26 March 2024

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

888 Holdings Plc

("888" or "the Group")

FY2023 Results and Value Creation Plan

Clear strategy for success and enhanced leadership team sets foundations for future sustainable profitable growth

New Group identity, strategic framework and Value Creation Plan unveiled

888 (LSE: 888), one of the world's leading betting and gaming companies with internationally renowned brands including William Hill, 888 and Mr Green, today announces its audited financial results for the year ended 31 December 2023 ("FY23" or the "Period").

	Reported			Pro forma[1]		
£ millions	**2023**	**2022**	**YoY%**	**2023**	**2022**	**YoY%**
Revenue	1,710.9	1,238.8	+38%	1,710.9	1,850.1	-8%
Adjusted EBITDA[2]	308.3	217.9	+41%	308.3	310.6	-1%
Adjusted profit after tax[2]	48.1	64.2	-25%			
Loss after tax	(56.4)	(120.6)	-53%			
Adjusted earnings per share (p)[2]	10.7	15.1	-29%			
Earnings per share (p)	(12.6)	(28.3)	-55%			

Financial summary:

- FY23 financial performance in-line with January 2024 Post-Close Trading Update:
  - Revenue of £1,711m with higher quality mix driven by proactive mix shift away from dotcom markets and customer mix changes in the UK as a result of additional safer gambling measures, alongside the change in the Group's marketing approach to focus more on sustainable revenue and profitability.
  - Adjusted EBITDA Margin for FY23 of 18.0%, consistent with the previously indicated range of 18-19% and an increase from 16.8% in FY22 as improved profitability and focus on higher return marketing spend more than offset the impact of dotcom market changes.
  - Cash (excluding customer balances) as at 31 December 2023 of £128m, together with undrawn RCF of £150m, giving total liquidity of approximately £278m as at 31 December 2023. Net debt fell slightly to £1,717m, partially benefitting from FX movements, resulting in an adjusted net debt / EBITDA ratio of 5.6x, stable year over year.

New Value Creation Plan ("VCP") – A strategy for success:

- Appointment of Per Widerström as Chief Executive Officer in October 2023, with swift and decisive actions taken to position the Group for long term success.
- Strengthened executive team with outstanding skills and experience to drive execution – seven out of 10 positions are new appointments. Further to the January 2024 Post Close Trading Update the Group appointed Mark Kemp as Chief Commercial Officer and Stephen Sheridan as Chief Customer & Operating Officer in March 2024.
- Group operating model reset, removing duplication and inefficiencies while enhancing accountability, as well as delivering approximately £30m of additional annual cost savings.
- New strategic framework established, with a clear vision of what success looks like and the strategy to get there. As part of this the Group has commenced six strategic initiatives to drive operational excellence and prepare the business for step-change value creation. Through a laser focus on execution the Group will strengthen its core capabilities and competitive advantages, creating a stronger platform for profitable growth.

- Simplified market archetypes to two categories: Core Markets (UK, Italy, Spain, and Denmark) with in-country scale and market-leading positions, and Optimise Markets. This supports greater focus and investment in markets where the Group will generate strong returns while maximising cash-flow from all markets.
    - In line with this market focus, strategic review of the US B2C business initiated in Q1 2024 to consider all potential alternatives that can deliver value for the business, which will deliver significant cost savings.
- Proposed change of the Group's name to evoke plc, subject to shareholder approval at the 2024 AGM, to better reflect the strength of the Group's multi-brand operating model and its vision and mission to make life more interesting by delighting players with world-class betting and gaming experiences.

VCP will drive high equity returns with strong execution enhanced by reducing leverage:

- Bold new medium-term targets to deliver high return on equity from sustainable profitable growth:
    - Drive profitable and sustainable revenue growth: 5-9% revenue growth per year.
    - Improve profitability and efficiency through operating leverage: Adjusted EBITDA margin expansion of c.100 basis points per year.
    - Deleverage through disciplined capital allocation: leverage of below 3.5x by the end of 2026.

Current trading and outlook:

- Q1 2024 revenue expected to be in the range of £420-430m[3].
- Positive outlook for FY24 revenue consistent with medium-term targets, with consistent growth in active players driving confidence in strong revenue growth online in both the UK and International segments.
- Trading is consistent with the Board's previously announced expectations for Adjusted EBITDA for 2024[4].

