand offers localised products that provide players around the globe with the games they want, in the languages they speak, with functionality and interactivity in a safe and secure environment.

888 has been at the forefront of the online gaming industry for more than 15 years. With a team of 1,600 highly skilled and dedicated staff, we provide a first class online gaming experience to customers in more than 100 countries. Our industry-leading business analytics identify the best way to deliver to customers the offering that will be of most interest to them, and our best-in-class technology platform allows us to enter new markets efficiently and successfully as new geographies become regulated. Our ability to achieve such success in newly regulated jurisdictions in turn means that we are fast establishing ourselves as the partner of choice in both regulated and newly regulating markets.

888 is a responsible business and we work hard to ensure that our customers can enjoy our games in the safest and most secure possible environment. We continue to innovate and exceed our customers' expectations, both in terms of the offering and customer service, so that we can continue to grow the business and deliver value for our shareholders.



Highlights



Contents

Overview

- 01 Highlights
- 02 Chairman's Statement

Strategic Report

- 03 Chief Executive's Review
 - 03 2013 Overview
 - 03 Market Overview
 - 03 Our Strategy
 - 06 Operations: Delivering on our plans
- 09 Financial Review and Key Performance Indicators
- 14 Regulation
- 16 Corporate Responsibility
- 19 Principal Risks and Uncertainties

Governance

- 21 Board of Directors
- 22 Directors' Report
- 26 Directors' Statement of Responsibilities
- 27 Corporate Governance Statement
- 31 Audit Committee Report
- 34 Directors' Remuneration Report

Financials

- 49 Independent Auditors' Report
- 53 Consolidated Income Statement
- 53 Consolidated Statement of Comprehensive Income
- 54 Consolidated Balance Sheet
- 55 Consolidated Statement of Changes in Equity
- 56 Consolidated Statement of Cash Flows

- 57 Notes to the Consolidated Financial Statements
- 89 Company Balance Sheet
- 90 Company Statement of Changes in Equity
- 91 Company Statement of Cash Flows
- 92 Notes to the Company Financial Statements
- 94 Shareholder Information

¹ As defined in the table set out on page 9.

² Casino, Poker and Sport.

Chairman's Statement



“Our goal is to deliver strong, sustainable, long term earnings growth by maximising revenues and expanding margins.”

Richard Kilsby Chairman

2013 was a year of strategic development for 888 as we positioned ourselves to take advantage of significant opportunities as new markets became regulated and opened up to online gaming and high-growth mobile channels developed. This was underpinned by excellent momentum across our established business streams which delivered another record performance driven by our excellent customer offering and targeted marketing.

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

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

Financial results and dividend

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

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

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



Winning team

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

Our values

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

Outlook

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

Richard Kilsby
Chairman

* As defined in the table set out on page 9.

Chief Executive's Review



“A record-breaking year for 888.”

Brian Mattingley Chief Executive Officer

2013 Overview

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

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

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

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

Market Overview

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

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

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

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

Our Strategy

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

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

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



Chief Executive's Review



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

Growth and Development Of Our Core Products

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

"Best-In-Class" B2C Offer

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

Partner Of Choice through Dragonfish — Our B2B Offer

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

Driving Margin Growth through Operational Efficiencies

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

Expansion in Regulated Markets

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

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

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

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

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

US Development — Strategy and Current Alliances

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

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

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

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



Operations: Delivering on our plans

Success driven by Technology Leadership

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

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

Continuous Innovation

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

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

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

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

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



Further details of our Research and Development activities during the year are set out in the Directors' Report on page 25.

B2C

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

Casino

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

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

Poker

Poker delivered another strong performance with the number of active players increasing more than 21% in Q4 against the prior year. This impressive growth, achieved in what remains a highly competitive market, is a result of the continued and relentless execution of our stated poker strategy of focusing on recreational players and providing them with a safe and enjoyable ecosystem. Our poker product is an accepted industry leader and we have continued to take market share



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resulting in 888 rising from number four to number two in the global poker liquidity rankings according to PokerScout during the course of the year. This is an impressive achievement that is testament to our ongoing and meticulous network management in combination with our “smart marketing” strategy. The increasing popularity of mobile has also contributed to our strong Poker performance, with mobile devices ideally suited to the preferences and playing habits of our target recreational players. Overall, we have delivered a good performance across territories with our leadership position in the Spanish market being particularly pleasing.

Bingo

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

Sport

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

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

B2B

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

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

Success in New Markets

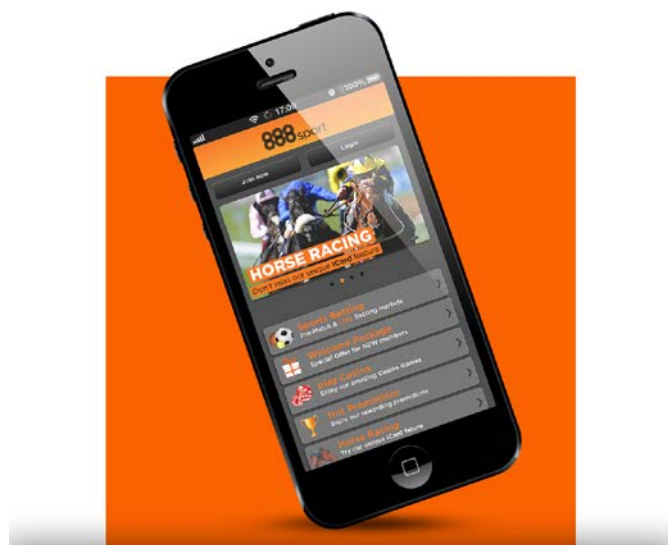
Our ability to launch in newly regulated markets with impressive results reflects our proven platform and technological systems and provides an excellent base for continuing growth. During the year we have continued to build impressively on our success in the recently regulated Spanish and Italian markets,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

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

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

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

Operations: Delivering on our plans



Customer Support and Service

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

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

ePayment and Fraud

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

2014 Focus

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

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

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

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

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

Brian Mattingley

Chief Executive
25 March 2014

Financial Review and Key Performance Indicators



“Adjusted EBITDA increased 13% to US\$76 million (2012: US\$67 million) and Profit before tax increased 30% to US\$53 million (2012: US\$41 million).”

Aviad Kobrine Chief Financial Officer

Financial Summary

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

Reconciliation of Operating Profit to Adjusted EBITDA

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

¹ Totals may not sum due to rounding.

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

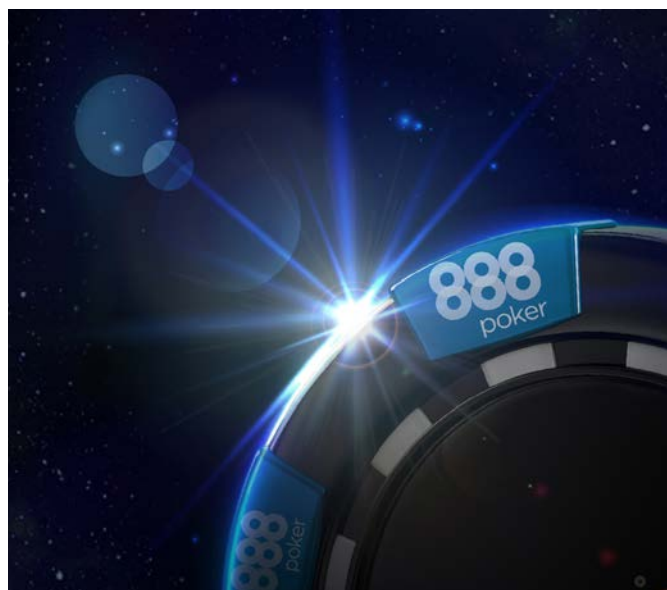
³ Excluding retroactive duties and associated charges of nil (2012: US\$11.1 million).

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

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

⁶ As defined in note 8 to the financial statements.

Financial Review and Key Performance Indicators



Overview

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

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

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

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



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Product Segmentation

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

Revenue by product segment:

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million	Change
Revenue			
B2C			
Casino	190.4	165.5	15%
Poker	93.6	87.5	7%
Bingo	43.7	51.8	(16%)
Emerging Offering	24.5	25.0	(2%)
Total B2C	352.2	329.8	7%
B2B	48.3	46.0	5%
Revenue	400.5	375.8	7%
	Q4 2013	Q4 2012	Change
Number of active customers B2C Casino and Poker	602,000	520,000	116%
	2013	2012	Change
Casino, Poker and Sport real money registered customer accounts (million)	15.5	13.1	19%

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

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

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

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

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

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

* As at 19 March 2014

Financial Review and Key Performance Indicators

Geographical Segmentation

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

Revenue by geographical market:

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

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

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

Expenses

Operating Expenses

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

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

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

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

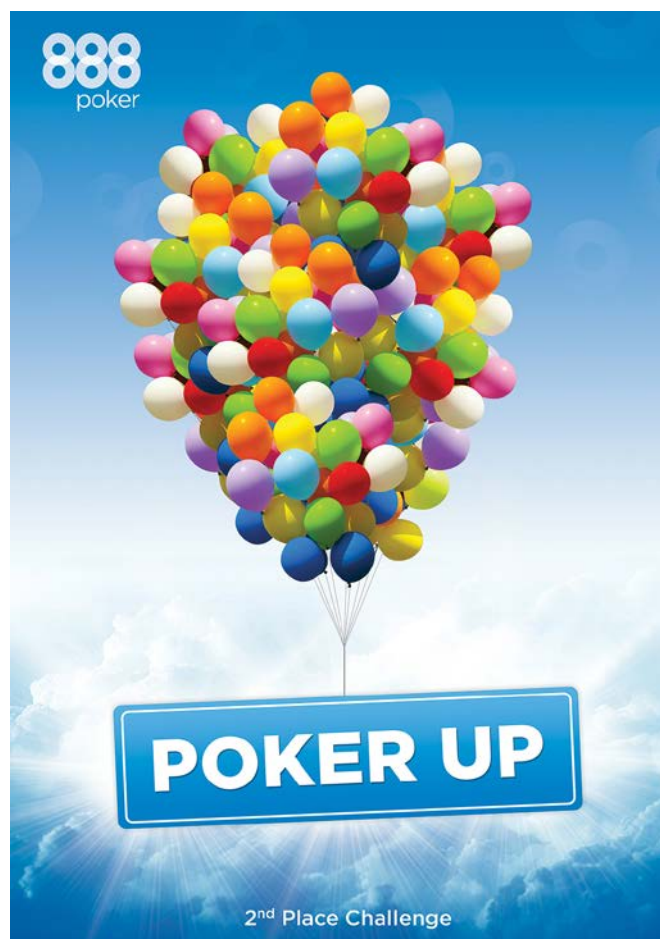
Gaming Duties

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

Research and Development Expenses

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

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



* As defined in the table set out on page 9



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

Selling and Marketing Expenses

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

Administrative Expenses

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

Share Benefit Charges

Equity settled share benefit charges were US\$3.3 million (2012: US\$0.9 million). A portion of the increased charge in 2013 relates to performance based awards granted in the past which vested during the year. Cash settled share benefit charges were US\$2.2 million (2012: US\$0.8 million), due to the higher fair value of the long term incentive plan. Further details are given in the Directors' remuneration report on page 34.

Finance Income and Expenses

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

Adjusted EBITDA

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

Taxation

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

Equity Accounted Joint Ventures

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

one time profit on acquiring 47% of the equity accounted joint venture of US\$1.9 million (2012: nil).

Earnings Per Share

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

Dividend

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

Cash Flow

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

Balance Sheet

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



*As defined in the table set out on page 9.

Regulation



As a business operating in a highly regulated environment and deeply committed to conducting its business in a lawful and compliant manner, 888 is heavily impacted by regulatory changes relevant to its business operations. Whilst in its early days Internet gaming was characterized by under-regulation in most jurisdictions, this situation has seen rapid change in numerous large markets in recent years.

Following several years of emerging regulation in various European jurisdictions (Italy, Spain, Denmark, France and others), recent years have seen an emergence of licensing and regulatory regimes in various US States. This represents a drastic change in the regulatory landscape applicable in the US, where a 2006 federal law resulted in the majority of operators exiting the local market (including the 888 group). Commensurate with its deep commitment to regulation, 888 is proud to be the only international online gaming operator to currently operate online gaming in all three US States that have launched commercial Internet gaming — Nevada, New Jersey and Delaware — and we hope to expand into additional states once online gaming becomes regulated there. Additionally, the Group is preparing to face a reform to the regulation of online gaming in the United Kingdom, which will require the Group to obtain a UK gaming licence in 2014.

The Group continues to be an active and vocal supporter of the regulation of online gaming, and invests significant efforts in facing the various challenges posed by the ever growing and complex mosaic of divergent regulatory regimes relevant to its business worldwide. The following paragraphs summarize the main relevant regulatory developments of 2013 and our expectations regarding changes that will impact the group in 2014.

European Jurisdictions

After some years of hesitance by the European Commission with regard to the regulation of online gaming within the European Internal Market, 2013 saw the adoption of resolutions on the EU level calling for increased cooperation and coordination between member states with regard to the regulation of Internet gaming, as well as the launching of infringement cases against member states whose gaming laws contradict EU law. These actions may lead to a greater degree of inter-European consistency in the coming years, and will hopefully also encourage member states to open their markets to licensing of foreign online gaming operators. Such developments are anticipated, in the coming years, in several European markets including Ireland, Romania, the Czech Republic, the Netherlands, and Sweden.

Reports indicate that Spain, where the Group has held a licence since June 2012, is likely to expand its regulatory regime to include online slots in 2014. This would present an opportunity for 888, which has already been successful in capturing a large share of the Spanish market.

During 2012, the Group was awarded online gaming and betting licences by the German state of Schleswig-Holstein. Legal ambiguities regarding the geographic scope of this licence and the conditions applicable to it, remained unresolved during 2013. The regulation of online gaming itself in Germany continued to be characterised by legal ambiguity and inconsistencies during 2013. The German Federal Court of Justice expressed significant doubts regarding the validity of the current German Inter-State Gambling Treaty under EU law, and referred the matter for adjudication by the European Court of Justice where the matter remains pending. As a result, legal proceedings in lower German courts with regard to online gaming have generally been suspended or adjourned pending guidance from the Federal Court. A tender process intended to select a handful of operators who were to be granted national sports betting licences was bogged down by legal challenges and remains ongoing.

2013 saw the UK move towards a reform of the 2005 Gambling Act. At the heart of the proposed reform (which is expected to enter into law during early 2014) is the requirement for foreign operators wishing to offer their services to UK residents, to obtain a UK Gambling Licence and pay UK gaming duty on revenues generated from UK residents. Such a reform would effectively abolish the right of EU/EEA based operators to advertise their services in the UK without a UK gaming licence. Various challenges to the new law are anticipated, including by the Gibraltar Betting and Gambling Association (of which the Group is a member). Notwithstanding, the Group is presently assessing the legal impact of the upcoming reform on its interaction with customers in the UK, has supplied comments to the UK authorities in the context of consultations conducted with regard to the proposed reform, and is preparing to apply for licensure in the UK if and when required to do so. Formal statements by the UK Gambling Commission indicate that holders of Gibraltar online gaming licences will be subject to a “transitional” regime allowing them to seamlessly continue operations under a UK licence and avail themselves of a “continuing licence” process. Whilst the Group anticipates that the upcoming reform will have a definite impact on the manner in which it conducts its UK-facing business, it expects such business to continue uninterrupted despite the upcoming reform.

In Greece the national regulator commenced a blacklisting process, in June 2013, targeting online gaming sites unlicensed in the jurisdiction. This move, taken under the country’s 2011 gaming law, was accompanied by orders issued to the country’s Internet Service Providers requiring them to block access to sites on the blacklist. Legal challenges against the blacklisting process remained pending as 2013 drew to a close. In addition, despite the 2011 gaming law allowing for the issuance of online gaming licences in Greece, no such licences were issued in 2013. Various proposals to amend the law were presented to the Greek Parliament (but have not yet passed into law).

Both Hungary and Romania amended their gambling laws during 2011 and introduced limited regulatory regimes governing online gaming. The implementation of these new regulatory regimes was delayed in anticipation of the publication of necessary secondary legislation. It seemed apparent as 2013 drew to a close that both jurisdictions intended to introduce further changes to their existing online gaming laws prior to their implementation.

Bulgaria issued regulations in 2013 to implement its 2012 gaming law, and began receiving applications for the issuance of local gaming licences. In late 2013 Bulgaria amended the tax structure applicable to online gaming. The Group is studying the impacts of that reform.

The government of the Netherlands continued its efforts towards liberalisation of the country's regulatory regime applicable to online gaming. The Group continued to conduct its operations in the Netherlands in accordance with interim guidelines issued by the local authorities, and maintained close contact with the authorities providing information and making proposals with regard to the anticipated reform. A draft online gaming bill is anticipated to be published for comments in 2014, and the Group will continue to engage with the Dutch authorities with the hope that the anticipated reform will accommodate a vibrant and commercially viable online gaming market in the Netherlands.

Political instability delayed reforms to the online gaming regime of the Czech Republic but these are expected to progress, under a newly elected government, in 2014.

In Ireland, the Ministry of Justice published a Heads of Bill document encapsulating a proposed reform to the country's betting and online gaming regimes. While the component of the reform related to betting is expected to enter into force during 2014, work on the gaming-related reform is unlikely to reach fruition in the coming year. The Group continues to follow these developments and their impact on its operations in these markets.

USA

Though no progress was made with regard to federal legislation governing online gaming in 2013, major developments occurred on the state level. This followed the publication of a US Department of Justice memorandum reversing the Department's long-standing position regarding the scope of the Wire Act. The Department's conclusion that the Wire Act does not apply to non-sports betting, and hence does not prohibit the intra-state sale online of lottery tickets by licensed state lotteries, paved the way for various US jurisdictions to regulate intra-state online gaming. Indeed, during 2013, Internet gaming was launched in Nevada, New Jersey and Delaware.

On 21 March 2013 the Group was licensed as an Interactive Gaming Service Provider by the Nevada Gaming Commission, after being recommended for licensure by the State Gaming Control Board. Through its partnership with Caesars Interactive Entertainment, the Group launched its first US-licensed online gaming platform, offering online poker to players within the State of Nevada under the World Series of Poker brand. The Group's Nevada platform was approved for a "field trial" by the Nevada authorities, and final approval of the platform by the State Gaming Commission is anticipated in 2014. As a pioneer of the Nevada online gaming market, the Group has continued to work with the Nevada authorities towards approval of inter-operator poker networks which will allow for shared liquidity

between local licensed operators. The Group hopes that development on this front can be achieved in 2014. In addition, the Group has also supported efforts by the state to negotiate inter-state agreements with other regulated US jurisdictions, allowing for regulatory cooperation between states as well as the pooling of player liquidity. In late February 2014, the Multi-State Internet Gaming Agreement between state of Nevada and the State of Delaware was entered into.

Following the passage of legislation in the State of New Jersey in 2012, approved by the State Governor in 2013, the Group applied for licensing as a Casino Service Industry Enterprise in that state. Late in 2013 the Group received a Transactional Waiver from the New Jersey Division of Gaming Enforcement allowing it to commence Internet gaming-related operations in conjunction with Caesars Interactive Entertainment. 888 was amongst the group of first operators approved to launch their online gaming platform in the state (including poker and casino games) in November 2013. The Group's platform is available to players in New Jersey both under 888's own brands as well as under several brands belonging to the Caesars group. The Group continues to work with the Division towards final approval of its licensing application.

Following a 2012 law enacted by the State of Delaware, allowing for the online provision of Internet lottery games (including casino-style gaming and poker) by the State Lottery, 888 together with Scientific Games were selected to provide the technology to power the State Lottery's online offering. The Group worked with the State Lottery providing professional input to the State Lottery in connection with the drafting of Internet lottery regulations and standards. Based on 888 technology, and under legislation governing the operation of Internet lottery games, Internet gaming services are now offered to Delaware players through websites branded and promoted by the state's three racetrack casinos. In connection with its selection as the Lottery's technology provider, the Group is presently undergoing licensing by the Delaware Division of Gaming Enforcement. The Group continues to maintain a close dialogue with the Division and with the State Lottery on technological, regulatory and enforcement issues, and is supportive of Delaware's desire to enter into inter-state gaming agreements with other regulated US jurisdictions.

It is the Group's anticipation and hope that other US jurisdictions will follow in the footsteps of Nevada, New Jersey and Delaware, in regulating the operation of Internet gaming within their territories. The State of Michigan is expected to launch online lottery games in the coming months. Several other states, including California and Pennsylvania, have been considering online gaming legislation, while other States (including New York) are reportedly studying the market and considering their position with regard to the regulation of Internet gaming. These developments could all present potential business opportunities for the Group, which could act as a service provider to licensees and lottery corporations in the various states. The Group hopes to continue to lead the US online gaming market, seeking licensing of its technology and products wherever such licences are available in a commercially viable manner.

Corporate Responsibility



Environmental Impact

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

Energy consumption: We continuously monitor our energy consumption to help us ensure we are being as energy efficient as possible.

Water: We use only ecological detergents in our offices and use water saving devices in most of our locations.

Travel: To minimise the impact of travel on the environment we encourage employees to either cycle to work and, in certain locations, provide buses for commuters. We also continue to invest in state-of-the-art technology to help meetings occur remotely.

888 has commissioned a study to provide quantitative information regarding its environmental impact and to assist it in finding ways to further reduce its environmental impact.

Global Greenhouse Gas Emissions for period 1st January to 31st December 2013

Global Greenhouse Gas Emissions for period 1st January to 31st December 2013	Total Emissions (tonnes CO ₂ e)
Emissions from combustion of fuel (scope 1)	0
Process or fugitive emissions (scope 1)	0
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	5,718
Total emissions	5,718
Intensity measure: Emissions per total revenue	14.3 tCO ₂ e/£m

Although not legally required to do so, as the Company is incorporated in Gibraltar, we have reported on all the emissions sources stipulated under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for any emissions sources that are not included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2013, as well as an electricity emission factor for Antigua sourced from UNDP.

The reported emissions come from our offices, data centre and servers owned by us, but co-located at third party data centres.

Our facilities in Gibraltar use chilled water provided by a third party for cooling and no emission factor for the chilled water was available. As a result, we estimated the associated emissions based on the volume of chilled water and an assumed coefficient of performance.

The account of our corporate GHG emissions was prepared by the Carbon Trust in the UK.

Employees

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

We carry out regular employee satisfaction surveys each year, with the latest answers collected in June 2013. The survey requests employee feedback regarding the employee, his/her team, direct manager, divisional management, and Group senior management, as well as regarding the organisation as a whole and the employee's overall satisfaction.

This year we were again pleased to report a continued high level of employee satisfaction, with a number of actions taken to address the small number of issues raised. These include improving knowledge sharing in the divisions, professional development for key employees and managers, and personal work with individual managers.

All employees are formally updated twice a year regarding the Group's business results, and employees are encouraged to raise ideas and provide feedback.

In 2013, 888 launched its "Excellence Club", our employee development programme which sent a group of employees selected by their divisions for excellence in a number of fields, to an exciting adventure trip in Lapland. We hope to continue this programme in years to come with trips to other exotic locations planned.

In addition, 888 runs a number of management skills programmes for both senior managers and team leaders from all divisions, as well as seminars for our B2C employees, which in 2013 focused on social media and marketing.

Social, Community and Human Rights Issues

Our values

At 888 we are fully committed to maintaining a high standard of corporate and social responsibility. This ethos is part of our culture and permeates throughout our business into the everyday business decisions we make on a day-to-day basis.

We also recognise that a responsible approach is not only the correct way to do business but one that enhances our credibility amongst all our stakeholders and thereby supports the development of the Group.

Responsible gaming

Our values place the community and the customer at the centre of all our endeavours. We aim to provide responsible adults with the best online gaming entertainment experience. However, we acknowledge that gaming poses a potential danger to a small minority of people. We are constantly revising our innovative procedures to ensure minors are unable to access our gaming sites. We also continuously train all our staff in how to provide a safe gaming experience to our customers. Our training programme incorporates methods and techniques to help our employees recognise and take appropriate actions if they identify compulsive or underage activity. We continue to innovate in this area including the development of our proprietary sophisticated Observer System to help identify and prevent compulsive activity.

Protecting customers

- As a responsible, regulated gaming group we comply with both the GamCare and the eCOGRA guidelines. GamCare is the leading authority on the provision of counselling, advice and practical help in addressing the social impact of gambling in the UK. eCOGRA ensures that approved online casinos are properly and transparently monitored to provide player protection.
- Our site has links to professional help agencies and we have placed many safeguards for those who need help with controlling their gaming.
- E-Break & Support programme: Run in collaboration with specialist well-known charity Gambling Therapy to offer 888 customers a free of charge four-week gambling therapy programme.
- Self-assessment test: For players who are worried about their gaming habits and want to know more about the signs of compulsive gambling.

- Controlling deposit limits: Should clients feel the need to, they can control their play pattern by self limiting the amounts they deposit per day, per week or per month.
- Self exclusion: A player can request to be self excluded for a chosen period, due to different concerns. Based on internal studies we decided to increase time periods available for clients to “cool off”. Customers can choose from six different exclusion periods from one day to six months. During this period, 888 blocks the account and no promotional emails are sent to the customer.

Protecting minors

Underage activity on our sites is strictly prohibited and 888 takes the matter of underage gaming extremely seriously. Our offering is not designed to attract minors. We make every effort to prevent minors from playing on our sites and use sophisticated verification systems as well as a third party verification supplier to identify and track minors if they log into our software. The verification process today consists of two verification systems, both 192.com and URU.

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

888responsible

Since 2007 a dedicated website, www.888responsible.com, has been available, providing information regarding all aspects of responsible gaming. The site is available in English, French, Spanish and German.

Community

888 is committed to supporting both the various local communities in which it operates and also the broader global community. Our community investment programme includes charitable donations and long-standing community involvement in our key areas across the world. In 2014, 888 supported the International Medical Corps in their efforts to assist people affected by Typhoon Haiyan which struck the Philippines in November 2013.

Human Rights

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

Corporate Responsibility

Diversity

Diversity is important to us as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers.

We actively seek to recruit and advance women into our top management. A summary of the breakdown of men and women across the Group as of 31 December 2013 is as follows:

	Men		Women	
	Number	Percentage	Number	Percentage
Board of Directors	5	100%	0	0%
Senior Management	7	78%	2	22%
Employees	657	52%	616	48%

The Board acknowledges that the lack of women on the Board is a major challenge for the Company, and that it is the Board's responsibility to address this. In 2013, the Nominations Committee included in the mandate of Odgers Berndtson, the executive search firm retained to recruit new Non-executive Directors to the Board, a specific request to include female candidates amongst the list of candidates presented for its consideration.



Principal Risks and Uncertainties

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

Regulatory risk

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

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

Reputational risk

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

Information Technology risks

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

Cutting-edge technologies and procedures are implemented throughout the Group's technology operations and designed to protect its networks from malicious attacks and other such risks. These measures include traffic filtering, anti-DDoS (Distributed Denial of Service) devices and Anti-Virus protection from leading vendors. Physical and logical network segmentation is also used to isolate and protect the Group's networks and restrict malicious activities. The IT environment is audited by independent auditors, such as PCI DSS security audit and eCOGRA audit. These audits form part of the Group's approach to ensuring proper IT procedures and a high level of security. In order to ensure systems are protected properly and effectively, external security scans and assessments are carried out in a timely manner. The Group has a disaster recovery site to ensure full recovery in the event of disaster. All critical data is replicated to the disaster recovery site and stored off-site on a daily basis. In the event of loss of functionality of the Group's critical services, the business can be fully recovered through the resources available at the disaster recovery site.

In order to minimise dependence on telecommunication service providers, the Group invests in network infrastructure redundancies whilst regularly reviewing its service providers. The Group has two Internet service providers in Gibraltar in order to minimise reliance on one provider.

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

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

Taxation risk

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



Principal Risks and Uncertainties

Financial risks

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

Partnership risks

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

On behalf of the Board:



Brian Mattingley
Chief Executive
25 March 2014



Board of Directors

Richard Kilsby

Non-executive Chairman

Richard Kilsby has been Chairman since March 2006, having previously been Deputy Chairman of the Group from August 2005. Since 2002, he has held several Board and management positions in various private and venture capital funded companies. In 2004, he acted as independent monitor for the SEC and USA Department of Justice in connection with Adecco. From 1999 to 2002, he was Chief Executive of Trade Point and subsequently Executive Vice-Chairman of virt-x plc. From 1995 to 1998, he was an Executive Director of the London Stock Exchange, prior to which he was a Managing Director for Bankers Trust from 1992 to 1995. He was also Vice-Chairman of Charterhouse Bank from 1988 to 1992, and spent the early part of his career with Price Waterhouse (now PwC) where he was a partner from 1984 to 1988. Age 62.

Brian Mattingley

Chief Executive Officer

Brian Mattingley has been Chief Executive Officer since March 2012, having previously been Deputy Chairman of the Group and Senior Independent Non-executive Director since March 2006. He joined the Board in August 2005. He was previously Chief Executive of Gala Regional Developments Limited until 2005. From 1997 to 2003 he was Group Finance and Strategy Director of Gala Group Plc, prior to which he was Chief Executive of Ritz Bingo Limited. He has held senior executive positions with Kingfisher Plc and Dee Corporation Plc. Age 62.

Aviad Kobrine

Chief Financial Officer

Aviad Kobrine has been Chief Financial Officer of the Group since June 2005, and was appointed to the Board in August 2005. From October 2004 he was a consultant to 888. Previously, he was a banker with the Media Telecoms Investment Banking Group of Lehman Brothers and prior to that, he was a senior associate with Slaughter and May. He holds a Masters in Finance from the London Business School (Distinction), a BA in Economics and an LLB from Tel Aviv University. Age 50.

John Anderson

Independent Non-executive Director

John Anderson was the Chief Executive Officer of the Group from September 2000 to December 2006. He is currently Non-executive Chairman of Burford Holdings plc and was Chief Executive Officer of Burford Holdings plc from 1996 to 2000. He is Chairman of the Interactive Gaming Council, Chairman of 10 Tech Holdings Limited, Non-executive Director of Swiftstake Technologies Limited and Non-executive Director of Probability (Gibraltar) Limited which is a wholly owned subsidiary of Probability Plc. Previously, he was a Board member of Ladbrokes plc from 1990 to 1996. Age 65.

Amos Pickel

Independent Non-executive Director

Amos Pickel was appointed in March 2006. Formerly the Chief Executive Officer of Atlas Management Company Limited and Chief Executive Officer and member of the Board of Directors of Red Sea Hotels Ltd. Previously a Non-executive Director of Gresham Hotel Group Plc, he is a non-practising solicitor holding a Master's in Law from New York University and an LLB from Tel Aviv University. He is Chairman of the Board of Directors of Berggruen Residential Limited, and is an Executive Director of Swiftstake Technologies SA. Age 47.

Directors' Report

The Directors submit to the members their Annual Report and Accounts of the Group for the year ended 31 December 2013. The Strategic Report, Corporate Governance Statement and Remuneration Report on pages 3, 27 and 34 respectively, form part of this Directors' Report.

Results

The Group's Profit after tax for the financial year of US\$50 million is reported in the Consolidated Income Statement on page 53. The Board is recommending a final dividend of 4.0¢ per share (which together with the interim dividend equals 7.0¢ per share in accordance with our dividend policy) and an additional one-off 7.0¢ per share, bringing the total for the year to 14.0¢ per share (2012: 9.0¢ per share).

Directors and their Interests

Biographical details of the current Board of Directors are shown on page 21. The Directors who served during the year are shown below. All Directors retire at each Annual General Meeting and, being eligible, offer themselves for re-election on an annual basis.

Richard Kilsby (first appointed 30 August 2005).

Brian Mattingley (first appointed 30 August 2005).

Aviad Kobrine (first appointed 30 August 2005).

John Anderson (first appointed 30 August 2005).

Amos Pickel (first appointed 14 March 2006).

The beneficial and non-beneficial interests of the Directors in shares of the Company are set out in the Directors' Remuneration Report on page 34. There has been no change in the interests of Directors in shares of the Company between 31 December 2013 and the date of this Report.

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

Share Capital

Changes in the Company's share capital during the financial year are given in the Consolidated Statement of Changes in Equity. As at 31 December 2013, the Company's issued share capital comprised 351,977,275 ordinary shares of GBP £0.005 each. At the Annual General Meeting held in May 2013, the Board was empowered to allot equity securities of the Company for cash without application of pre-emptive rights under the Company's Articles, provided that such power is limited: (a) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them; and (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £87,464.76 (5% of the Company's Ordinary Share capital in issue as at 21 March 2013). This authority expires at the conclusion of the next Annual General Meeting of the Company. In 2013, the Company did not exercise any of the foregoing powers and authorities.

Articles of Association

The Articles of Association of the Company can only be amended by a special resolution at a general meeting of shareholders.

Rights Attaching to Ordinary Shares

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

Deadlines for Exercising Voting Rights

Electronic and paper proxy appointment and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting.

Restrictions on Transfer of Shares and Limitations on Holdings

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

Requirements of Gaming Regulations Nevada

The Company has been licensed by the State of Nevada. As a licensee, the Company is subject to certain requirements under the Nevada Gaming Control Act and to the licensing and regulatory control of the Nevada State Gaming Control Board, and the Nevada Gaming Commission.

The Company has registered with the Nevada Gaming Commission as a publicly traded corporation and its subsidiaries have been licensed as manufacturers and distributors of interactive gaming systems and as interactive gaming service providers. Such licences are not transferable. The Nevada Gaming Commission may limit, condition, suspend or revoke a licence, registration, approval or finding of suitability for any cause deemed reasonable by such licensing agency.

The Nevada Gaming Commission may also require anyone having a material relationship or involvement with the Company to be found suitable or licensed. For such time as the Company is subject to the aforementioned legal requirements and to the control of the Nevada State Gaming Control Board and Nevada Gaming Commission, any person who acquires more than 5% of any class of our voting securities must report, within 10 days, the acquisition to the Nevada Gaming Commission. Any person who becomes a beneficial owner of more than 10% of any class of our voting securities is required to apply for a finding of suitability within 30 days after the Chairman of the Nevada State Gaming Control Board mails written notice in accordance with NRS 463.643. Under certain circumstances, an "Institutional Investor," as such term is defined in the regulations of the Nevada Gaming Commission, which acquires more than 10% but not more than 25% of any class of our voting securities, may apply to the Nevada Gaming Commission for a waiver of such finding of suitability requirements.

The Nevada Gaming Commission may also, in its discretion, require any other holders of our equity securities or any holders of our debt securities to file applications, be investigated and be found suitable to own our equity or debt securities. The applicant security holder is required to pay all costs of such investigation.

Any person who fails or refuses to apply for a finding of suitability or a licence within 30 days after being ordered to do so by the Nevada Gaming Commission may be found unsuitable based solely on such failure or refusal. The same restrictions apply to a record owner if the record owner, when requested, fails to identify the beneficial owner. Any security holder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the common stock beyond such period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a gross misdemeanor.

Changes in control through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without prior investigation by the Nevada State Gaming Control Board and approval by the Nevada Gaming Commission.

New Jersey

Vendors offering goods or services to a casino applicant or licensee which directly relate to Internet gaming activity are subject to strict regulation pursuant to the New Jersey Casino Control Act and the regulations promulgated thereunder (collectively, referred to as New Jersey Act). The New Jersey Act created the New Jersey Casino Control Commission (New Jersey Commission) and the New Jersey Division of Gaming Enforcement (New Jersey Division). Under the New Jersey Act, a casino service industry enterprise (CSIE) licence is required for a vendor offering goods or services to a casino applicant or licensee which directly relate to Internet gaming activity. The New Jersey Division has the authority to decide CSIE licence applications. The New Jersey Division also has the responsibility to investigate all licence applications and to prosecute violations of the New Jersey Act. However, the New Jersey Commission has the authority to hear and decide appeals regarding denials of CSIE licence applications by the New Jersey Division.