Per Widerström, CEO of 888, commented:

"It is incredibly exciting to announce our Value Creation Plan, our strategy for success, our new financial targets, and our new corporate identity. Today marks the beginning of an exciting new dawn for this business.

Having joined the company in October 2023 my conviction in the significant opportunity for the Group is stronger than ever. We have acted with pace, decisiveness and urgency to build a clear strategy to deliver success. These actions include significantly strengthening our executive leadership team and developing a new strategic framework and Value Creation Plan.

I firmly believe that the Group now has all the key ingredients for long-term success: leading positions in growing markets with high and rising barriers to entry; powerful proprietary technology; a top-class management team; and some of the strongest betting and gaming brands in the world.

We are now clear on what success looks like, we have the team and capabilities to deliver, and I am confident that the execution of our plan will deliver a high return on equity from sustainable profitable growth, enhanced by deleveraging."

Sell side analyst and investor presentation

Per Widerström (Chief Executive Officer), Sean Wilkins (Chief Financial Officer), and Vaughan Lewis (Chief Strategy Officer) will host a presentation for sell-side analysts and investors today at 08.45am (GMT).

Live audio webcast link: https://brrmedia.news/888FYR23

To register to attend in-person or participate in Q&A please contact 888@hudsonsandler.com or call +44 (0)207 796 4133 for further details.

A replay will be available on our website shortly after: https://corporate.888.com/investors

Notes

[1] FY22 is pro-forma as if 888 had owned William Hill for the entire period (acquisition completed 1 July 2022) and excludes the 888 bingo business (sold in July 2022).

[2] *Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, and excluding share based payment charges, foreign exchange losses and exceptional items and other defined adjustments. Adjusted measures, including Adjusted EBITDA, are alternative performance measures ("APMs"). These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs. The Directors believe these APMs provide additional useful information for understanding performance of the Group. They are used to enhance the comparability of information between reporting periods and are used by management for performance analysis and planning. An explanation of our adjusted results, including a reconciliation to the statutory results is provided in the CFO report.*

[3] *Assumes normalised win margins for the remainder of the quarter.*

[4] *17 January 2024 Post Close Trading Update outlined expectations for 2024 Adjusted EBITDA to be approximately £340m.*

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About 888 Holdings Plc:

888 Holdings plc (and together with its subsidiaries, "888" or the "Group") is one of the world's leading betting and gaming companies. The Group owns and operates internationally renowned brands including William Hill, 888, and Mr Green. Incorporated in Gibraltar, and headquartered and listed in London, the Group operates from offices around the world.

The Group's vision is to make life more interesting and its mission is to delight players with world-class betting and gaming experiences.

Find out more at:

http://corporate.888.com/

Important Notices

This announcement may contain certain forward-looking statements, beliefs or opinions, with respect to the financial condition, results of operations and business of 888. These statements, which contain the words "anticipate", "believe", "intend", "estimate", "expect", "may", "will", "seek", "continue", "aim", "target", "projected", "plan", "goal", "achieve", words of similar meaning or other forward looking statements, reflect 888's beliefs and expectations and are based on numerous assumptions regarding 888's present and future business strategies and the environment 888 will operate in and are subject to risks and uncertainties that may cause actual results to differ materially. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of 888 to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond 888's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as 888's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which 888 operates or in economic or technological trends or conditions. Past performance of 888 cannot be relied on as a guide to future performance. As a result, you are cautioned not to place undue reliance on such forward-looking statements. The list above is not exhaustive and there are other factors that may cause 888's actual results to differ materially from the forward-looking statements contained in this announcement. Forward-looking statements speak only as of their date and 888, its respective parent and subsidiary undertakings, the subsidiary undertakings of such parent undertakings, and any of such person's respective directors, officers, employees, agents, affiliates or advisers expressly disclaim any obligation to supplement, amend, update or revise any of the forward-looking statements made herein, except where it would be required to do so under applicable law. No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that the financial performance of 888 for the current or future financial years would necessarily match or exceed the historical published for 888.

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

I am pleased to take this opportunity in my first statement as CEO of the Group to write to our stakeholders and outline our vision for the future, including our new strategic framework and exciting value creation plan.

The world of betting and gaming has changed significantly over the past decade. There has been a continued push towards local regulation and ever-increasing barriers to entry through significant compliance requirements. This is coupled with rapid technological advancements fundamentally changing the way customers interact with our products and brands.