Two subsidiaries of the Company, 888 Atlantic Limited and AAPN New Jersey LLC, have pending CSIE licence applications before the New Jersey Division in connection with providing Internet gaming services to New Jersey casino licensees. The issuance and maintenance of a CSIE licence requires that directors, officers, key employees and owners of the applicant company be found by the New Jersey Division to be of good character, honesty and financially stable by a showing of clear and convincing evidence. A CSIE licence application consists of disclosure forms for the applicant, each of its holding companies, and each individual required to be found qualified by the New Jersey Division. Generally, all five per cent (5%) or greater direct or indirect owners, certain officers, certain directors, and sales representatives soliciting business from Atlantic City casinos and their supervisors must be qualified, unless the qualification requirement is waived. Outside directors of a holding or intermediary company of a CSIE licence applicant are only required to be licensed if they are members of the Audit or Executive Committee. Officers may be waived from the qualification requirement if they are not significantly involved in and have no authority over the conduct of business with a casino; however, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer and Chief Legal Officer cannot be waived. The New Jersey Division has the discretion to require other persons to be qualified. These rules apply to all entities through the chain of ownership, regardless of any resulting dilution in interest in the applicant, so that any direct or indirect owner of five per cent (5%) or more of any applicant or holding company must file, as must their officers and directors. The 5% or greater ownership is generally calculated based on ownership of equity securities. The New Jersey Division may also aggregate the holdings of different owners of less than 5% and require each to be qualified if they have a commonality of interest with each other. Situations in which this may occur include common control of different entities or familial relationships.

With respect to security holders, the New Jersey Division may waive the qualification requirement for "institutional investors", as defined in the New Jersey Act, of an applicant if: (i) there is no reason to believe that the institutional investor may be unqualified; (ii) the institutional investor holds less than 25 per cent of the outstanding securities; (iii) the securities were acquired for investment purposes only; and (iv) the holder has no intention of influencing the affairs of the applicant, other than voting its securities. The New Jersey Act defines an "institutional investor" as (i) any retirement fund administered by a public agency for the exclusive benefit of federal, state or local public employees; (ii) an investment company registered under the Investment Corporate Law of 1940; (iii) a collective investment trust organised by banks under Part Nine of the Rules of the Comptroller of the Currency; (iv) a closed end investment trust; (v) a chartered or licensed life insurance company or property and casualty insurance company; (vi) banking or other licensed or chartered lending institutions; (vii) an investment adviser registered under the Investment Advisers Act of 1940; and (viii) such other persons as the New Jersey Division may determine for reasons consistent with the policies of the New Jersey Act.

Directors' Report

In connection with a licence application, the New Jersey Division conducts an investigation of the applicant and its individual qualifiers to determine their suitability for licensure. In order for a CSIE licence to be issued by the New Jersey Division, the applicant and its individual qualifiers must demonstrate, by clear and convincing evidence, their good character, honesty and integrity, and their financial stability, integrity and responsibility. The investigation of a CSIE applicant and affiliated individuals and entities will normally take at least a year.

An applicant for an Internet CSIE licence is responsible for the entire cost of the investigation charged at the Division's hourly rates, which currently is \$113, plus out-of-pocket expenses. All unexpected cash disbursements are charged directly to the applicant.

The New Jersey Division has broad discretion regarding the issuance, suspension or revocation of CSIE licences. The New Jersey Division may impose conditions on the award of a licence. In addition, the New Jersey Division has the authority to impose fines or suspend or revoke a licence for violations of the New Jersey Act, including the failure to satisfy the licensure requirements. A CSIE licence is issued for an indefinite term and will essentially remain effective thereafter unless the licence is suspended, expires, or is revoked. The applicant is asked to resubmit related information every five years.

Substantial Shareholdings

As at 31 December 2013 the Company had been notified of the following interests in 5% or more of its share capital under DTR Rule 5 of the UK Listing Authority:

Principal Shareholders	Number of shares	% issued share capital
E Shaked Shares Trust	86,283,534	24.51
O Shaked Shares Trust	86,283,534	24.51
Ben-Yitzhak Family Shares Trust	37,122,358	10.55

No notifications pursuant to DTR Rule 5 have been received by the Company between 31 December 2013 and the date of this Annual Report.

Shareholder Agreements and Consent Requirements

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

A Relationship Agreement governing the relationship between the above Principal Shareholder Trusts and the Company was entered into in connection with the Company's flotation. The Relationship Agreement provides that all transactions between the Group and the Principal Shareholder Trusts will be on a normal business basis, that the Group will be allowed to carry on business independently of them and that the Principal Shareholder Trusts will not cause the Company to contravene the Code unless required by law or as contemplated in the Relationship Agreement. It further provides that each of the Principal Shareholder Trusts will not solicit Group employees without consent, that only Independent Directors can vote on proposals to amend the Relationship Agreement, that the Principal Shareholder Trusts will consult the Group prior to disposing of a significant number of shares in order to maintain an orderly market and shall not disclose confidential information unless required to do so by law or relevant regulation or having first received the Company's consent. The Relationship Agreement also includes restrictions on the Principal Shareholder Trusts' power to appoint Directors and includes obligations on the trusts to ensure that the majority of the Board, excluding the Chairman, is independent. The Principal Shareholder Trusts can nominate a Non-executive Director for appointment to the Board. In the event that this right is exercised and it results in fewer than half the Board (excluding

the Chairman of the Board) being Independent Directors, such appointment shall only become effective upon the appointment to the Board of an additional Independent Director acceptable to the Nominations Committee. Such restrictions and obligations apply in respect of the E Shaked Shares Trust and O Shaked Shares Trust whilst they collectively hold not less than 7.5% of the issued share capital of 888, and in respect of the Ben-Yitzhak Family Shares Trust whilst it individually holds not less than 7.5% of the issued share capital of 888.

Change of Control

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

Political Donations

The Company did not make any political donations during the year.

Financial Instruments

The financial risk management objectives and policies of the Company are set out in the notes to the financial statements on page 83. The Company is not materially exposed to foreign exchange fluctuations given its policy to hedge its currency exposure as described in note 27 to the financial statements. The Company is not materially exposed to price risk, credit risk or liquidity risk. Given that end-users are required to fund their online gaming wallet prior to carrying out any gaming activity, operational cash flow is not a material risk for the Company. In addition, the Group manages its cash in a prudent manner and maintains sufficient liquid resources to meet its anticipated liabilities as and when they come due.

Directors' Indemnities

The Company's Articles of Association permit the Company to indemnify its Directors in certain circumstances, as well as to provide insurance for the benefit of its Directors. The Company has undertaken to indemnify its Non-executive Directors: (a) in defending any proceedings, whether civil or criminal, in which judgment is given in favour of such Non-executive Director or in which such Non-executive Director is acquitted; or (b) in connection with any application under Section 378 of the Gibraltar Companies Act (pursuant to which the court may provide relief to such Non-executive Director in any proceedings for negligence, default, breach of duty or breach of trust on grounds that such Non-executive Director has acted honestly and reasonably, and that, having regard to all circumstances of the case, including those connected with his appointment, he ought fairly to be excused from liability on such terms as the court thinks fit). The Company also undertook in favour of Aviad Kobrine to indemnify him to the fullest extent permitted by applicable law and the Company's Articles of Association in connection with the execution of his duties and/or exercise of his powers, authorities and discretions pursuant to his employment agreement. In addition, certain special indemnities were provided to the Executive Directors in connection with the compliance and licensing procedures relating to the Company's business in the United States, details of which were provided in the Company's 2011 Annual Report.

Corporate Governance

The corporate governance statement is on pages 27 to 30 and is incorporated in this Directors' Report by reference.

Principal Subsidiary Undertakings

The principal subsidiary undertakings are listed on page 80.

Research & Development Activities

2013 was a year of major investment in developing the Group's infrastructure, in order to support our growing business as well as to meet regulatory and market needs in support of our business strategy. Our research & development focus was on regulated markets and mobile, as well as improving scalability of our gaming platforms and of our back office, and included the following:

Regulated Markets: Delivering the Group's offering in three states over a period of three months required the commitment of substantial capital and human resources, leading to successful launches in Nevada in September, and in both Delaware and New Jersey in November. Major areas of investment included:

- Data centre set-up: Three fully operational data centres were established in the US; one dedicated to each regulated market.
- Adaptation to regulation guidelines: The different state regulatory requirements meant that our platform and games needed to be adapted separately for each state.
- Certification: Working with accredited testing houses, we ensured that our platform passed regulatory certification for each state.

- New payment options: Configuration of the platform to interface with US banks and payment methods required the implementation of entirely new processes.
- Major product modifications: Our platform and games were adapted to suit US customers' preferences and needs.

We will continue investing to develop our platform for regulated markets as part of the Group's strategic direction.

Mobile: 2013 saw the completion of 888's strategy of full mobile coverage, with all 888 products now offered on both iOS and Android platforms (Smartphones and Tablets). The Group is constantly adding both content and customer communication tools to its mobile offering.

Sport: The Group migrated its sports offering from the BlueSquare platform to the Kambi platform.

Games: In 2013, we made substantial investments in our world-class in-house games studio which, together with new external partners such as Netent, added new games over all platforms (PC & Mobile).

Core Business & Operation: During 2013, the Group invested in infrastructure and tools supporting our operations and core business. Projects included the rebuild of our back-office software, the addition of new back-office tools, the addition of enhanced marketing capabilities including sophisticated communication tools with players and additional payment options, all with a focus on optimizing cost and improving efficiency.

Greenhouse Gas Emissions

Details of the Company's greenhouse gas emissions are set out in the Corporate Responsibility section of the Business Review on page 16.

Auditors

A resolution for the reappointment of BDO LLP and BDO Limited as auditors of the Company will be proposed at the 2014 Annual General Meeting.

During the year ended 31 December 2013 BDO LLP were appointed auditors for the purposes of the Company preparing financial statements as required pursuant to the Listing Rules of the UK Listing Authority. BDO Limited have been appointed to act as auditors for the purposes of issuing an audit report pursuant to Section 10 of the Gibraltar Companies (Accounts) Act 1999 to be filed with the Gibraltar Companies Registry.

Directors' Statement of Responsibilities

Company law requires the Directors to prepare financial statements in accordance with the Gibraltar Companies (Accounts) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act.

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Gibraltar Companies (Accounts) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act.

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

The Directors are responsible for preparing the annual report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) and have also chosen to prepare financial statements for the Company in accordance with IFRSs.

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

We confirm, to the best of our knowledge:

- (a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- (b) the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board:



Brian Mattingley
Chief Executive
25 March 2014

Corporate Governance Statement

888 Holdings plc is admitted to the UK Official List and its shares are traded on the London Stock Exchange under a Premium Listing. As such, despite being incorporated in Gibraltar, the UK Corporate Governance Code (the "Code") applies to the Company and is available at www.frc.org.uk. A new edition of the Code was published in September 2012 and applies to the 2013 reporting period.

Statement of Compliance

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

During 2013, the Company materially complied with the Code, other than as regards the following:

- The Company did not have a Senior Independent Director serving on the Board of Directors during 2013. The functions of a Senior Independent Director were fulfilled during 2013 by the Chairman and Non-executive Directors.
- Board evaluations have been conducted internally over the past three years by facilitation of the Chairman in coordination with the Company's legal adviser, Herzog Fox & Neeman, who may not be considered an external facilitator.

Board Composition

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

During 2013, the Board consisted of five Directors, as follows: two independent Non-executive Directors, a Non-executive Chairman, and two Executive Directors, being the Chief Executive Officer and Chief Financial Officer.

At present, there is no Senior Independent Director on the Board. During 2013, the Board appointed executive search firm Odgers Berndtson to undertake a search for new Non-executive Directors. A process of identification of potential candidates and interviewing has taken place. It is noted that Odgers Berndtson is independent of the Company and has no other connections with the Company. The role of the Senior

Independent Director is to provide a sounding board for the Chairman, to evaluate the Chairman's performance and lead the Board's succession planning, and to serve as an intermediary for the other Directors where necessary. During 2013, the Chairman and Non-executive Directors fulfilled the functions of a Senior Independent Director.

The biographical details of all of the Directors are given on page 21. The service contracts of the present Non-executive Directors were renewed for an additional three year period on 1 March 2013. In doing so, the Company rigorously reviewed the performance of its Non-executive Directors, taking into account the need for progressive refreshing of the Board.

Board Strategic approach

The Board focuses upon the Group's long term objectives, strategic and policy issues and formally and transparently considers the management of key risks facing the Group, as well as determining the nature and extent of significant risks it will take in achieving its strategic objectives, maintaining sound risk management and internal control systems and reviewing annually the effectiveness of the Company's risk management and internal control systems. The Board is responsible for acquisitions and divestments, major capital expenditure projects and considering Group budgets and dividend policy. The Board also determines key appointments. The Board receives regular updates on shareholders' views. The Board has an established calendar of business. This covers the financial calendar, strategic planning, annual budgets and performance self-assessments, as well as the conduct of standing business. The calendar forms the basis for effective integration of business activities as between the Board and its principal Committees (see pages 28 and 29), which individually consider their own operating frameworks against the Board's business programme. The Board plans to meet six times a year. During 2013, the Board met six times. Set out below are details of the Directors' attendance record at Board and Committee meetings in 2013.

Total number of meetings held during the year ended
December 2013 and the number of meetings attended by each Director

	Board	Audit committee	Remuneration committee	Nominations committee
Total held in year	6	4	3	1
Richard Kilsby	6	N/A	N/A	N/A
Brian Mattingley	6	N/A	N/A	N/A
Aviad Kobrine	6	N/A	N/A	N/A
John Anderson	4	3	2	1
Amos Pickel	6	4	3	1

Corporate Governance Statement

John Anderson did not attend some meetings as noted above, due to a period of illness, from which he has now recovered.

The Chairman has responsibility for ensuring that agendas for Board meetings are set in advance. Board papers are issued to Directors sufficiently in advance of meetings to facilitate both informed debate and timely decisions.

Non-executive review and performance appraisal

The Chairman holds meetings at least once per year with the Non-executive Directors without the Executive Directors being present. The Non-executive Directors meet once per year without the Chairman present in order to appraise the performance of the Chairman and taking into account the views of the Executive Directors. It is part of the role of the Senior Independent Director to lead this process. Presently, the Board is in the process of appointing a new Senior Independent Director; during 2013, the Chairman and Non-executive Directors fulfilled the functions of a Senior Independent Director. The Directors have wide-ranging business experience, and no individual, or group of individuals, dominates the Board's decision making.

The Board considers that John Anderson and Amos Pickel satisfy the independence criteria of the Code in 2013. The Board is satisfied that, upon his appointment as Chairman, Richard Kilsby met the independence criteria of the Code. The other significant commitments of the Chairman during 2013 are detailed in his biography on page 21. The Board considers that Mr Kilsby's other commitments do not interfere with the discharge of his responsibilities to the Group and is satisfied that he makes sufficient time available to serve the Company effectively.

The Board has established a formal process for the annual evaluation of its performance, its committees and individual Directors. The evaluation process covers a range of issues such as Board processes, Board roles and responsibilities, Board agendas and committee processes. The internal Board evaluation relating to performance in 2013 was carried out in March 2014, and included evaluation of the performance of the Board as a whole as well as evaluation of individual Directors and the Chairman. Pursuant to the evaluation, the Board was satisfied that the Non-executive Directors continue to be effective and to demonstrate commitment to their role. The Chairman in coordination with the Company's legal adviser facilitated the evaluation process. A detailed questionnaire was used covering various aspects of the Board's functions, and particular focus was given to the overall quality of decision-making and performance of the Chairman. Following analysis of the questionnaire responses, a detailed discussion was held by the Board of the results and the Company's legal adviser provided external feedback. On the whole, the results of the evaluation were positive, with the key follow-up action being to progress the recruitment of additional experienced Non-executive Directors.

Reserved powers and delegation

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

Division of responsibilities

The responsibilities of the Chairman are clearly and formally defined, with the Chairman being responsible for the effective operation of the Board as a whole, leadership of the Board in achieving a culture of constructive challenge by Non-executives, regularly agreeing and reviewing each Director's training and development needs, and supporting key external relationships.

Conflicts of Interest

Conflicts of interest of the Directors are dealt with in accordance with the procedures set out in the Company's Articles of Association and are monitored by the Chairman. Such procedures operated effectively during the year.

Succession Planning

The Board considers succession planning matters on an ongoing basis, with particular focus on succession planning for the CEO role as well as for senior management. At Board level, the Board has prioritized the recruitment of experienced Non-executive Directors.

Other issues

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

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

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

The opportunity to hold office as Non-executive Directors of other companies enables Directors of 888 to broaden their experience and knowledge, which will benefit the Company. Executive Directors may be allowed to accept non-executive appointments with the Board's prior permission, so long as these are not likely to lead to any conflict of interest. Executive Directors may be required to account for fees received from such other companies.

The Company has arranged insurance cover in respect of legal actions against its Directors. To the extent permitted by Gibraltar law, the Company also indemnifies the Directors. Neither the insurance nor the indemnity provides cover where a Director has acted fraudulently or dishonestly.

Re-election and Appointment of Directors

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

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

Audit Committee

Details of the Audit Committee's functions, together with its specific activities in 2013, are set out in the Audit Committee Report on pages 31 to 33.

Nominations Committee

During the year, the Nominations Committee comprised two independent Non-executive Directors: Amos Pickel (Chair) and John Anderson.

The Nominations Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nominations Committee is responsible for reviewing, from time to time, the structure of the Board, determining succession plans for the Chairman and Chief Executive Officer, and identifying and recommending suitable candidates for appointment as Directors. The Nominations Committee's terms of reference are available and are included on the Company's website, www.888holdingsplc.com.

During 2013, the Board appointed executive search firm Odgers Berndtson to undertake a search for new Non-executive Directors. A process of identification of potential candidates and interviewing has taken place.

The Nominations Committee is also responsible for implementing the Board's policy on diversity within the scope of its mandate, including setting measurable objectives and monitoring progress on achieving such objectives. In considering new Board appointments, diversity (including gender diversity) is one of the criteria considered by the Nominations Committee. The Company's statement regarding diversity is set out in the Corporate Responsibility section of the Business Review on page 18.