What that means today is that for those businesses seeking to follow the locally regulated path, scale is critical. It is why industry consolidation continues at pace and was a key strategic benefit of 888 acquiring William Hill in 2022. Outsized returns also accrue to those operators that take leading positions within target markets. To build leading positions, operators need first-class brands, leading products, and excellent people. Our business has these key ingredients for success, but it has yet to unlock its full potential, in part because of the significant impact of regulatory and compliance changes we have made in the past two years.

Renewed focus and a new identity

The regulatory and compliance changes we have made in recent years in some of our key regulated markets as well as in our dotcom markets have changed the mix of our business. As a result of this, coupled with the integration activities undertaken to date, the combined business today is fundamentally different to the previous individual businesses that made up the combination.

The consumer brands remain as strong as ever, but to reflect the fact that this is a new company on a new journey, we are proposing to change the name of the Group to evoke plc. This will be subject to shareholder approval at our upcoming 2024 AGM.

We look forward to sharing more about our new corporate brand in due course, but we believe that creating an identity that better reflects the combined Group, our mission and values, alongside the clear strategic framework and value creation plan we are announcing today, will better support the business in reaching its significant potential.

Moving forward, creating value through clarity of what success looks like

In order for the business to achieve its full potential, as well as having a clear Group-wide vision and mission to explain *why* we are here, it is critical that everyone in the Company has absolute clarity on what success looks like, including *what* we plan to do, *how* we will execute our plans, and *where* we intend to focus in order to maximise our returns.

That's why since joining the business on 16 October 2023 I have made rapid progress in formulating our strategic framework, translating this into a value creation plan, and ensuring that everyone in the business is fully aligned behind it through our One Company programme.

Creating value

Starting with *what* we will do; we will deliver high return on equity underpinned by the following key principles:

1. *Driving profitable and sustainable revenue growth.* We will deliver profitable and sustainable revenue growth by both increasing our player base and by growing share of wallet with our customers. We will utilise our improved customer lifecycle management capabilities to ensure strong sustainable revenues, always underpinned by a clear customer value proposition and our uncompromising safer gambling principles.
2. *Improving profitability and efficiency through operating leverage.* We will improve profitability by investing into capability build up, in particular through insights, AI, and intelligent automation. Along with our 'Glocal' operating model and supported by our proprietary technology, this will increase our efficiency and deliver greater productivity at lower cost, ensuring that the operating leverage in our business model delivers profitable growth.
3. *Being highly disciplined with our use of capital.* Our financial leverage is relatively high in the context of our sector, but I firmly believe this will be a significant positive driver of our return on equity and will magnify the returns that we will generate in the coming years. Our business is highly cash generative and we will use this cash wisely to ensure we deliver profitable growth and deleveraging, thereby multiplying our return on equity.

The above key drivers of return on equity underpin our bold medium-term targets, which further define what success looks like for the company:

- Revenue growth of 5-9% per year
- Adjusted EBITDA margin expansion of 100 basis points per year
- Leverage of below 3.5x by the end of 2026

Executing our plan

Our success in achieving these goals will be underpinned by our ability to drive successful operational execution, which will be my key priority over the coming years. This is the *how* of our strategic framework.

Our focus will be on strengthening the Group's core capabilities and competitive advantages to create a scalable platform for profitable growth while being laser focused on our customer value proposition. This will comprise three key components:

- *First-class and consistent customer value propositions:* Ensuring our distinct brands and products are tuned in to our customer needs, offering personalised value with sustainability embedded into every offering.
- *Operational excellence driven by data insights and intelligent automation:* This allows us to build scalability to drive operating leverage, ensure consistent execution, deliver high quality outcomes for customers, and unlock new opportunities for efficiency.
- *A winning culture:* We are committed to fostering a culture that empowers our colleagues to unleash their full potential and contribute to our collective success.

In order to turn this into tangible actions, drive execution and value creation we have created six strategic initiatives, which provide the roadmap for delivering our value creation plan:

1. Customer lifecycle management: Building personalised and long-term customer relationships which are critical to sustainable growth, driven by intelligent automation.
2. Customer value propositions: Continuously differentiating our brands from the competition and being relevant to specific customer needs.
3. Operations 2.0: Leveraging AI and automation to drive efficiency, effectiveness, and scalability.
4. Product and Technology foundation: Unifying our proprietary technology platform while delivering outstanding products that are aligned with our brands and customer needs.
5. Winning organisation: One Company with a "Glocal" operating model that has a shared culture that empowers everyone in the business and helps us to attract and retain the best talent to power our value creation journey.
6. ESG: Integrating environmental, social, and governance principles into our core operations to ensure sustainable long-term value creation.

Refined market focus

Given outsized returns go hand in hand with market leadership positions, it is more important than ever in today's regulatory and competitive environment that we are laser-focused on *where* we invest in order to generate superior returns on investment.

Having reviewed our market focus approach, we have redefined our market archetypes to fall under two key categories: Core Markets and Optimise Markets. This simplified approach enables increased focus and investment in our core markets, while maximising cashflow from all markets.

We will remain laser-focused on our four Core Markets – the UK, Italy, Spain, and Denmark – which already generate approximately 85% of our total revenue and nearly 80% of our online revenue, and where we have established strong positions. These are markets that boast attractive long-term growth potential, high barriers to entry, and established regulatory frameworks. In these markets we will continue to leverage our local expertise and diverse brand portfolio to increase market share and drive sustainable profitable growth.

In all other markets, our Optimise category, we will prioritize cash flow generation and value maximization through leveraging our enhanced capabilities and scale. We will identify future potential core markets where we can target podium positions with our improved organic capabilities or through alternative strategic routes in the coming years. At the same time, we will exit unprofitable markets or monetize assets through alternative operating models, such as local partnerships.

New group executive team and operating model that is fit for purpose and future proof

One of the key ingredients to success and drive value creation is having the right people. We have some fantastic people in the business, and an important part of my job is to empower them to add real value as we deliver our strategic priorities. A critical part of this is ensuring we have the most effective management structure and operating model. Often this means fewer layers, optimisation of spans-of-control, and establishment of centres of excellence to provide world-class service. Clarity of accountability is also paramount.

Over recent months we have implemented several changes to our organisational structure to ensure it is fully aligned to deliver our new strategic framework and value creation plan. This has included the transformation of our operating model into a "Glocal" structure with a revised Group Executive team, with each member having clearly defined areas of accountability across the business. We have significantly strengthened our Group Executive team with seven new external hires to fill critical roles across product and technology, operations, commercial, finance, legal and growth.

We have assembled a truly top-quality Group Executive team that will be laser focused on delivering upon our strategic framework and value creation plan and I am absolutely confident we will unlock our full potential.

My commitment to our value creation journey

We are at the beginning of an exciting new journey. We will build on our strong foundations through a clear strategy and focused plan that will deliver sustainable profitable growth and unlock significant value creation. I look forward to updating shareholders and our wider stakeholders on progress against our plans over the coming months and years.

CHIEF FINANCIAL OFFICER'S REPORT – BUSINESS & FINANCIAL REVIEW

INTRODUCTION

Having joined the Group on 1 February 2024 it was clear that 2023 was a critical year for the business, with strong delivery against the previously increased and accelerated synergy target, as well as fundamental revenue mix shifts that have improved the sustainability of the business.

These mix shifts, both in terms of the country mix towards more regulated markets and the customer mix in the UK towards lower spending customers, had a significant negative impact on the financial results for 2023 and the year-over-year growth rates observed on a pro-forma basis.

The business is now at a critical but exciting juncture. We must invest in improving our capabilities in a few critical areas to successfully drive sustainable, profitable growth. Our clear plans are outlined in the CEO report and will be supported by robust financial governance including highly disciplined capital allocation. We will ensure our growth plans support deleveraging and enable strong shareholder returns in the coming years.

Outlook

We have a positive outlook for FY24 revenue with consistent growth in active players driving confidence in strong revenue growth online in both the UK&I and International segments.

At the end of 2023 the Group initiated a cost savings programme that is expected to drive approximately £30m of cash cost savings a year. This will be reinvested into further strengthening the Group's core capabilities in several areas such as intelligent automation and AI-powered data and insights, as well as marketing investment to support revenue growth. These actions, together with the ongoing strategic initiatives that support our value creation plan, are expected to drive improved long-term sustainable profitable growth.