Remuneration Committee

During the year the Company's Remuneration Committee comprised two Independent Non-executive Directors: Amos Pickel (Chair) and John Anderson.

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

The Directors' Remuneration Report, which outlines the Remuneration Committee's work and details of Directors' remuneration, is on pages 34 to 48. The Remuneration Committee's terms of reference are available and are included on the Company's website, www.888holdingsplc.com.

Risk Management and Internal Control

The Directors acknowledge that they are responsible for the Company's system of internal control, for setting policy on internal control and risk management, and for reviewing the effectiveness of internal control and risk management. It is management's role to implement Board policies on risk and control, including reporting. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has delegated responsibility to the Audit Committee to review the appropriateness and adequacy of systems of internal control and risk management in relation to the financial reporting process on an ongoing basis and to make recommendations to the Board. During 2013, Deloitte Limited (Gibraltar) carried out the Company's internal audit function, reporting to the Audit Committee. Details of the internal audit function are included in the Audit Committee Report on page 31.

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

The Directors annually review the effectiveness of the Group's systems of internal control and risk management. The review considers individual risk control responsibilities, reporting lines and qualitative assessments of residual risks. Such a review was carried out in 2013.

Relations with Shareholders and Key Financial Audiences

The Company maintains an active and regular dialogue with principal and institutional shareholders and sell-side analysts through a planned programme of investor relations and financial PR activity. The outcome of these meetings is reported to the Board. The programme includes formal presentations of full year and interim results, quarterly release of Interim Management Statements, analysts' conference calls and periodic roadshows.

Shareholders are free to contact any Non-executive Director to address any issues where contact with the Chairman and Chief Financial Officer is inappropriate or where such contact has failed to resolve the issue.

All shareholders are welcome to attend the 2014 Annual General Meeting (scheduled to be held on 14 May 2014) and private investors are encouraged to take advantage of the opportunity given to ask questions. The Chairmen (or nominated members) of the Audit, Remuneration and Nominations Committees will attend the meeting and be available to answer questions.

Corporate Governance Statement

Compliance with Statutory Provisions

As the Company is registered in Gibraltar, it is subject to compliance with Gibraltar statutory requirements. The main legislation relevant to companies in Gibraltar is the Gibraltar Companies Act, which is based on the UK Companies Act 1929. The Company is in full compliance with the Gibraltar Companies Act.

Going Concern

After careful review of the Group's budget for 2014, its medium-term plans, liquid resources and all relevant matters, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

The principal risks and uncertainties faced by the Group are disclosed in the Business Review on pages 19 to 20.

Corporate Social Responsibility Statement

The Group's Chief Executive Officer is the Director responsible for monitoring corporate social responsibility within 888. The Board receives periodic reports on the Group's activities in this area from the Chief Executive Officer. Further details are set out in the Corporate Responsibility section on pages 16 to 18.

Whistle-blowing Policy

The Company's whistle-blowing policy sets out the overall responsibility of the Board for implementation of the policy, but notes that the Board has delegated day-to-day responsibility for overseeing and implementing it to the designated whistle-blowing officer. The policy provides that where an employee is not comfortable making a disclosure to his/her respective direct line manager, disclosure can be made to the designated whistle-blowing officer whose details are provided. If the subject of the disclosure in any way involves the designated whistle-blowing officer, the disclosure may be made directly to the Chairman of the Audit Committee or to another member of the Group's senior management. Whilst employees are permitted to make disclosures anonymously, disclosing employees are encouraged to reveal their identity to the designated whistle-blowing officer in order to allow a full and proper investigation to take place; measures can be taken to preserve the confidentiality of the disclosure where appropriate. The Board commits to investigating all disclosures fully, fairly, quickly and, where circumstances permit, confidentially. Undertakings are made to employees who raise genuinely held concerns in good faith under the procedure that they will not be dismissed or subjected to any detriment as a result of his/her action. During the year, all employees of the Group were sent a reminder regarding the whistle-blowing policy as part of a general refresher of various Group policies. No reports of incidents under the whistle-blowing policy were received in 2013.

Diversity Policy

Details of the Company's diversity policy and involvement of women in management of the Group are set out in the Corporate Responsibility section of the Business Review on pages 16 to 18.

Audit Committee Report

Letter from the Chairman of the Audit Committee

Dear Shareholder,

The Audit Committee has continued to work over 2013 to improve the Company's risk management and reporting.

In this report of the Audit Committee as regards the year ended 31 December 2013, we have made every effort to provide detailed information as to the activities of the Committee over the course of the year, noting the purpose of such activities and their results, as well as to give shareholders some insight into the judgment calls made by the Committee and the basis upon which they were made.

The Committee's primary responsibility is to review the financial information provided to shareholders on behalf of the Board, to review the Company's internal financial controls and to oversee its relationship with the external auditors.

The main agenda items at the four meetings of the Committee in 2013 included reviewing the regular financial reports made to shareholders, monitoring and reviewing the internal audit programme, and reviewing the effectiveness of internal control systems. Details of the further work carried out by the Committee are given in the report that follows. The Company's Chief Executive Officer and Chief Financial Officer are invited to all the meetings of the Committee; however, the Committee also meets when appropriate with the external auditors without the presence of the Executive Directors or management.

In addition, during 2013, Deloitte assisted the Audit Committee with its internal audit function. In order to do this, the internal auditor prepared a risk report, on the basis of which work commenced on various internal audit projects, regarding which the audit committee received periodic updates. During 2013, the internal auditor produced three reports on issues of importance to the Group, which were received by the audit committee for comment and two of which have been finally approved. The audit committee has further prioritised a list of internal audit issues to be examined by the internal auditor in 2014.

In October 2013, the Financial Reporting Council (FRC) issued a report on the reporting of audit committees, providing further insight from companies and investors on effective approaches to audit committee reporting in light of the changes to the UK Corporate Governance Code. The Committee has sought in this report to include more detail on the specific matters raised by the FRC as well as generally to increase the visibility of shareholders to the activities of the audit committee.



Amos Pickel

Chairman of the Audit Committee
25 March 2014

Audit Committee Report

Membership

The Audit Committee is chaired by Non-executive Director Amos Pickel. John Anderson also served on the Committee throughout the year. The members of the Committee are considered independent by the Board, having no day-to-day involvement with the Company. The Board is satisfied that Amos Pickel has sufficient recent and relevant financial experience to chair the Audit Committee. Normally, by invitation, the Chairman, Chief Executive Officer and Chief Financial Officer and, where appropriate, representatives of the Company's external auditors attend the Audit Committee meetings. In addition, the Committee meets with the external auditors in the absence of the Company's Executive Directors and management.

Roles and Responsibilities

The Audit Committee's terms of reference are available on the Company's website, www.888holdingsplc.com.

Work of the Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing 888's annual financial statements, considering the scope of the annual audit and the extent of non-audit work undertaken by external auditors, approving 888's internal audit programme, advising on the appointment of external auditors and reviewing the effectiveness of internal control systems. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group that was in place for the year under review and up to the date of approval of the report, which is regularly reviewed by the Board and accords with Turnbull guidance. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. We disclose below a summary of the processes the Board and its committee applied in reviewing the effectiveness of the system and dealing with material internal control aspects of any significant problems disclosed in the report and accounts.

During the year, the Committee fulfilled this role by carrying out the following:

- Review of the terms of reference of the Committee to ensure that they correctly reflect the roles and responsibilities of the Committee in light of the recent developments;
- Review of the Company's interim and annual financial statements and the published interim management statements, with particular focus on ensuring that — taken as a whole — the statements were fair, balanced and understandable, and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. In this respect, the Committee considered the adequacy of the systems and controls on which management relies in preparing the accounts, including procedures to ensure accuracy and completeness of information and to ensure consistency with information provided to the Board throughout the year;

- Receipt and discussion of the internal audit programme and reports from Deloitte, in its capacity as the Company's internal auditor, as well as prioritizing the internal audit programme for the upcoming year;
- Review of the legal and regulatory risks faced by the Company and the manner in which such risks are monitored and addressed on an ongoing basis by the Board;
- Review of the going concern position of the Company. Considering all relevant factors, the Committee determined that the Company remains a going concern.

The Audit Committee assesses the effectiveness of the external audit process by establishing schedules and agendas for regular meetings with the auditors, supervising the audit function directly to ensure that the auditors are independent and objective in their findings, meeting with the auditors to assess their plans for the audit, and working to ensure comprehensive audit coverage to meet the risks and demands posed by the Company's business.

During the year, the Committee fulfilled this role by carrying out the following:

- Meetings with the auditors at the planning stage and at completion of their review of the interim accounts, at the planning and final stages of the year end audit. Within these meetings, areas of significant interest that were discussed were as follows:
 - Review of the impairment tests applied to intangible assets in light of the future cash flows expected from such assets on the balance sheet and calculation of the appropriate discount rate;
 - Revenue recognition policies of the Group and the systems and controls around the recording of income in the accounts;
 - Taxation position of the Group;
 - The appropriateness of the accounting in respect of the joint venture arrangements entered into by the Group in the USA;
- Considering the adequacy of the Company's procedures for safeguarding the objectivity and independence of the external auditors; and
- Considering the implications for the Company of the Code as to putting the external audit out to tender at least once every ten years. It is noted that this audit is provided under a joint arrangement within the same international firm structure and the relevant firm's audit partners have been rotated every five years with the next individual partner rotation due in 2014. The Committee is considering the requirement to put the external audit out to tender in the near future.

The appointment or reappointment of the external auditors is put to the vote of each Annual General Meeting. Prior thereto, the Audit Committee considers the auditors' performance during the year, and forms a view as to whether to recommend that the present auditors be reappointed or an alternative be proposed. As regards 2013, the Audit Committee formed the view that the external auditors performed their role in a professional manner and recommended that the auditor be reappointed for 2014 at the next AGM in May 2014 and, if so appointed, that they will hold office until the conclusion of the next general meeting of the Company at which accounts are laid.

BDO LLP and BDO Limited were appointed as the Company's external auditors in 2004. Whilst the Code requires companies to comply with the requirement to put the external audit out to tender once every ten years, or explain their failure to do so, the Financial Reporting Council put forward some possible transitional arrangements, including suggesting that companies which appointed their auditor post-2000 may defer the tender process until after one more audit partner term. In addition, the Competition Commission proposals published in October 2013, which are expected to pass into law in October 2014, also provided for transitional arrangements which will require companies which have not tendered since the beginning of 2005 to tender two years after the present partner rotation period ends; as well as European regulations approved in December 2013 and which are expected to come into law within two years in the United Kingdom, but which currently contain no such transitional arrangements. Neither BDO LLP nor BDO Limited provides any material non-audit services to the Company. The Audit Committee seeks to ensure that the Company's auditors are objective and independent by monitoring the appointment of the auditors for any non-audit work involving fees above US\$0.1 million. In 2013, the external auditors carried out non-audit work for the Company involving fees in the aggregate amount of US\$0.1 million.

Directors' Remuneration Report

Dear Shareholders,

The new regime applying to Directors' remuneration reporting has introduced a number of requirements both in terms of formulating a written remuneration policy, disclosing it to shareholders and putting it to vote at the Annual General Meeting; and in terms of remuneration reporting, including as to the manner in which the remuneration policy was implemented in the relevant period as well as other relevant matters regarding Directors' remuneration during the year.

The Company "early adopted" some of the reporting requirements in 2012, on a voluntary basis, which has put it in an advantageous position to report in 2013 on its remuneration policy and other relevant matters. It has done so even though it is incorporated in Gibraltar and, therefore, is not legally required to comply with the new UK regulations on directors' remuneration. As such, the Board intends to put the remuneration policy set out in this Report, and the remainder of the Report as a whole, to shareholders for approval in two separate votes at the 2014 Annual General Meeting. Since the Company is not a UK incorporated company, and is not subject to the UK Companies Act 2006 nor the UK regulations on directors' remuneration, the two votes will be "advisory" votes. This means that payments made or promised to Directors would not have to be repaid if either of the votes were not passed, and while the Board intends to set Directors' remuneration in accordance with the remuneration policy, subject to shareholder approval at the Annual General Meeting, neither the Board nor individual Directors are legally bound by the policy.

The Board has determined that its remuneration policy shall come into force immediately after the Annual General Meeting, subject to its approval by shareholders. As from the effective date, the Board intends that all payments made by the Company to its Directors will be made in accordance with the remuneration policy. Existing obligations will continue to be met. It is the Company's intention that the remuneration policy will remain in force until a new remuneration policy that has been approved by shareholders takes effect. Furthermore, the Company intends to again seek shareholder approval for its remuneration policy in three years' time.

The proposed remuneration policy seeks to align the Company's remuneration policy with Company strategy and its approach to risk, and on rewarding success fairly, whilst avoiding paying more than is necessary to properly attract, retain and motivate Directors of appropriate calibre to the Company's business. In adopting the policy, the Company confirms that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors, with no Director being involved in deciding his own remuneration.

Annual Statement

2013 was a record year for the Group, with revenue increasing by 7% compared to 2012, Adjusted EBITDA increasing by 13% and like for like Adjusted EBITDA increasing by more than 20% compared to 2012. During the year, the Board discussed with investor representative groups the remuneration of the Executive Directors, amongst other matters. During 2014, the Remuneration Committee will exercise its duties in accordance with the Remuneration Policy set out herein, subject to its adoption by the Annual General Meeting.

We hope that you will find the Directors' Remuneration Report informative and would be happy to discuss any feedback you may have.

Sincerely,



Amos Pickel

Chairman of the Remuneration Committee
25 March 2014

Introduction

The Company presents its report on the remuneration of its Directors for the year ended 31 December 2013. The Company is incorporated in Gibraltar and, therefore, is not required to comply with the UK Companies Act 2006 or the Directors' Remuneration Report requirements in Schedule 8 to the UK Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), but has chosen to prepare this Remuneration Report on the basis of those requirements, as appropriate.

The report sets out the remuneration policy proposed to be put to the 2014 Annual General Meeting, together with the structure and details of the remuneration of the Directors for the year ended 31 December 2013. A report regarding implementation of the remuneration policy will be included in future Annual Reports relating to periods during which the remuneration policy is effective. The report also describes the Board's policy and approach to the Principles of Good Governance relating to Directors' remuneration contained in the UK Corporate Governance Code.

A resolution to approve the Directors' Remuneration Report is proposed, annually, to shareholders for approval. This Remuneration Report and the Remuneration Policy will each be put to shareholder votes at the upcoming Annual General Meeting. As stated above, the advisory nature of the votes, due to the Company's incorporation in Gibraltar, means that obligations to make payments to Directors would continue to be enforceable in the event that either of the votes is not passed and neither the Board nor individual Directors are legally bound by the Remuneration Policy.

Remuneration Policy

Executive Directors

Remuneration packages must be sufficient to attract, retain and motivate Directors of the calibre appropriate to a global business in a competitive environment. The Remuneration Committee is mindful that many of the Group's competitors are not UK listed companies and acknowledges the unique risk profile associated with online businesses of the nature of the Group's, and takes these matters into account in determining appropriate remuneration levels. The components of the remuneration structure are set out below.

At least half of the total potential remuneration of the Chief Executive Officer and the Chief Financial Officer is represented by a variable element, dependent on the performance of the Group. The Remuneration Committee considers that these represent achievable and motivational levels of personal rewards commensurate with stipulated levels of corporate performance.

The Remuneration Committee is mandated by the Board to satisfy itself that the level of the Directors' and senior management's remuneration is appropriate, having regard to pay and conditions throughout the sectors in which the Group operates as well as pay and conditions of employees throughout the Group. It further ensures that such remuneration aligns with the risks and rewards to shareholders. In this context, the Remuneration Committee regularly reviews individual and corporate performance targets and uses careful and rigorous judgment to match remuneration to achievements.

The Remuneration Committee applies a remuneration policy which has at its core the following objectives:

- To align the incentives of executives with the interests of shareholders, including being mindful of employee costs in light of the Company's capital needs and return to shareholders;
- To focus on top-line growth and margin improvement;
- To link a significant proportion of remuneration to financial and individual performance, as well as shareholder return, both in the short term and long term;
- To provide strong linkage between remuneration, performance and delivery of Company strategy; and
- To ensure total remuneration is market-competitive in the industry and helps attract and retain executives of the highest calibre.