As part of our value creation plan, we have outlined new medium term financial targets of:

1. Revenue growth of 5-9% per year

2. Adjusted EBITDA margin expansion of 100 basis points per year

3. Leverage of below 3.5x by the end of 2026

SUMMARY

Pro-forma results

Given the significance of the acquisition of William Hill midway through the prior year, the statutory results do not provide a clear comparison of performance against the previous period, as they do not consolidate the results of the William Hill business for all the prior period, given the completion date of 1 July 2022. The pro forma results provide a clearer performance of the Group in 2023 compared to 2022.

Since the acquisition, the William Hill business has aligned to the monthly financial calendar of the Group and, therefore, the FY 2022 pro forma financial comparatives cover the period from 29 December 2021 to 31 December 2022.

On a pro forma basis, including the results of William Hill in full for both periods and excluding the 888 bingo business (which was sold during 2022) for both periods, revenue of £1,710.9m was down 7.5% (£139.2m) year-over-year. This was driven primarily by a proactive revenue mix shift away from dotcom markets, which impacted revenues by approximately £80m during FY 2023. Revenue was further impacted by customer mix changes in the UK as a result of additional safer gambling measures, as well as a change in the Group's marketing approach to focus more on sustainable revenue and profitability. Together, these changes have created a higher quality and more sustainable business mix, including approximately 95% of FY 2023 revenue being generated from regulated and taxed markets (FY22 revenue 89%).

Our focus on profitability and synergy delivery aided pro forma Adjusted EBITDA, with a marginal reduction to £308.3m from £310.6m despite the significant impact of our dotcom compliance changes, with dotcom markets typically being higher margin. Adjusted EBITDA Margin increased to 18.0% from 16.8%, reflecting the improved profitability and focus on higher return marketing spend which more than offset the impact of dotcom market changes.

Further segmental details and trends are discussed within the segmental section later in this statement.

Synergies

In 2023 the business took decisive actions enabling it to deliver £150m of cash synergies in FY 2023, having accelerated the timeline for full synergy delivery.

During 2023 the business implemented a range of operational changes, removing some duplication to create more efficient operations and begin delivering the scale benefits of the combination with William Hill. The Group also reviewed and adapted its marketing approach across markets with a focus on driving more efficient marketing decisions to support sustainable, profitable growth.

Following my appointment alongside that of Per, our new CEO, the business has reviewed its operating model in line with the new value creation plan. This process has identified further opportunities for savings as the Group delivers on its potential. These additional savings, along with any further efficiencies identified, will be reinvested into driving growth, including through increased marketing and investment in improving our core capabilities.

Deleveraging

At 31 December 2023 net debt was £1,716.9m, representing a £10.8m reduction from 31 December 2022. The reduction in net debt was primarily driven by favourable foreign exchange rate movements on the debt principal, offset by a £47.9m cash outflow (excluding customer balances) in 2023, which included £46.0m of exceptional costs paid out in the period. Leverage at 31 December 2023 was 5.6x, unchanged from the pro forma leverage at 31 December 2022.

Our disciplined approach to capital allocation includes reviewing opportunities to generate cash from lower-return, or non-core assets, and during 2023 the Group realised approximately £41.8m from non-core asset sales including the sale of our Latvia business, and the sale and leaseback of some freehold properties.

Reconciliation of Statutory EBITDA to Adjusted EBITDA, Adjusted profit before tax and Adjusted profit after tax

	Adjusted results		**Exceptional items and adjustments******		**Statutory results**	
	2023 £'m	**2022 £'m**	**2023 £'m**	**2022 £'m**	**2023 £'m**	**2022 £'m**
Revenue	1,710.9	1,238.8	0.0	0.0	1,710.9	1,238.8
Cost of sales	(572.6)	(444.4)	2.6	3.9	(570.0)	(440.5)
Gross profit	**1,138.3**	**794.4**	**2.6**	**3.9**	**1,140.9**	**798.3**
Marketing expenses	(237.6)	(257.8)	0.0	0.0	(237.6)	(257.8)
Operating expenses **	(593.8)	(319.0)	(49.6)	(106.3)	(643.4)	(425.3)
Share of post-tax profit of equity accounted associate	1.4	0.3	0.0	0.0	1.4	0.3
EBITDA *	**308.3**	**217.9**	**(47.0)**	**(102.4)**	**261.3**	**115.5**
Depreciation and amortisation ***	(114.0)	(63.6)	(114.3)	(56.7)	(228.3)	(120.3)
Profit before interest and tax	**194.3**	**154.3**	**(161.3)**	**(159.1)**	**33.0**	**(4.8)**
Finance income and expenses	(173.7)	(73.8)	19.4	(37.1)	(154.3)	(110.9)
(Loss)/Profit before tax	**20.6**	**80.5**	**(141.9)**	**(196.2)**	**(121.3)**	**(115.7)**
Taxation	27.5	(16.3)	37.4	11.4	64.9	(4.9)
(Loss)/Profit after tax	**48.1**	**64.2**	**(104.5)**	**(184.8)**	**(56.4)**	**(120.6)**
Basic earnings per share	**10.7**	**15.1**			**(12.6)**	**(28.3)**

* EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

** Statutory Operating expenses of £643.4m includes Operating expenses of £590.8m (being the Operating expenses of £819.1m less Depreciation and amortisation of £228.3m) and Exceptional items – operating expenses of £52.6m per the Consolidated Income Statement.

*** Statutory Depreciation and amortisation of £228.3m has been separated from Operating expenses of £819.1m per the Consolidated Income Statement.

**** Foreign exchange within adjustments of £2.6m gain within Cost of sales, £1.6m expense within Operating expenses and £36.6m gain within Finance income and expenses.

Adjusted EBITDA is defined as EBITDA excluding share-based payment charges, foreign exchange losses and exceptional items and other defined adjustments. Foreign exchange losses and share benefit charges were excluded to allow for further understanding of the underlying financial performance of the Group. Further detail on exceptional items and adjusted measures is provided above.

In the reporting of financial information, the Directors use various APMs. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs. The Directors believe these APMs provide additional useful information for understanding performance of the Group. They are used to enhance the comparability of information between reporting periods and are used by management for performance analysis and planning. An explanation of our adjusted results to the statutory results is provided in note 3 to the condensed financial statements.

	Pro forma (Unaudited)		
	2023 £'m	**2022 £'m**	**Change**
Revenue	**1,710.9**	**1,850.1**	**(7.5)%**
Adjusted Cost of sales	(572.6)	(599.2)	
Gross profit	**1,138.3**	**1,250.9**	**(9.0)%**
Marketing expenses	(237.6)	(331.8)	
Adjusted operating expenses	(593.8)	(608.7)	
Share of post-tax profit of equity accounted associate	1.4	0.2	
Adjusted EBITDA	**308.3**	**310.6**	**(0.7)%**

CONSOLIDATED INCOME STATEMENT

Revenue

Revenue for the Group was £1,710.9m for 2023, an increase on a statutory basis of 38.1% compared to 2022, reflecting the consolidation of William Hill revenues from H2 2022.

On a pro forma basis, revenue decreased by 7.5% primarily reflecting dotcom compliance changes and UK online customer mix changes as noted above.

Revenue from sports betting was £648.8m, representing a 0.9% decline on a pro forma basis. Stakes were down 11.3%, offset by an increase in betting net win margin from 10.8% to 12.1%. Both primarily reflect the customer mix changes in the UK online segment to lower staking, higher margin, recreational customers. Gaming revenue of £1,062.1m was down 11.2% year-over-year, predominantly driven by the factors mentioned above, with dotcom markets more heavily weighted towards gaming.

Cost of sales

Cost of sales mainly comprise of gaming taxes and levies, royalties payable to third parties, chargebacks, payment service provider ("PSP") commissions and costs related to operational risk management and customer due diligence services. Cost of sales increased on a statutory basis to £570.0m from £440.5m due to the acquisition of William Hill in H2 2022. On a pro forma basis, cost of sales decreased by 4.4% to £572.6m principally reflecting the reduction in revenue, with cost of sales representing 33.5% of revenues (2022: 32.4%). The slight increase in cost of sales as a percentage of revenue primarily reflects the change in country mix, with a higher proportion of locally regulated and taxed revenues in 2023.

Gross profit

On a statutory basis, gross profit increased to £1,138.3m from £794.4m with the consolidation of the results of William Hill from H2 2022.

On a pro forma basis, gross profit decreased by 9.0% from £1,250.9m to £1,138.3m, alongside a decrease in the gross margin from 67.6% to 66.5% with more revenue generated from regulated and taxed markets as described above.