Directors' Remuneration Report

The following is the Company's Remuneration Policy to be put to an advisory vote of the shareholders at the Annual General Meeting of the Company scheduled to be held on 14 May 2014:

Chart 1 — Future Policy Table

Remuneration Component	Purpose	How it operates	Opportunity	Performance Metrics
Base Salary	Provide an attractive pay package taking into account the risks and responsibilities of the role in order to attract, retain and motivate Directors of suitable calibre.	The Executive Directors' base salaries are subject to annual review at the time of the publication of the annual financial statements with effect from 1st January of the same year. The Company considers that the Executive Directors' personal performance is best measured in accordance with the performance of the Company as a whole, taking into account any changes in the level of responsibilities of the Executive Directors. Therefore, in determining salary levels and raises, the Remuneration Committee has regard to the pay and conditions of comparable companies in the same sector, including the FTSE 250 Index.	The Remuneration Committee has regard to the last reported median salary level of the upper quartile of FTSE 250 companies in determining base salary. The Executive Directors will generally not be paid more than 5% over such last reported upper quartile median, except in circumstances of significant changes in responsibilities.	Payment of base salary is not subject to performance conditions. However, in reviewing salaries, the Remuneration Committee takes into account pay and conditions elsewhere across the Group, relevant market data and benchmarking, and the individual Director's performance and experience. Benchmarking is carried out on a total remuneration basis, and takes account of pay levels for comparable roles at a range of organisations of similar size and sector. No recovery or withholding applies to salary. Current salary levels of the Executive Directors are set out on page 42.
Benefits	Provide an attractive benefits package taking into account the risks and responsibilities of the role in order to attract, retain and motivate Directors of suitable calibre.	Benefits may include cost of, or an allowance toward, accommodation (where the Company has required the Executive Director to relocate), use of Company car, car allowance, health insurance (or contribution towards health insurance scheme), disability and life insurance, directors' indemnities and directors' & officers' insurance to the extent permitted by law, pension (or payment in lieu thereof) at the discretion of the Remuneration Committee.	Benefits will be market competitive taking into account the role and the local market. The value will be appropriate to the individual circumstances of the individual executive director. The current package of benefits will be maintained but the value may fluctuate depending amongst other things on insurance costs and an individual's circumstances.	Benefits are not subject to performance conditions. No recovery or withholding applies to benefits. Current benefit levels of the Executive Directors are set out on page 42.
Short term incentives	Provide a challenging framework to incentivize executive performance and align executive incentives to shareholder interests.	An annual bonus becomes payable following the approval of the Group's annual results at the annual general meeting, in accordance with the performance criteria set by the Remuneration Committee at the beginning of the financial year. The annual bonus may be paid following release of the annual financial results as the Remuneration Committee may determine in its discretion, provided that any such earlier bonus payment shall be subject to clawback. The bonus can be paid in cash or shares, at the discretion of the Remuneration Committee.	Targets are set in light of Company growth and market conditions. The Remuneration Committee considers the target Adjusted EBITDA growth metric as being appropriate for determining challenging performance targets. Maximum opportunity is 100% of base salary.	Maximum bonus award is 100% of base salary for each of the CEO and CFO, calculated on a linear scale based on like-for-like Adjusted EBITDA growth (i.e. with the adjustment for exceptional items relating to the changing regulatory environment to arrive at a like-for-like Adjusted EBITDA, as determined by the Remuneration Committee). The threshold like-for-like Adjusted EBITDA growth and the like-for-like Adjusted EBITDA growth giving rise to maximum bonus award are determined by the Remuneration Committee in accordance with the Executive Directors' annual targets. No bonus is paid where growth is below threshold like-for-like Adjusted EBITDA growth, and a bonus is only payable where Adjusted EBITDA is above budget for the year as approved by the Board. Whilst not implemented at present, the Remuneration Committee may decide to apply clawback or malus to short term incentive grants to Executive Directors recruited in future, at its discretion and pursuant to the employment agreement of such Executive Director.

Remuneration Component	Purpose	How it operates	Opportunity	Performance Metrics
Long term incentives	Encourage executives to create long term shareholder value, aligned with the timing of implementation of the Company's long term strategy.	The following is a summary of the long term incentive plans currently utilized by the Company. Other plans or amendments to the existing plans may be utilized at the discretion of the Remuneration Committee and subject to any required shareholder approvals. 888 All-Employee Share Plan The Company currently grants awards under the 888 All-Employee Share Plan. All employees, consultants and Executive Directors of the Group who are not within six months of their normal retirement age are eligible to participate in the 888 All-Employee Share Plan at the discretion of the Remuneration Committee. Awards under the 888 All-Employee Share Plan can either be granted for no consideration (or with a nil exercise price for options) or at an exercise price that will normally be no less than the market value of an ordinary share at the time of grant or average share price during a period as determined by the Remuneration Committee at time of grant. In countries where an award or option involving real shares is not appropriate or feasible for legal, regulatory or tax reasons, a phantom award may be used which will pay a cash sum to an equivalent value in lieu of shares. The maximum number of ordinary shares that an eligible employee may acquire pursuant to share awards or options granted to such person in any calendar year under the 888 All-Employee Share Plan and the 888 Long term Incentive Plan may not have an aggregate market value, as measured at the date of grant, exceeding 200% of such person's annual base salary or such higher limit as the Remuneration Committee may determine is appropriate in any individual case. Awards vest over a fixed period of up to four years from the date determined by the Remuneration Committee at the time of grant. The Remuneration Committee may determine that the vesting and release or exercise of share awards and options under the 888 All Employee Share Plan are subject to performance conditions imposed at the time of grant. The vesting of awards is subject to any applicable performance conditions and continued employment during the vesting period, with exceptions where the Executive Director leaves for certain "good reasons", including ill health, injury, disability, timely retirement, disposal of employing company or business by the Group, or other reasons determined by the Remuneration Committee. Awards will vest early in the event of a change of control of the Company, and in such event may be exercised within one month of the date on which the relevant event occurs or otherwise lapse automatically; provided that the Board may determine instead that outstanding awards shall instead be exchanged for new awards which in the opinion of the Board are equivalent thereto but relate to shares in a different company.	The Executive Directors are granted nil cost options or shares for no consideration on an annual basis following the publication of the Group's annual results. The total grant allocation to each Executive Director under the All-Employee Plan is equal to 100% of such Executive Director's salary converted into shares of the Company by reference to the prevailing market value of a share at the time of grant.	Share awards or nil cost options issued with performance criteria are subject to three year cliff vesting, with equally weighted dependence on EPS-based and TSR-based metrics. The performance conditions of nil cost options or free shares are measured over a period of three years commencing from the beginning of the financial year in which the award is granted, with 50% of such share awards or options dependent upon the achievement of a performance condition based on cumulative growth in Earnings Per Share (EPS) over such three-year period adjusted on a like-for like basis, and the other 50% of such share awards or options dependent upon the achievement of a performance condition based on relative Total Shareholder Return (TSR) compared to a defined peer group median over such three-year period. The threshold compound EPS growth rate as well as the compound EPS growth rate and annual relative TSR giving rise to maximum vesting are determined by the Remuneration Committee in accordance with Executive Directors' annual targets. With regard to the share awards or options subject to the EPS performance condition, where the compound annual EPS growth rate is between the threshold compound EPS growth rate and the compound EPS growth rate giving rise to maximum vesting, such share awards or options vest on a linear scale between 25% and 100% of the shares under the EPS element, with an EPS growth rate of below the threshold compound EPS growth rate not allowing any vesting. With regard to the share awards or options subject to the TSR performance condition, where the Company's TSR over the vesting period is between the median of a peer group determined by the Remuneration Committee and the TSR over the vesting period above such median giving rise to maximum vesting, such share awards or options vest on a linear scale between 25% and 100% of the shares under the TSR element, with TSR below such median not allowing any vesting. The peer group for the TSR performance condition determined by the Remuneration Committee is presently as follows with respect to awards made to date; however, the Remuneration Committee will reconsider the composition of such peer group on an annual basis prior to the grant of any share awards or options: ● Bwin.Party Digital Entertainment PLC ● Sportech PLC ● Ladbrokes PLC ● Playtech Ltd.; and ● Paddy Power PLC. The above conditions applied to all awards under the 888 All-Employee Share plan to the Executive Directors from 1 January 2012 and to an award over 1,175,373 ordinary shares of the company made to Aviad Kobrine on 24 May 2011. Whilst not implemented at present, the Remuneration Committee may decide to apply clawback or malus to long term incentive grants to Executive Directors recruited in future, at its discretion and pursuant to the employment agreement of such Executive Director.

Directors' Remuneration Report

Future Policy Table

Remuneration Component	Purpose	How it operates	Opportunity	Performance Metrics
Long term incentives		888 Long term Incentive Plan All employees and Executive Directors of the Group who are not within six months of their normal retirement age are eligible to participate in the 888 Long term Incentive Plan at the discretion of the Remuneration Committee. As at the date of this report, no awards have been granted pursuant to the 888 Long term Incentive Plan. As set out above, the Company has given long term incentive awards to Executive Directors under the 888 All-Employee Share Plan. Awards and options granted under the 888 Long term Incentive Plan may be satisfied through the issue of new shares. It is intended that grants of options and awards are to be planned so as not to exceed 5% of the issued ordinary share capital in any rolling ten year period for the 888 Long term Incentive Plan, and 10% of the issued ordinary share capital as at the Company's initial public offering in any rolling ten year period for the 888 All-Employee Share Plan and the 888 Long term Incentive Plan, in the aggregate. The Committee has regard to appropriate annual flow-rates so as to ensure that these limits are not breached.	This plan is presently not in use.	This plan is presently not in use, and the Remuneration Committee does not intend to operate this plan during the life of the remuneration policy.
Long term incentives		Employee Trusts The Company established a Trust to further the interests of the Company, its subsidiaries and shareholders by providing share incentives to employees (including Executive Directors) of any Group company to enable the Group to attract, retain and motivate employees. The 888 Holdings plc Share Plan Trust currently holds 46,432 ordinary shares in the Company. No recovery or withholding applies under the 888 Holdings plc Share Plan Trust.	This plan is presently not in use, except for shares already held in the Share Plan Trust.	This plan is presently not in use, except for shares already held in the Share Plan Trust.

Remuneration Component	Purpose	How it operates	Opportunity	Performance Metrics
Long term incentives		Phantom Share Award Generally in circumstances where the grant of equity may give rise to dilution in excess of limits set down in institutional investor guidelines, a phantom share award may be granted. Brian Mattingley was granted a phantom share award by the Company pursuant to his employment agreement dated 27 March 2012. The phantom share award provides that Mr Mattingley will be entitled to a one-time cash sum, on the vesting date of 27 March 2015 provided that he is in employment with the Company at that time. The amount payable is calculated on an incremental basis, based on the average share price of the Company over a period of 20 dealing days prior to the scheduled vesting date for the award. The minimum amount payable is £250,000 and the maximum payable is £5,500,000. Specifically, where the Company's average share price is less than 50p in the 20 dealing days prior to the scheduled vesting date, a minimum award amount of £250,000 is payable. Where the share price is between 50p and 60p, the award payable is calculated on a straight-line basis between £250,000 and £450,000. For each additional 10p above a share price of 60p up to £1, an incremental amount of £200,000 is payable; for each additional 10p above a share price of £1 and up to £1.20, an incremental amount of £300,000 is payable; for each additional 10p above a share price of £1.20 and up to £1.60, an incremental amount of £400,000 is payable; and for each additional 10p above a share price of £1.60 up to £2.00, an incremental amount of £500,000 is payable up to a maximum payment of £5,500,000. The phantom award will also vest if Mr Mattingley leaves employment before the normal vesting date for any reason unless he resigns or the Company dismisses him summarily in accordance with the terms of his contract for example for gross misconduct. The average share price will normally be calculated by reference to the 20 day period up to the date of the termination of employment. However, if the Company has terminated Mr Mattingley's employment under notice, he may request the average share price to be calculated either by reference to the period up to the service of the notice or the normal vesting date of 27 March 2015 as he chooses. If there is a change of control, the average share price will be calculated by reference to the period up to the change of control. The fair value of Mr Mattingley's award at 31 December 2013 has been externally evaluated at £1.9 million, with the Company recording a charge in the amount of £1.4 million in its 2013 (£0.5 million in 2012) accounts in respect of the amount earned in the year.	The maximum amount payable is £5,500,000 for the achievement of an average share price of at least £2.00 over the 20 dealing days prior to 27 March 2015.	Phantom awards are subject to three year cliff vesting, and grant a one-time cash sum on the vesting date provided that the Executive Director is in employment with the Company at that time. Whilst not implemented at present, the Remuneration Committee may decide to apply clawback or malus to phantom grants to Executive Directors recruited in future, at its discretion and pursuant to the employment agreement of such Executive Director.

Directors' Remuneration Report

Determination of Performance Measures

The performance measures adopted by the Company in determining the remuneration of its Executive Directors acknowledge that the performance of the Executive Directors is best measured in accordance with the performance of the Company as a whole. For this reason, the Remuneration Policy has regard to various financial measures, including both internal measures such as like-for-like Adjusted EBITDA growth and cumulative growth in Earnings Per Share (adjusted to compare like for like), as well as relative Total Shareholder Return compared to a peer group median, which the Company believes best reflects the interests of shareholders. In general, the Company seeks to remunerate its Executive Directors in line with comparable roles at other companies in the same market, taking into account the scope of roles and responsibilities of the Executive Directors; similarly, the Company seeks to remunerate its employees generally in line with comparable roles of personnel located in comparable locations.

Recruitment of New Directors

The Company is aware of its need to attract and retain new Directors of suitable calibre to its business, and determines the remuneration packages it offers by taking into account the global nature and competitive environment of its business.

The principles to be applied by the Company in agreeing the components of a remuneration package for the appointment of a new Executive Director will include the following:

- In general, the total compensation package offered to a new Executive Director will not exceed the upper quartile total compensation package of the FTSE 250;
- Insofar as practicable, the remuneration proposed for a new Executive Director would be consistent with the "Future Policy" table set out above;
- In order to secure an appropriate candidate, it may be necessary to offer a higher base salary than that offered to the current Executive Directors;
- There may be a need to compensate a newly recruited Executive Director for forfeiting remuneration from existing employment. The Company may award a newly recruited Executive Director a signing bonus or retention bonus, which may be paid in the form of cash, options and/or shares, and may rely on Listing Rule 9.4.2 to put an appropriate arrangement in place upon recruitment. If the remuneration being forfeited was subject to the achievement of performance conditions the compensation awards will be subject to Company performance conditions and where practicable will mirror the vesting schedule of the remuneration being forfeited;
- The Company will not pay more than is necessary to attract a suitable individual for the role;
- Relocation benefits may be applicable where the newly recruited Executive Director is required by the Company to relocate;
- Other benefits may also be payable, including business expense reimbursement, car or car allowance, health insurance (or contribution towards health insurance scheme), pension (or payment in lieu of pension), life insurance, holiday pay, sick pay and other statutory benefits;
- Where an existing employee is promoted to the Board, existing contractual entitlements including any outstanding share and cash awards and pension entitlements will be honoured;
- The Remuneration Committee may negotiate inclusion in a newly recruited Executive Director's employment agreement a clawback or malus mechanism as regards short term or long term incentives, and/or a mitigation mechanism regarding short term and long term incentive payments made during the Executive Directors' unexpired notice period where such Executive Director is engaged in other employment during such period;
- The Company will make timely disclosure of the remuneration structure of any new Executive Director or Chairman in a RIS.

Directors' Service Agreements and Termination Benefits

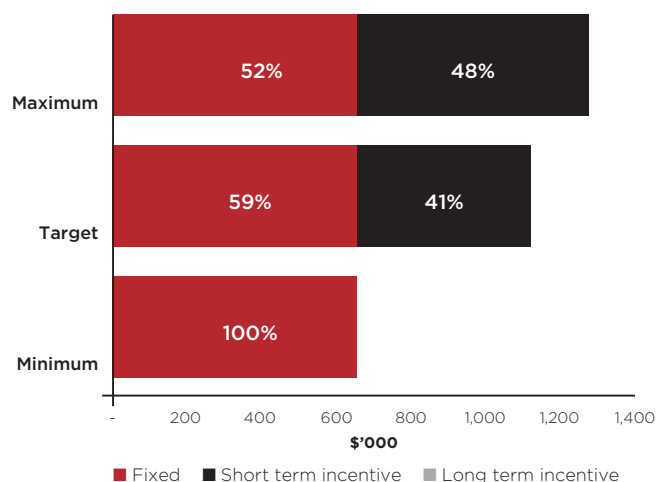
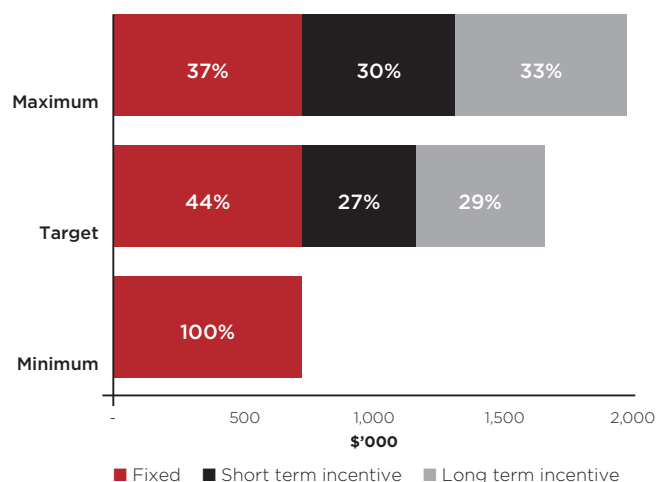
Details of the Directors' Service Agreements are set out in Charts 6(a) and 6(b) on page 44.

It is the Company's policy that each Executive Director's service agreement is terminable on no more than 12 months' written notice by either party; the notice period applying to both Brian Mattingley's and Aviad Kobrine's employment is 12 months. Each Executive Director's employment can be terminated by making a payment equal to the salary and pension contributions (if any) and the value of other contractual benefits due to the Executive Director in lieu of any unexpired notice period. The Executive Directors shall continue to be entitled to be paid a bonus and in Brian Mattingley's case, to payment of his phantom share award as described on page 39, in respect of any unexpired part of the notice period even if the employment is terminated by making payment in lieu of notice. No other benefits upon termination of employment are payable. Each Executive Director's employment can be terminated without compensation in circumstances where the employer is entitled to terminate for cause, as defined for the purposes of the service agreement. An Executive Director's entitlement to share awards and share options under the 888 All-Employee Plan on termination of employment are governed by the terms of that plan, pursuant to which, if the termination occurs for various "good reasons" set out in the Plan (details set out on page 37), any vested but unexercised awards may be exercised or released within six months after such cessation, whilst any unvested portion automatically lapses, unless determined otherwise by the Remuneration Committee. In exercising its discretion, the Remuneration Committee will have regard to the circumstances of the termination and any special circumstances of the Executive Director in determining whether to extend the exercise period by an additional short period.

The Directors' service contracts are available for inspection at the Company's registered office at any time during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

Remuneration Scenarios

The first financial year in which the Remuneration Policy applies is 2014. The following charts set out the minimum, target and maximum remuneration presently expected to be payable to each of the Executive Directors in that year:

Chart 2 — Remuneration Scenarios**Brian Mattingley****Aviad Kobrine**

The following assumptions were used in the above charts:

Fixed Salary: Brian Mattingley's and Aviad Kobrine's fixed salaries for 2014 are set out on page 43.

Benefits: The chart assumes that Brian Mattingley's and Aviad Kobrine's benefits are as set out on page 42 below.

Short term Incentive: The maximum bonus payable to each of Brian Mattingley and Aviad Kobrine is equal to one year's salary. The chart assumes that the Executive Directors' 2014 target performance (which the Board considers stretching) will give rise to entitlement of 75% of the maximum award amount.