Marketing expenses

Marketing is a significant investment for our Group to drive growth through investing in our leading brands, as well as customer acquisition and retention activities. On a statutory basis marketing decreased by 7.8% from £257.8m in 2022 to £237.6m driven by marketing synergies, as well as increased focus on higher return marketing investments. This represents a marketing to revenue ratio (marketing ratio) of 13.9% (2022: 20.8%), with the reduction being driven by both lower marketing and the inclusion of a full year of Retail results, where the marketing ratio is significantly lower.

On a pro forma basis, marketing expenses decreased by 28.4% from £331.8m to £237.6m. Certain marketing is demand driven and flexible, so part of the reduction is as a result of the reduced online revenue noted above. Further marketing savings were also achieved following the acquisition of William Hill and the development of a refined brand marketing strategy to focus on driving sustainable profitable growth with improved marketing efficiency. The marketing ratio decreased from 17.9% in 2022 to 13.9% in 2023. This partly reflects the mix of revenue with more generated from the Retail business where the marketing investment is significantly lower. Excluding the Retail segment, the online marketing ratio decreased from 24.4% to 19.7% reflecting the refined brand marketing strategy and improved marketing efficiency.

Operating expenses

Operating expenses mainly comprise of employment costs, property costs, technology services and maintenance, and legal and professional fees. On a statutory level, operating expenses increased to £643.4m from £425.3m in 2022. This increase is due to the acquisition of William Hill with the Retail business having a much higher proportion of operating expenses to revenue given the employment and property costs required to operate.

On a pro forma basis, adjusted operating expenses excluding depreciation and amortisation decreased by 2.4% from £608.7m in 2022 to £593.8m in 2023. The reduction in overheads reflects the successful delivery of synergies and focus on cost control more than offsetting underlying inflation challenges across the business, particularly within the Retail estate.

EBITDA & Adjusted EBITDA

Reported EBITDA increased by 126.2% from £115.5m to £261.3m. On an adjusted basis, the increase was 41.5% to £308.3m from £217.9m, with an Adjusted EBITDA margin of 18.0% compared to 17.6% in 2022.

On a pro forma basis, Adjusted EBITDA decreased marginally to £308.3m in 2023 compared to £310.6m in 2022. The Adjusted EBITDA Margin increased to 18.0% in 2023 from 16.8% in 2022 driven by the successful delivery of synergies and focus on cost efficiency more than offsetting the impact of compliance and regulation headwinds noted above.

Finance Income and Expenses

Net finance expenses of £154.3m (2022: £110.9m) related predominantly to the interest from the debt on acquisition of William Hill of £139.4m (2022: £97.7m), which is net of foreign exchange. The finance expense resulting from leases was £6.9m (2022: £3.0m) with the increase due to the inclusion of a full year of results from the acquired Retail business within William Hill, which operates primarily from leasehold sites. The finance expense from hedging activities was £12.1m (2022: £3.3m) predominantly due to foreign exchange movements.

(Loss) / profit before tax

The net loss before tax for 2023 was £121.3m (2022: net loss before tax of £115.7m). On an adjusted basis, profits decreased by 74.4% to a profit of £20.6m (2022: net profit before tax of £80.5m), with the increased financing costs from the debt on acquisition of William Hill offsetting the increased earnings from the enlarged Group.

Taxation

On a statutory basis, the Group recognised a tax credit of £64.9m on a loss before tax of £121.3m, giving an effective tax rate of 53.5% (2022: tax charge of £4.9m and an effective tax rate of 4.2%). The tax credit and therefore the tax rate is higher than the expected tax credit arising on the loss of 23.5% primarily due to operating in territories with lower effective tax rates such as Gibraltar, Spain and Malta, additional prior year tax credits from filing submissions in Gibraltar and from the recognition of a previously unrecognised deferred tax asset relating to the Group's intangible assets. These benefits have been offset by the reduced availability of tax relief arising on costs incurred in the period.

On an adjusted basis, the Group recognised a tax credit of £27.5m on a loss before tax of £20.6m, giving an effective tax rate of 133.5%. (2022: tax charge of £16.3m and an effective tax rate of 20.2%). This higher rate reflects the mix of profits and losses before tax across the group giving rise to a lower consolidated base on which the rate is calculated.