Long term Incentive: The chart assumes no further phantom grants to Brian Mattingley in 2014, and therefore there is no Long term Incentive component of Brian Mattingley's compensation in 2014. Aviad Kobrine's nil cost options are granted subject to the performance conditions set out in the Remuneration Policy. The chart assumes that the Executive Directors' 2014 target performance (which the Board considers stretching) will give rise to vesting of 75% of the maximum award amount. The chart assumes that the share price remains at the same share price as at 31 December 2013. Finally, it should be noted that the chart shows the potential remuneration opportunity granted in the relevant year rather than what actually vests and is received in such year.

Policy on Exit Payments and Loss of Office

The Remuneration Committee will consider a Director's past performance, the circumstances of and the reasons for his departure, prevailing best practice, and any transition/handover required in exercising any discretions relating to his arrangements for loss of office, including his contractual arrangements, his participation in an annual bonus scheme and awards under the 888 All-Employee Share Plan.

Consideration of Shareholder Views on Remuneration

The Remuneration Committee intends to establish a programme of consultation with significant investors. The Board engages with significant investors regarding remuneration issues and intends to continue doing so.

Consideration of Employee Views on Remuneration

Whilst the Company does not formally consult employees on remuneration, in determining the remuneration policy for Executive Directors, the Committee takes account of the policy for employees across the workforce. In particular, when setting base salaries for executives, the Committee compares the salary increases with those for the workforce as a whole.

The overall remuneration policy for Executive Directors is broadly consistent with the remainder of the workforce. Executive remuneration and remuneration of senior employees is weighted towards performance-related pay; the Company has introduced equity based schemes for senior employees (albeit at lower quantum) which are similar to those of the Directors.

Directors' Remuneration Report

Chart 3 — Non-executive Directors

Remuneration Component	Purpose	How it operates
Fees	Duly compensate Non-executive Directors, taking into account the risks of the role, in order to attract and retain Non-executive Directors of suitable calibre.	The Chairman and the Executive Directors determine the fees paid to the Non-executive Directors. The Chairman's fees are determined by the Remuneration Committee with reference to prevailing fee rates amongst the upper quartile of FTSE 250 companies. Fees paid to the Non-executive Directors are set by reference to an assessment of the time commitment and responsibility associated with each role, and the Remuneration Committee has reference in this respect to prevailing fee rates amongst the upper quartile of FTSE 250 companies. Levels take account of additional demands placed upon individual Non-executive Directors by virtue of their holding particular offices, such as Committee Chairman and/or Deputy Chairman, and travel time to Board meetings at the Group's headquarters in Gibraltar. The fees paid to each Non-executive Director during 2013 are disclosed in the Directors' remuneration summary on page 43.
Other Benefits		The Chairman and the Non-executive Directors are not eligible to participate in any bonus plan, pension plan, share plan, or long term incentive plan of the Company. The Chairman and Non-executive Directors are covered by the Company's directors' & officers' insurance policy and are entitled to indemnification in accordance with the Company's Articles of Association. In addition, the Chairman receives a cash amount covering life insurance and health insurance expenses. The amount paid to the Chairman during 2013 is disclosed in the Directors' remuneration summary on page 43.

Non-executive Directors' appointments, which are for a term of three years, may be terminated by the Company without notice in accordance with the Company's Articles of Association and the Gibraltar Companies Act, except for the Chairman who is required to be given six months' prior written notice of

termination. No compensation is payable on the termination of the appointment.

Annual Remuneration Report

The following tables set out the remuneration received by the Executive Directors and Non-executive Directors in 2012 and 2013.

Chart 4a — Single Total Figure (Executive Directors)

		Brian Mattingley (CEO)* (\$'000)	Aviad Kobrine (CFO)* (\$'000)
Salary	2012	495	550
	2013	590	562
Benefits	2012	59	40
	2013	63	46
Short term incentives	2012	506	561
	2013	622	592
Long term incentives	2012	—	—
	2013	—	—
Pension	2012	—	83
	2013	—	84
Other items in the nature of remuneration*	2012	—	767
	2013	—	624
Total	2012	1,060	2,001
	2013	1,275	1,908

* Directors remuneration is converted from Sterling into US\$ at the average rate of exchange for the relevant month it was paid save for the annual cash bonus which is converted into US\$ at the year end exchange rate.

Salary: In 2013, Brian Mattingley's annual salary was £377,000, and Aviad Kobrine's annual salary was £359,000¹. In 2014, Brian Mattingley's annual salary will be £396,000 and Aviad Kobrine's annual salary will be £377,000¹. These amounts are converted into USD in the Single Total Figure table in accordance with the GBP:USD exchange rate as at 31 December 2013.

Benefits: Benefits provided to Brian Mattingley in 2013 include the provision of accommodation and the use of a company car at the Company's expense. Benefits provided to Aviad Kobrine include a car allowance and health, disability and life insurance.

Short term incentives: The sole short term incentives applicable to Brian Mattingley and Aviad Kobrine in 2012 and 2013 were their annual bonuses. In both cases, the performance conditions set out in the Remuneration Policy applied. Specifically, threshold performance for 2013 was 5% year-on-year Adjusted EBITDA Growth and target performance for 2013, which was considered a stretching target, was 15% year-on-year Adjusted EBITDA growth, which would have given rise to payment of 75% of the Executive Directors' bonuses. In fact, year-on-year Adjusted EBITDA growth for 2013 (adjusted to arrive at a like-for-like basis) exceeded 20%, thus giving rise to payment of 100% of the Executive Directors' bonuses. The 2013 Adjusted EBITDA performance also exceeded budgeted EBITDA for 2013.

Long term incentives: The long term incentives applicable to Aviad Kobrine in 2012 and 2013 were governed by the 888 All-Employee Share Plan; however, no performance-based grants under the 888 All-Employee Share Plan were due to vest in 2012 and 2013 and therefore no vesting occurred. As regards Brian Mattingley, the phantom award is due to vest in 2015 and therefore no long term incentive figure appears in the table for 2012 and 2013.

Pensions: In 2013, Brian Mattingley had no pension entitlement from the Company. Aviad Kobrine is entitled to a cash payment in lieu of an annual contribution to his personal pension scheme of 15% of his base salary.

Other items in the nature of remuneration: Aviad Kobrine benefited in 2012 and 2013 from vesting of awards under the 888 All-Employee Share Plan granted to him in previous years. The value of the vested awards is determined in accordance with the share price as of the vesting dates being 44.8p on 15 January 2012, 70.5p on 24 May 2012 and 160.2p on 24 May, 2013.

Chart 4b — Single Total Figure (Non-Executive Directors)

		John Anderson (\$'000)	Amos Pickel (\$'000)	Richard Kilsby (\$'000)
Salary	2012	122	122	366
	2013	120	120	361
Total	2012	122	122	366
	2013	120	120	361

Scheme Interests Awarded

The following table sets out the long term incentives awarded to the Executive Directors under the 888 All-Employee Share Plan in 2013.

Chart 5 — Scheme Interests Awarded

Executive Director	Scheme Interest Award	Face Value of Award (US\$)	Percentage receivable on threshold performance	Date on which performance measurement period ends
Aviad Kobrine	Long term incentives - Performance nil cost options	531,695	25%	07/04/2016

Basis of awards: Awards were made in 2013 only to Aviad Kobrine (details of the phantom award to Brian Mattingley in 2012 are detailed separately). The total grant allocation to eligible Executive Directors is equal to 100% of such Executive Director's salary converted into shares of the Company by reference to the prevailing market value of a share at the time of grant. The prevailing share price at the date of the award was £1.63.

Performance conditions: The performance conditions applying to the grants are as set out in the Remuneration Policy.

Payments to Past Directors and Payments for Loss of Office

No payments were made by the Company in 2013 to any past Director or for loss of office by any Director.

¹ Part of which is paid by the Company and part by Cassava Enterprises (Gibraltar) Limited.

Directors' Remuneration Report

Directors' Service Contracts

Chart 6a — Directors' Service Contracts (Executive Directors)

Executive Directors

Name	Position	Contracting Party	Service Contract Date	Unexpired Term of Service Contract
Brian Mattingley	Chief Executive Officer	The Company	27/03/2012	Indefinite subject to termination provisions set out in the Service Agreement.
Aviad Kobrine	Chief Financial Officer	The Company	14/09/2005	Indefinite subject to termination provisions set out in the Service Agreement.
Aviad Kobrine	Chief Financial Officer	Cassava Enterprises (Gibraltar) Limited ¹	14/09/2005	Indefinite subject to termination provisions set out in the Service Agreement.

¹ Wholly owned subsidiary of the Company.

Chart 6b — Directors' Service Contracts (Non-executive Directors)

Non-executive Directors

The Chairman and the Non-executive Directors do not have service contracts but have signed Letters of Appointment.

Name	Position	Contracting Party	Service Contract Date	Unexpired Term of Appointment
Richard Kilsby	Chairman	The Company	01/03/2013	Until 01/03/2016, subject to re-election at each Annual General Meeting
John Anderson	Non-executive Director	The Company	01/03/2013	Until 01/03/2016, subject to re-election at each Annual General Meeting
Amos Pickel	Non-executive Director	The Company	01/03/2013	Until 01/03/2016, subject to re-election at each Annual General Meeting

Directors' Shareholdings and Scheme Interests

The following table sets out the shareholdings and scheme interests held in 2013 by the Executive Directors and Non-executive Directors. No Director is required to own shares in the Company. There have been no changes in Directors' interests in shares of the Company between 31 December 2013 and the date of this Report.

Chart 7 – Directors' Shareholdings and Scheme Interests

	Share* interests	Unvested options** with performance conditions	Unvested options** without performance conditions	Vested unexercised options** with performance conditions	Vested unexercised options** without performance conditions	Total
Aviad Kobrine	15,620	2,013,473	493,657	94,501	1,146,360	3,763,611
Brian Mattingley	142,857					142,857
Richard Kilsby	114,285					114,285
Amos Pickel	100,000					100,000
John Anderson	138,869					138,869

*Ordinary shares.

**Nil Cost Options.

During 2013, Aviad Kobrine exercised and sold 257,827 ordinary shares under nil cost options, in addition to selling 427,563 shares; John Anderson sold 450,000 shares.

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

The parts of the Directors' Remuneration Report from Chart 4a – Single Total Figure to this point have been audited by BDO LLP and BDO Limited in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Total Shareholder Return

The chart below shows the value of an investment of £100 Sterling in the Company's shares and in the FTSE 250 Index over a five year period ended 31 December 2013. The Directors have chosen the FTSE 250 Index as the most appropriate comparator index as the Company was a constituent member until October 2006, was included again in that index from February 2008 until 2010, was on the reserve list in 2012 and was readmitted as a full member in 2013.

Directors' Remuneration Report

Chart 8 — Value of £100 in 888 over 5 year period ended 31 December 2013 v. FTSE 250 Index



Performance Graph and Table

The following table sets out details of the Chief Executive's remuneration during the period 1 January 2009 – 31 December 2013. It is noted that Gigi Levy served as Chief Executive of the Company until 30 April 2011 and that Brian Mattingley was appointed full-time Chief Executive Officer in March 2012; during the interim period, Brian Mattingley took on certain executive duties.

Chart 9 – CEO Performance

	2009	2010	2011	2012	2013
Total remuneration (\$'000)	1,168	958	3,783	1,060	1,275
Short term incentives — (% compared to maximum possible)	100%	100%	100%	100%	100%
Long term incentives — (% compared to maximum possible)	68%	0%	100%	0%	0%

CEO Remuneration — Percentage Change

The following table sets out the percentage change in salary / fees, benefits and short term incentives from financial year 2012 to financial year 2013, for both the CEO and employees of the Group taken as a whole.

Chart 10 — CEO Remuneration — Percentage Change

	Percentage change in CEO (2012 vs. 2013)	Average percentage change for all employees (2012 vs. 2013)
Salary	8%	3%
Benefits	6%	7%
Short term incentives	11%	9%

Notes:

- The salary figure includes base salary together with other payments made to the employees (e.g. sick pay, vacation pay), but excluding discretionary bonuses.
- The benefits figure includes benefits granted to employees which are not part of salary. (e.g. medical insurance, meals, further education fund).
- Pension amounts are not included.
- The short term incentives figure solely includes bonuses, which are based on an estimation by the Company based on the bonus accrual, since bonuses are generally paid to Group employees in April in respect of the previous financial year.
- CEO wage and STI were normalized in 2012 to present a full year, as Brian Mattingley was appointed as Chief Executive Officer as of 27 March 2012.
- CEO benefits include the provision of accommodation.

Chart 11 — Relative Importance of Spend on Pay

The following graph sets out the actual expenditure by the Company in financial years 2012 and 2013 on various items, including on remuneration to Group employees.



The comparables chosen were the following:

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

Implementation of the Remuneration Policy

The performance targets applying to Directors' remuneration in 2014 are considered commercially sensitive. The Remuneration Committee intends to disclose these performance targets retrospectively in the 2014 Remuneration Report.

The salary to be paid to the Executive Directors in 2014 is set out on page 43. Brian Mattingley is entitled in 2014 to use of company car. Benefits payable to Aviad Kobrine in 2014 will be paid on the same basis as 2013, as set out on page 43. Payment of short term incentives and vesting of long term incentives will occur in accordance with the remuneration policy, and the performance targets set by the Remuneration Committee, as stated above.

Remuneration Committee Advice

The Remuneration Committee consisted solely of independent Non-executive Directors, currently Amos Pickel (Chair) and John Anderson. As a member of the FTSE 250 Index throughout 2013 (and on the reserve list in 2012), the Company is required to have three independent Non-executive Directors on its Remuneration Committee. As such, the Company continues to seek suitably experienced Non-executive Directors to expand its Board and committee membership. Details of attendances at Committee meetings are contained in the statement on Corporate Governance on pages 27.

The Remuneration Committee's remit includes such matters as:

- Determining and agreeing with the Board the remuneration policy with regard to the Company's Chairman, Chief Executive Officer, Chief Financial Officer and other members of the executive management;
- Regularly reviewing the ongoing appropriateness and relevance of the Company's remuneration policy;
- Setting and monitoring performance criteria for bonus arrangements operated by the Group ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account the Company's and its Group's overall performance and the corresponding return on shareholders' investment in the same period;
- Recommending to the Board the policy for and scope of pension arrangements for the Executive Directors; and
- In relation to the Company's share option and share award schemes, setting or recommending vesting criteria which are appropriate in terms of the Company's performance and return on shareholders' investment over the same period.

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

The Board intends that executive remuneration policies be both formal and transparent. It further acknowledges the importance of taking into consideration independent advice in setting remuneration policies and benefit levels. In 2013, the Remuneration Committee took into consideration advice received in the past from New Bridge Street; however, no additional advice was received during 2013. New Bridge Street does not provide any other services to the Company, and was appointed in the past by the Remuneration Committee as an objective and independent remuneration adviser. No fees were paid by the Company to New Bridge Street in 2013.

Directors' Remuneration Report

Voting at General Meeting

At the Company's last Annual General Meeting, held on 8 May 2013, 86.62% of the votes (243,336,972 votes) were cast for the resolution to approve the Remuneration Report, 13.38% (37,590,064 votes) of the votes were cast against the resolution to approve the Remuneration Report, and 28,576 votes were withheld.

Actions taken by the Directors in 2013 in response to concerns of institutional investor groups included:

- The Remuneration Committee has sought to provide more detail in the Remuneration Report and to make it a more straightforward document to read.
- The performance conditions under the 888 All-Employee Share Plan are considered by the Remuneration Committee to be challenging, due to the three-year cliff vesting mechanism and the reference to relative TSR compared to a peer group median. The performance targets set by the Remuneration Committee for the Executive Directors are also considered to be stretching.
- The Remuneration Committee may negotiate inclusion in newly recruited Executive Directors' employment agreements a clawback or malus mechanism as regards short term or long term incentives, and/or a mitigation mechanism regarding short term and long term incentive payments made during the Executive Directors' unexpired notice period where such Executive Director is engaged in other employment during such period.
- The Remuneration Committee has sought to introduce guidelines that will reference overall compensation levels, to compensation packages in FTSE 250 companies, in order to avoid concerns that compensation may be considered or appear excessive.

Approval

This report was approved by the Board and signed on its behalf by:



Amos Pickel

Chairman of the Remuneration Committee
25 March 2014

Independent auditors' report to the Members of 888 Holdings plc

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- The Group and Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- The financial statements have been properly prepared in accordance with the Gibraltar Companies (Consolidated Accounts) Act 1999, the Gibraltar Companies (Accounts) Act 1999 and the Gibraltar Companies Act 1930 (as amended).

We have audited the financial statements (the "financial statements") of 888 Holdings plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company statements of changes in equity, the Consolidated and Company Statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Our assessment of risks of material misstatement

In preparing the financial statements, the Directors made a number of subjective judgements and significant accounting estimates that involved making assumptions and considering future events that are, by their nature, inherently uncertain (see note 2 to the consolidated financial statements). We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

In arriving at our audit opinion above on the Group financial statements the risks of material misstatement that had the greatest effect on our Group audit in the current year are noted below. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 31 to 33. We focused on the following areas:

- Revenue recognition, which is a presumed fraud risk under International Standards on Auditing (UK & Ireland). The main risks are the completeness, existence and presentation in the statement of comprehensive income of net gaming revenue and other revenue. Details of the accounting policies applied in respect of the various income streams earned by the Group are given in note 2 to the financial statements. The Group also makes certain judgements around the estimates and treatment of various customer incentives and bonuses that are either deducted from revenue or treated as a cost, the timing of revenue recognition and the accounting treatment of revenue streams derived from contractual arrangements entered into with third parties.

We documented and tested the key IT and manual general and application controls over the completeness and accuracy of the Group's main gaming systems. This included testing the reconciliation between the main gaming systems and the nominal ledger. We also undertook analytical and other substantive testing, including IT interrogation work over net gaming revenue, other revenue and the treatment of customer bonuses.

We reviewed the assumptions, estimates and judgements applied by management related to certain customer bonuses and challenged these based on available information.

We reviewed key contracts related to revenue share agreements and other relevant documentation to assess whether the revenue recognised had been correctly treated as gross or net in line with the Group's stated accounting policies and whether any other terms within the contract had any material accounting or disclosure impacts. We also assessed whether the revenue recognition policies adopted by the Group comply with IFRSs as adopted by the EU and industry standards.

Where revenue was recorded through journal entries we performed testing to establish whether a service had been provided in the financial year to support this recognition.

- The assessment of the additions to, and carrying value of goodwill and other intangible assets, to determine whether there was a risk of material misstatement in the carrying value of these assets and whether an impairment should be recognised.

Intangible assets primarily comprise those intangible assets recognised on acquisitions, licences acquired, and internally generated computer software enhancements, including those designed to meet US licensing criteria. The Group holds material amounts related to the above assets with carrying values supported through compiling discounted cash flow models with assumptions, estimates and judgements adopted or applied by management. Key assumptions include discount rates, perpetuity rates, expected operating margins and growth rates, the future period over which projections should apply, and sensitivity analysis.

Independent auditors' report to the Members of 888 Holdings plc

We documented and tested the key controls in respect of the capitalisation of intangible assets, tested a sample of projects undertaken in the year against invoices from external suppliers and internal payroll costs and assumptions, and evaluated the assessment by management as to whether the project spend met all the recognition criteria set out in IAS 38. We also considered whether there were any indications of impairment of intangible assets. We utilised our internal valuations team as part of the audit team and together we challenged management's assumptions used in the discounted cash flow models prepared to assess the impairment of goodwill and other intangibles as described in note 11 of the Group's annual report. This included reviewing all the key assumptions against external evidence where available and by reviewing the cash flow projections against Board approved budgets and assessing the reasonableness of cash flow projections beyond that period against available evidence to support these including external information and studies. We also assessed the past ability of management to forecast with material accuracy. We also performed other sensitivity analyses on these models particularly where changes in key assumptions could have an impact on the headroom against a break-even position. We also reviewed the disclosures in the financial statements to conclude that these reasonably highlighted all key assumptions and judgements made.

- Legal and regulatory compliance and provisions. Given the developing nature of the gaming sector in many countries across the world, there is a risk that potential material legal or regulatory matters are not appropriately disclosed or provided for.

We discussed with the Group's Legal advisors as to whether there were any known instances of material breaches in regulatory and licence compliance that needed to be disclosed or required provisions to be made in the financial statements. The Group has compliance obligations that range from administration of their licences to assessing the impact of country-specific and pan-regional rules and regulations on its business. We reviewed how the Group monitors legal and regulatory developments and their assessment of the potential impact on the business and the appropriate internal and external advice taken in respect of these developments. The Group assesses the appropriateness and quantum of any provisions and disclosures required under IFRSs as adopted by the EU for certain outstanding legal and regulatory disputes which are an estimate of what the Directors believe to be the fair value based on the Directors' best estimate where there is a probable outflow of economic benefits. Where the Group do not consider the likelihood of a provision being probable the Group will disclose the existence of a contingent liability unless it is remote. We corroborate this by reviewing any correspondence from regulators related to the Group's licence compliance requirements. We met with, and reviewed the litigation report provided by the Group's legal counsel and discussed each of the material cases noted in the report to determine the Group's assessment of the likelihood and magnitude of any liability that may arise. We also reviewed, where required, any available external legal or regulatory advice sought by the group in their assessment. We challenged the assessments made, where needed, and reviewed the calculation of any provisions made in the light of the external advice provided to the Group. We also reviewed all disclosures prepared by the Group for these provisions and contingent liabilities.

- Tax including deferred tax given that due to the international nature of the Group there was a risk that material tax exposures may not be reasonably disclosed or provided for in the financial statements.

We discussed with the Group how they manage, control and operate Group companies in the countries in which they are registered. We also reviewed how the Group considers taxation as part of the overall business planning and how they regularly monitor the rules and practices governing the taxation of ecommerce activity that is evolving in many countries. The Group seeks external advice on these matters in formulating the estimated amount of tax to be provided in certain jurisdictions. We reviewed the taxation provisions in respect of each jurisdiction in which the Group is registered or has a significant presence. We assessed the latest external advice received by management with regard to exposure to taxation in the major territories in which the Group operates, and any correspondence from tax authorities in those territories that may require additional disclosures or provisions. We also considered any transfer pricing studies carried out on behalf of the Group in the period, and assessed, in respect of earlier studies, whether there had been any change in the basis of operations in the relevant territories. We challenged the assessments made by management, where needed, and reviewed the disclosures prepared by the Group for the tax provisions and contingent liabilities.

- The re-opening of the US market in certain states. Certain US states have legalised various forms of online gaming, and the Group has re-entered the market during the year. As a consequence, the Group has entered into a number of new agreements and joint venture arrangements during the year and management has assessed the accounting treatments that should be applied to these.

We critically assessed the agreements entered into during the year in respect of the group's US operations, both with third parties and joint venture partners and assessed whether the company and consolidation accounting applied was in accordance with applicable IFRSs as adopted by the EU. We also assessed with the Group's Compliance and Legal advisors as to whether the Group was operating in accordance with its US licences.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be US\$4.0 million. In determining this, we based our assessment on a level of 1% of revenue for the year. On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgment is that performance materiality for the financial statements should be 75% of planning materiality. We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of US\$0.1 million. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our group audit

The majority of the Group's individual entities do not require individual statutory audits and as an online gaming group the accounting for the Group is centrally managed. For the purposes of the Group audit we consider that there are two reporting components, comprising one company based in Israel, and the other being the rest of the worldwide group. The audit of the Israeli company is carried out by a component audit firm using a materiality of US\$0.9 million as instructed by BDO, and the BDO Group audit team audit the rest of the worldwide group, which includes all the Group's consolidated revenue, and the majority of the Group's costs, using materiality of US\$4.0 million. As part of our work on the Group and in accordance with ISA 600 "Special considerations – Audit of Group financial statements (including the work of component auditors)", we requested that the Israeli component auditor performed their audit under group instructions and reporting, and we met with and reviewed their work as part of the overall audit. Based on the above scope we were able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the Group financial statements as a whole.

Opinion on other matters prescribed by legal and regulatory requirements

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the year ended 31 December 2013 for which the financial statements are prepared is consistent with the financial statements; and
- The part of the Remuneration Report described as having been audited has been properly prepared in accordance with Section 421 of the UK Companies Act 2006.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under Gibraltar legal and regulatory requirements we are required to report to you if, in our opinion:

- The Company has not kept proper accounting records;
- if we have not received all the information and explanations we require for our audit; or
- if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

Under the Listing Rules we are required to review:

- The Directors' statement, on page 30, in relation to going concern; and
- the part of the corporate governance statement on pages 27 to 30 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Independent auditors' report to the Members of 888 Holdings plc

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

888 Holdings plc has complied with the requirements of rules 9.8.6 and 9.8.8 of the Listing Rules of the UK Financial Conduct Authority and in accordance with Section 421 of the UK Companies Act 2006 in preparing its Annual Report, as if it was incorporated in the United Kingdom. As auditors, we have agreed that our responsibilities in relation to the Annual Report will be those as set out below.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Gibraltar Companies (Consolidated Accounts) Act 1999, the Gibraltar Companies (Accounts) Act 1999 and the Gibraltar Companies Act 1930 (as amended), and the part of the Remuneration Report to be audited has been properly prepared in accordance with Section 421 of the UK Companies Act 2006. We also report to you whether in our opinion, the information disclosed in the Directors' Report is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by the Listing Rules and Gibraltar legislation regarding Directors' remuneration and other transactions is not disclosed.

Scope of the audit of the financial statements performed in accordance with ISAs (UK and Ireland)

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies within the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The purpose of this report and restrictions on its use by persons other than the members of the Company, as a body

Our report is made solely to the Company's members, as a body, in accordance with our engagement letters. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Chartered Accountants
55 Baker Street
London W1U 7EU
United Kingdom
25 March 2014

Christian Summerfield (Statutory Auditor)

For and on behalf of
BDO Limited
Registered Auditors
Regal House
PO Box 1200
Gibraltar
25 March 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BDO Limited, a Gibraltar limited company, is registered in Gibraltar with company number 52200.

Consolidated Income Statement

For the year ended 31 December 2013

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

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

The notes on pages 57 to 88 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2013

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

The financial statements on pages 53 to 88 were approved and authorised for issue by the Board of Directors on 25 March 2014 and were signed on its behalf by:



Brian Mattingley
Chief Executive Officer



Aviad Kobrine
Chief Financial Officer

The notes on pages 57 to 88 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

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

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

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

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

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

The notes on pages 57 to 88 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

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

The notes on pages 57 to 88 form part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

Company description and activities

888 Holdings Public Limited Company (the 'Company') and its subsidiaries (together the 'Group') was founded in 1997 and originally operated as a holding company domiciled in the British Virgin Islands. On 12 January 2000, the Company was continued in Antigua and Barbuda as a corporation under the International Business Corporation Act 1982 with registered number 12512. On 17 December 2003, the Company re-domiciled to Gibraltar with the Company number 90099. On 4 October 2005, the Company listed on the London Stock Exchange.

The Group is the owner of innovative proprietary software solutions providing a range of virtual online gaming services over the internet including Casino and games, Poker, Bingo and Emerging Offering which mainly comprises 888's Sportsbook, brand licencing revenue on third party platforms and Mytopia social games to end users and also provides these services through its business to business unit Dragonfish to business partners. In addition, the Group provides payment services, customer support and online advertising.

Definitions

In these financial statements:

The Company	888 Holdings Public Limited Company.
The Group	888 Holdings Public Limited Company and its subsidiaries.
Subsidiaries	Companies over which the Company has control (as defined in International Accounting Standard 27 'Consolidated and Separate Financial Statements' and whose accounts are consolidated with those of the Company).
Related parties	As defined in International Accounting Standard 24 — 'Related Party Disclosures'.
Jointly controlled entities	As defined in International Accounting Standards 31 — 'Interests in Joint Ventures'.

2 Significant accounting policies

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards ('IAS') and Interpretations, adopted by the International Accounting Standards Board ('IASB') and endorsed for use by companies listed on an EU regulated market.

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Significant accounting policies (continued)

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

- IFRS 10 — Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 11 — Joint Arrangements (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 12 — Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014).
- IAS 27 — Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014).
- IAS 28 — Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IFRS 10, IFRS 11 and IFRS 12 — Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 32 — Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 36 — Recoverable amounts disclosures for non-financial assets (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 39 — Novation of Derivatives and Continuation of Hedge Accounting (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 9 — Financial Instruments (the effective date is to be determined). This amendment has not yet been endorsed for use in the EU.
- IFRIC 21 Levies — Interpretation of IAS 37: Accounting for levies imposed by governments (effective for accounting periods beginning on or after 1 January 2014). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS 19 — Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.
- Improvements to IFRSs (2010-2012 cycle and 2011-2013 cycle) — This annual improvement project clarifies the requirements of IFRSs and eliminates inconsistencies within and between standards. The relevant changes included amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 2 'Share-based Payment', IFRS 3 'Business Combinations', IFRS 8 'Operating Segments', IFRS 13 'Fair Value Measurement', IAS 16 'Property, Plant and Equipment', IAS 24 'Related Party Disclosures', IAS 38 'Intangible Assets' and IAS 40 'Investment Property' (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.

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

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

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

2 Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by 888 Holdings Public Limited Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date the parent gained control until such time as control ceases.

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

Inter-company transactions and balances are eliminated on consolidation.

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

Revenue

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

Revenue consists of income from online activities and that generated from processing customers' cross currency deposits and withdrawals, which is allocated to each reporting segment. Revenue from online activities comprises:

Casino and Bingo

Casino and Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won.

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

Poker

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

Emerging Offerings

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

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

B2B

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

Operating expenses

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

Notes to the Consolidated Financial Statements

2 Significant accounting policies (continued)

Administrative expenses

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

Foreign currency

Monetary assets and liabilities denominated in non-US Dollar currencies are translated into US Dollar equivalents using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rates prevailing at the dates of the transactions. Exchange rate differences on foreign currency transactions are included in financial income or financial expenses as appropriate.

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- (b) income and expenses for each income statement are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Taxation

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

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

Segment information

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

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

Intangible assets

Acquisitions

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

Internally generated intangible assets

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

2 Significant accounting policies (continued)

Goodwill

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

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition. Changes in the fair value of the contingent consideration are charged or credited to the income statement. In addition the direct costs of acquisition are charged immediately as an expense.

Property, plant and equipment

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

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

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

Impairment of non-financial assets

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

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

Investment in equity accounted joint ventures

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

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

Profits and losses arising on transactions between the Group and its JCEs are recognised only to the extent of unrelated investors' interests in the JCE. The investor's share in the JCEs profits and losses resulting from these transactions is eliminated against the carrying value of the JCEs. Any premium paid for a JCE above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the JCE. Where there is objective evidence that the investment in a JCE has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets, and any charge or reversal of previous impairments is taken to the consolidated income statement.

Where amounts paid for a JCE are exceeded by the 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 Other Comprehensive Income.

Trade receivables

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

Notes to the Consolidated Financial Statements

2 Significant accounting policies (continued)

Derivative financial instruments

The Group enters into contracts for derivative financial instruments such as forward currency contracts to hedge operational risks associated with foreign exchange rates. Such derivative financial instruments are measured at fair value under IAS 39 and comprise level 2 fair value measurement instruments and are carried in the balance sheets as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair values of derivatives are recorded immediately in the consolidated income statement.

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

Short term investments

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

Cash and cash equivalents

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

Equity

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

Trade and other payables

Trade and other payables are recognised at fair value and carried at amortised cost.

Liabilities to customers

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

Available-for-sale financial assets

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

Leases

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

Provisions

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

Dividends

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

2 Significant accounting policies (continued)

Share-based payments

• Equity settled

Where the Company grants its employees or contractors shares, or options, the fair value at the date of grant is charged to the income statement over the vesting period. Non-market performance conditions are taken into account by adjusting the number of instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest. Market performance conditions are taken into account in determining the fair value at the date of grant.

• Cash-settled

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

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

Severance pay schemes

Severance scheme surpluses and deficits are measured at:

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

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

Financial guarantee contracts

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

Notes to the Consolidated Financial Statements

3 Segment information

Business Segments

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

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

3 Segment information (continued)

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

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

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

Notes to the Consolidated Financial Statements

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

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

Assets by geographical location

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

4 Operating profit

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

5 Employee benefits

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

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

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

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

Average headcount number of employees by category:

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

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

Severance pay liability - Israel

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

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

Notes to the Consolidated Financial Statements

5 Employee benefits (continued)

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

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

Movement in severance pay liability:

Severance pay plan assets

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

Severance pay plan liabilities

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

Severance pay plan trends

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

5 Employee benefits (continued)

Experience gains and losses on scheme assets and liabilities:

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

Employees can determine individually into which type of investment their share of the plan assets are invested, therefore the Group is unable to accurately disclose the proportions of the plan assets invested in each class of asset. Cumulative actuarial losses recognised in other comprehensive income amount to US\$3.0 million (2012: US\$2.5 million). The expected contribution for 2014 is US\$4.3 million.

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

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

6 Finance income and finance expenses

Finance income:

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

Finance expenses:

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

Notes to the Consolidated Financial Statements

7 Taxation

Corporate taxes

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

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

	Year ended 31 December	
	2013 US\$ million	2012 US\$ million
Profit before taxation	53.2	40.8
Tax at effective tax rate in Gibraltar (2013:10%, 2012: 10%)	5.3	4.1
Effect of overseas taxation	1.4	2.3
Effect of deferred tax originating in overseas jurisdictions	0.2	0.1
Permanent disallowable expenditure	0.3	1.7
Non-taxed income	(3.2)	(3.7)
Adjustments to prior years tax charges	(0.8)	0.9
Total tax charge for the year	3.2	5.4

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

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

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

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

8 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

8 Earnings per share (continued)

Adjusted earnings per share

The Directors believe that EPS excluding share benefit charges, retroactive taxes and associated charges, movement in contingent and deferred consideration, impairment charges, share of post-tax loss of equity accounted joint ventures and profit on acquisition of equity accounted joint venture ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

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

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

9 Dividend

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

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

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

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

10 Acquisitions

Acquisitions completed in prior years

Internet domain name and brands

During the prior year the Group acquired one of its former B2B customers domain name and brands for cash consideration of US\$0.6 million, and contingent consideration based on a percentage of revenue receivable originally estimated at US\$0.9 million. All amounts, except for goodwill arising of \$0.3m, were attributed to intangible assets acquired, comprising customer information and brands. During the year 2012 the contingent consideration payable was increased by US\$0.4 million and during the year 2013 by US\$0.5 million. The acquisition is deemed immaterial in respect of IFRS 3 disclosure requirements.

Wink online Bingo business

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

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

Notes to the Consolidated Financial Statements

11 Intangible assets

	Goodwill US\$ million	Acquired intangible assets US\$ million	Internally generated intangible assets US\$ million	Total US\$ million
Cost or valuation				
At 1 January 2012	145.8	9.2	20.2	175.2
Additions	—	—	10.5	10.5
Acquisitions	0.3	1.5	—	1.8
At 31 December 2012	146.1	10.7	30.7	187.5
Additions	—	0.9	12.7	13.6
At 31 December 2013	146.1	11.6	43.4	201.1
Amortisation and impairments:				
At 1 January 2012	20.7	7.0	5.6	33.3
Impairment	—	—	0.9	0.9
Amortisation charge for the year	—	1.7	3.9	5.6
At 31 December 2012	20.7	8.7	10.4	39.8
Amortisation charge for the year	—	0.8	4.8	5.6
At 31 December 2013	20.7	9.5	15.2	45.4
Carrying amounts				
At 31 December 2013	125.4	2.1	28.2	155.7
At 31 December 2012	125.4	2.0	20.3	147.7
At 31 December 2011	125.1	2.2	14.6	141.9

Analysis of goodwill by cash generating units:

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

Impairment

In accordance with IAS 36 and the Group's stated accounting policy an impairment calculation is carried out annually on the carrying amounts of goodwill and any other intangible assets that shows indication of impairment. A review was carried out at 31 December 2013 to assess whether there was any indication that its other intangible assets and property plant and equipment had been impaired. Where an impairment calculation was carried out, the carrying value in use of the assets was determined by discounting the future cash flows of the relevant cash generating unit to their present value.

Goodwill

Bingo Online Business

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

11 Intangible assets (continued)

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

Key assumptions used

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

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

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

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

Internally generated Intangible assets

Other intangible assets

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

Licenses- prior year impairment

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

Notes to the Consolidated Financial Statements

12 Property, plant and equipment

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

13 Investment in equity accounted joint ventures

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

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

Technology Solutions (Gibraltar) Limited (“TSG”)

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

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

USA Jointly Controlled Entities

On 11 March 2013 the Group entered into a joint venture agreement (“JVA”) with Avenue OLG Entertainment LLC (“Avenue”) and other minority shareholders to form AAPN Holdings LLC (“AAPN”). Under that agreement the Group has a 47% interest in AAPN. AAPN is funded by Avenue as defined in the JVA.

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

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

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

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

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

Notes to the Consolidated Financial Statements

13 Investment in equity accounted joint ventures (continued)

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

	US Joint Ventures US\$ million	TSG US\$ million	Total 2013 US\$ million	Total 2012 ¹ US\$ million
Net assets of Joint ventures				
Non-current assets	5.9	—	5.9	2.3
Current assets	6.0	—	6.0	—
Current liabilities	(3.6)	—	(3.6)	(2.2)
Net assets of joint ventures	8.3	—	8.3	0.1
Group effective interest in joint ventures	47%	50%		
Group share of net assets of joint ventures	3.9	—	3.9	—
Income statement of Joint Ventures				
Income	—	—	—	0.2
Expenses	(8.7)	—	(8.7)	(0.2)
Post tax losses of joint ventures	(8.7)	—	(8.7)	—
Group share of effective interest	47%	50%		
Group share of Post-tax losses of joint ventures	(4.1)	—	(4.1)	—

¹ Amounts in 2012 relate solely to TSG.

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

On acquisition of the interest in AAPN the difference of US\$1.9 million between the consideration paid of nil and the share of net assets of the entity of US\$1.9 million was accounted for as a profit on acquisition in line with IAS 31.

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

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

	US Joint Ventures US\$ million	TSG US\$ million	Total US\$ million
Movements in interest in equity accounted joint ventures			
Investment in equity accounted joint ventures			
At 1 January 2012	—	1.3	1.3
Impairment	—	(1.3)	(1.3)
At 31 December 2012	—	—	—
Profit on acquisition of equity accounted joint venture	1.9	—	1.9
Group share of equity injections by joint venture partner in equity accounted joint venture	6.1	—	6.1
Share of post-tax loss of equity accounted joint ventures	(4.1)	—	(4.1)
At 31 December 2013	3.9	—	3.9

14 Financial Assets — Available-for-sale investments

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

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

15 Deferred taxes

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

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

16 Cash and cash equivalents

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

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

17 Short term investments

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

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

18 Trade and other receivables

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

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

Notes to the Consolidated Financial Statements

19 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2013 Number	31 December 2012 Number	31 December 2013 US\$ million	31 December 2012 US\$ million
Ordinary Shares of £0.005 each	426,387,500	426,387,500	3.9	3.9
Allotted, called up and fully paid				
	31 December 2013 Number	31 December 2012 Number	31 December 2013 US\$ million	31 December 2012 US\$ million
Ordinary Shares of £0.005 each at beginning of year	349,688,356	347,687,468	3.2	3.2
Issue of ordinary shares of £0.005 each	2,288,919	2,000,888	—	—
Ordinary Shares of £0.005 each at end of year	351,977,275	349,688,356	3.2	3.2

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

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

Issued during 2012	Ordinary shares of £0.005 each
January	76,816
April	362,612
May	1,106,071
June	194,988
August	161,468
October	98,933
Shares issued during 2012	2,000,888

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

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

20 Trade and other payables

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

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

21 Contingent and deferred consideration

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

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

Contingent and deferred consideration — movements in the year

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

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

22 Liabilities to customers and progressive prize pools

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

Notes to the Consolidated Financial Statements

23 Investments in significant subsidiaries

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

24 Share-based payment

The Company has two equity-settled employee share incentive plans — the 888 All-Employee Share Plan and the Long term Incentive Plan. The 888 All-Employee Share Plan is open to all employees and Executive Directors of the Group who are not within six months of their normal retirement age, at the discretion of the Remuneration Committee. Awards under this scheme will vest in installments over a fixed period of up to four years subject to the relevant individuals remaining in service. Certain of these awards are subject to performance conditions imposed by the Remuneration Committee at the dates of grant, further details of which are given in the Directors Remuneration Report on pages 37 to 39.

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

Share options granted

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

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

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

³ The weighted average remaining contractual life at 31 December 2013 was 3.59 years (2012: 4.74 years).

Ordinary Shares granted (without performance conditions)

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

Shares are granted at a nominal exercise price.

Ordinary shares granted (subject to performance conditions)

	31 December	
	2013 Number	2012 Number
Outstanding at the beginning of the year	3,205,587	1,175,373
Shares granted during the year	1,049,059	2,134,719
Lapsed future vesting shares	(17,629)	(104,505)
Shares issued during the year	(287,529)	—
Outstanding at the end of the year	3,949,488	3,205,587
Averaged remaining life until vesting	1.22 years	1.71 years

Of these grants, 50% of each are dependent on an EPS growth target, and 50% on total shareholder return (TSR) compared to a peer group of companies. Further details of performance conditions that have to be satisfied on these awards are set out in the Directors Remuneration Report on pages 37 to 39. The EPS growth target is taken into account when determining the number of shares expected to vest, and the TSR target is taken into account when calculating the fair value of the share grant.

Notes to the Consolidated Financial Statements

24 Share-based payment (continued)

Valuation information – shares granted under TSR condition:

	31 December	
	2013	2012
Shares granted during the year:		
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	£1.14	£0.40
Number of shares granted	524,530	1,067,360
Average risk-free interest rate	0.73%	1.22%
Average standard deviation	53%	51%
Average standard deviation of peer group	34%	37%

Valuation information – shares granted

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

Ordinary shares granted for future vesting without TSR performance conditions are valued at the share price at grant date which the Company considers approximates to the fair value. The restrictions on the shares during the vesting period, primarily relating to non-receipt of dividends, are considered to have an immaterial effect on the share option charge.

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

Cash-settled share-based payment

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

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

Valuation information

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

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

24 Share-based payment (continued)**Share benefit charges**

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

25 Related party transactions

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

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

Further details on Directors' remuneration are given in the Directors' remuneration summary on pages 42 to 43.

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

26 Commitments**Lease commitments**

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

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

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

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

27 Financial risk management

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

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

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

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

Detailed analysis of these financial instruments is as follows:

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

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

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

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

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

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. Other than disclosed elsewhere in note 28, there are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

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

27 Financial risk management (continued)

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

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

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

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ('chargebacks') or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of a provision based on analysis of past transactions. This provision is netted off from the trade receivables balance and at 31 December 2013 was US\$1.2 million (2012: US\$1.1 million).

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

Cash and cash equivalents

The Group controls its cash position out of its Gibraltar headquarters. Subsidiaries in its other main locations maintain minimum cash balances which are deemed required for their operations.

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

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

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

Restricted cash

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

Short term investments

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

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

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

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due.

The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

Notes to the Consolidated Financial Statements

27 Financial risk management (continued)

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

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

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

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

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

Market risk

Interest rate risk

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

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

Downside interest rate risk is minimal as the Group has no floating rates borrowings. Given current low interest rates a 0.5% downward movement in bank interest rates would not have a significant impact on finance income for the year. However, a 0.5% increase in interest rates would, based on the year end deposits, increase annual profits by US\$0.4 million.

Currency risk

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

- Mismatch between balance sheet liabilities to customers which is predominantly denominated in US\$ and the net receipts from customers which are settled in the currency of the customer's choice, of which sterling (GBP) and Euros (EUR) are significant.
- Mismatch between reported revenue which is mainly generated in USD (the Group's functional and reporting currency) and a significant portion of deposits which are settled in local currencies.
- Expenses, the majority of which are denominated in foreign currencies including sterling (GBP), euro (EUR) and New Israeli Shekel (ILS).

The Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level, inter alia by using foreign exchange forward contracts designed to fix the economic impact of known liabilities. At 31 December 2013 the Group had entered into US Dollar/GB Pound and US Dollar/Euro forward contracts totaling US\$146 million regarding 2014 expected currency excess in GB Pound and Euro. The total fair value of the forward contracts was US\$4.2 million liability to be settled on a monthly basis throughout 2014. (During 2012 the Group had entered into Israeli Shekel/US Dollar outstanding forward contracts totaling US\$81 million regarding 2013 operational business costs incurred in Israeli Shekels. In addition the Group had entered into US Dollar/ GB Pound as well as US Dollar/Euro forward contracts totaling US\$140 million regarding 2013 currency excess in GB Pound and Euro. The total fair value of the forward contracts as at 31 December 2012 was US\$ 3.3 million asset which had been settled during the year 2013.)

27 Financial risk management (continued)

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

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

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

Sensitivity analysis

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

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

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

Notes to the Consolidated Financial Statements

28 Fair value measurements

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

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

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

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

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

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

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

29 Contingent liabilities and regulatory issues

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

Company Balance Sheet

At 31 December 2013

	Note	31 December 2013 US\$ million	2012 US\$ million
Assets			
Non-current assets			
Investments in subsidiaries	2	26.1	23.4
		26.1	23.4
Current assets			
Trade and other receivables	3	74.1	225.5
Cash and cash equivalents	4	0.7	17.6
		74.8	243.1
Total assets		100.9	266.5
Equity and liabilities			
Equity			
Share capital	5	3.2	3.2
Share premium		0.9	0.1
Retained earnings		70.8	32.5
Total equity		74.9	35.8
Liabilities			
Current liabilities			
Trade and other payables	6	22.9	229.9
Non-current liabilities			
Share benefit charges - cash settled		3.1	0.8
Total liabilities		26.0	230.7
Total equity and liabilities		100.9	266.5

The financial statements on pages 89 to 93 were approved and authorised for issue by the Board of Directors on 25 March 2014 and were signed on its behalf by:



Brian Mattingley
Chief Executive Officer



Aviad Kobrine
Chief Financial Officer

The notes on pages 92 to 93 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital US\$ million	Share premium US\$ million	Retained earnings US\$ million	Total US\$ million
Balance at 1 January 2012	3.2	0.1	(4.3)	(1.0)
Dividend paid	—	—	(8.7)	(8.7)
Issue of shares	—	—	—	—
Share benefit charges	—	—	0.9	0.9
Total comprehensive income for the year	—	—	44.6	44.6
Balance at 1 January 2013	3.2	0.1	32.5	35.8
Dividend paid	—	—	(33.2)	(33.2)
Issue of shares	—	0.8	—	0.8
Share benefit charges	—	—	3.3	3.3
Total comprehensive income for the year	—	—	68.2	68.2
Balance at 31 December 2013	3.2	0.9	70.8	74.9

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

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

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

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

The notes on pages 92 to 93 form part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 31 December	
	2013 US\$ million	2012 US\$ million
Cash flows from operating activities:		
Profit before income tax	70.4	46.5
Adjustments for:		
Interest received	—	(0.1)
Share benefit charges	2.9	1.1
Increase in net amounts owed by subsidiaries	(53.7)	(35.9)
Decrease (increase) in other accounts receivables	0.1	(0.3)
(Decrease) increase in trade payables	(1.5)	1.4
Decrease in other accounts payables	(0.4)	(1.9)
Cash generated from operations	17.8	10.8
Tax paid	(2.3)	(1.0)
Net cash generated from operating activities	15.5	9.8
Cash flows from investing activities:		
Interest received	—	0.1
Net cash generated from investing activities	—	0.1
Cash flows from financing activities:		
Issue of shares	0.8	—
Dividends paid	(33.2)	(8.7)
Net cash used in financing activities	(32.4)	(8.7)
Net (decrease) increase in cash and cash equivalents	(16.9)	1.2
Cash and cash equivalents at the beginning of the year	17.6	16.4
Cash and cash equivalents at the end of the year	0.7	17.6

The notes on pages 92 to 93 form part of these financial statements.

Notes to the Company Financial Statements

1 General information and accounting policies

A description of the Company, its activities and definitions are included in note 1 to the consolidated financial statements.

The Company has applied accounting policies identical to the Group's accounting policies listed in note 2 to the consolidated financial statements other than in relation to investments in its subsidiaries which are held at cost less any impairment provision required.

The following standard issued by the IASB has not been adopted by the Company as this was not effective for the year 2013. The Company is currently assessing the impact this standard will have on the presentation of its results in future periods.

- IAS 27 — Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2014).

Under Section 10(2) of the Gibraltar (Consolidated Accounts) Act 1999, the Company is exempt from the requirement to present its own income statement.

2 Investments in subsidiaries

The Company's principal subsidiaries are listed in note 23 to the consolidated financial statements and are held at cost less provision for any impairment. The Group applies IFRS 2 'Share based payments'. Consequently, the Parent Company recognises as a cost of investment the value of its own shares that it makes available for the purpose of granting share options to employees or contractors of its subsidiaries. The movement on investment in subsidiaries in both years was in respect of IFRS 2. This amount was US\$2.7 million in 2013 (2012: US\$0.6 million).

3 Trade and other receivables

	31 December	
	2013	2012
	US\$ million	US\$ million
Amounts due from subsidiaries	73.8	225.2
Other receivables and prepayments	0.3	0.3
	74.1	225.5

The carrying value of trade and other receivables approximate to their fair value. None of the balances included within trade and other receivables are past due or impaired. Amounts due from subsidiaries are payable on demand.

4 Cash and cash equivalents

	31 December	
	2013	2012
	US\$ million	US\$ million
Cash and cash equivalents	0.7	17.6
	0.7	17.6

5 Share capital

The disclosures in note 29 to the consolidated financial statements are identical for the Company.

6 Trade and other payables

	31 December	
	2013	2012
	US\$ million	US\$ million
Trade payables	0.4	1.9
Amounts due to subsidiaries	17.2	222.3
Corporate tax	1.1	1.6
Other payables and accrued expenses	4.2	4.1
	22.9	229.9

The carrying value of trade and other payables approximate to their fair value. All balances included within trade and other payables are repayable on demand.

Notes to the Company Financial Statements

7 Financial risk management

The Company's financial risk management objectives and policies are identical to those of the Group as disclosed in note 27 to the consolidated financial statements.

8 Contingent liabilities

The disclosures in note 29 to the consolidated financial statements are identical for the Company.

9 Share-based payment

The disclosures in note 24 to the consolidated financial statements are identical for the Company except that the charge for the year is partly taken to investment in subsidiaries as set out in note 2.

10 Related party transactions

During the year the Company was credited with dividends from its subsidiaries totaling US\$86.1 million and paid to its shareholders dividends totaling US\$33.2 million (2012: US\$8.7 million).

Share benefit charges in respect of options and shares of the Company awarded to employees of subsidiaries totalled US\$2.7 million (2012: US\$0.6 million).

During the year subsidiaries of the Company participated in funding its costs which totalled US\$12.5 million (2012: US\$11.2 million) At 31 December 2013, net amount owed by subsidiaries to the Company amounted to US\$56.6 million (2012: net amount owed by subsidiaries to the Company US\$2.9 million).

The aggregate benefits paid to the Directors of the Company by its subsidiaries set out below:

	Year ended 31 December	
	2013 US\$ million	2012 US\$ million
Short term benefits	0.2	0.2

11 Significant non cash transactions

During the year the company was a party to arrangements made by the group to rationalise the intercompany balances within the group. Under these arrangements certain intercompany balances were novated to and from the company and its subsidiaries, and certain intercompany balances were forgiven by subsidiary companies. As a result movements on intercompany debtor and creditor balances of US\$238 million and US\$238 million respectively in the period did not arise as a result of cash transfers and have therefore been excluded from the company cash flow.

Shareholder Information

Group websites

A range of shareholder information is available in the Investor Relations area of the Group's website, www.888holdingsplc.com, including:

- Latest information on the Group's share price
- Information on the Group's financial performance
- News and events

The following websites can also be accessed through the Group's main website www.888.com or are available directly.

USA

888's New Jersey Poker and Casino games are offered through its US regulated website

- us.888poker.com
- us.888casino.com
- us.888.com

Spain

888's Spain Poker and Casino games are offered through its Spanish regulated website

- www.888.es
- www.888poker.es
- www.888casino.es

Italy

888's Italy Casino games are offered through its Italian regulated website

- www.888.it
- www.888casino.it

Casino

888's Casino games are offered through its 888casino and live casino

- www.888casino.com
- www.Casino-on-Net.com
- www.ReefClubCasino.com
- www.eucitycasino.com

Poker

888's Poker offering is through 888poker

- www.888poker.com
- www.PacificPoker.com
- www.LuckyacePoker.com

Sportsbook

888's Sportsbook offering is through 888sport

- www.888sport.com

Bingo

888's Bingo offering is through 888ladies and Wink

- www.888ladies.com
- www.winkbingo.com
- www.poshbingo.co.uk
- www.tastybingo.com
- www.redbusbingo.com
- www.bingostreet.com
- www.bigbrotherbingo.com
- www.888bingo.com
- www.bingofabulous.com

Games

888's Games offering is through 888games

- www.888games.com
- www.888play.com

Mytopia Social Games

888's social games are offered through Mytopia social games websites:

- www.mytopia.com
- www.bingoisland.com

Responsible gaming

The Group's dedicated site focusing on responsible gaming

- www.888responsible.com

Shareholder Notes

Shareholder Notes

Shareholder Services

All enquiries relating to Ordinary Shares, Depository Interests, dividends and changes of address should be directed to the Group's Transfer Agent:

Capita Registrars

The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
UK

Tel: 0870 162 3100
www.capitaregistrars.com

Further Information

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Company Secretary

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