Net (loss)/profit and adjusted net profit

The net loss for 2023 was £56.4m (2022: net loss of £120.6m). On an adjusted basis, profit decreased by 25.1% to £48.1m from £64.2m in 2022, reflecting the items discussed above.

Earnings per share

Basic loss per share reduced to 12.6p (2022: loss of 28.3p) because of the full year consolidation of William Hill in 2023.

On an adjusted basis, basic earnings per share decreased by 29.1% to 10.7p (2022: 15.1p). Further information on the reconciliation of earnings per share is given in note 7.

Dividends

The Board of Directors is not recommending a dividend to be paid in respect of the year ended 31 December 2023 (2022: nil per share). The Board's decision is to suspend payments of dividends until leverage is at or below 3x, as previously announced following the acquisition of William Hill.

Income statement by Segment

The below tables show the Group's performance by segment on a reported and pro forma basis respectively:

	Statutory							
	Revenue				Adjusted EBITDA			
	2023 £'m	2022 £'m	Change from previous year	% of reported Revenue (2023)	2023 £'m	2022 £'m	Change from previous year	% of Adjusted EBITDA (2023)
Retail	**535.0**	**255.5**	*109.4%*	*31.3%*	**98.9**	**41.2**	*140.0%*	*32.1%*
UK&I Online	**658.5**	**455.5**	*44.6%*	*38.5%*	**152.3**	**61.6**	*147.2%*	*49.4%*
Total UK & I	**1,193.5**	**711.0**	*67.9%*	*69.8%*	**251.2**	**102.8**	*144.4%*	*81.5%*
International	**517.4**	**508.3**	*1.8%*	*30.2%*	**99.4**	**118.3**	*(16.0%)*	*32.2%*
Other	**0.0**	**19.5**	*(100.0%)*	*0.0%*	**0.0**	**1.7**	*(100.0%)*	*0.0%*
Corporate	**0.0**	**0.0**	-	*0.0%*	**(42.3)**	**(4.9)**	*763.3%*	*(13.7%)*
Total	**1,710.9**	**1,238.8**	*38.1%*	*100.0%*	**308.3**	**217.9**	*41.5%*	*100.0%*

	Pro forma							
	Revenue				Adjusted EBITDA			
	2023 £'m	2022 £'m	Change from previous year	% of reported Revenue (2023)	2023 £'m	2022 £'m	Change from previous year	% of Adjusted EBITDA (2023)
Retail	**535.0**	**519.0**	*3.1%*	*31.3%*	**98.9**	**90.7**	*9.0%*	*32.1%*
UK&I Online	**658.5**	**717.4**	*(8.2%)*	*38.5%*	**152.3**	**111.9**	*36.1%*	*49.4%*
Total UK & I	**1,193.5**	**1,236.3**	*(3.5%)*	*69.8%*	**251.2**	**202.6**	*24.0%*	*81.5%*
International	**517.4**	**613.7**	*(15.7%)*	*30.2%*	**99.4**	**136.0**	*(26.9%)*	*32.2%*
Corporate	**0.0**	**0.0**	-	*0%*	**(42.3)**	**(28.1)**	*50.5%*	*(13.7%)*
Total	**1,710.9**	**1,850.1**	*(7.5)%*	*100.0%*	**308.3**	**310.6**	*(0.7)%*	*100.0%*

For the commentary on divisional performance below, the pro forma financials give a clearer comparative of performance compared to the previous period. Furthermore, it reflects adjusted results, since that is the basis on which these are reported internally and in our segmental analysis. An explanation of our adjusted results to the statutory results, is provided above and in note 3 to the condensed financial statements.

UK & Ireland (UK&I)

UK&I Online

On a statutory basis, revenue increased by 44.6% to £658.5m and Adjusted EBITDA increased by £90.7m compared to the previous period, driven by the acquisition of William Hill.

On a pro forma basis, revenue declined by 8.2% to £658.5m reflecting the impact of our business mix shifting towards lower-spending customers, with average revenue per customer down 18%, which more than offset strong growth in average monthly actives of 11%. This mix shift was driven by a range of proactive compliance measures adopted ahead of the upcoming regulatory change in the UK, including, among other items, significantly lowering thresholds for financial checks, increasing the level of customer interactions and interventions, and lowering stake limits on online slots.

Alongside the more proactive compliance measures and approach, revenue was impacted by the change in marketing approach to focus on higher return marketing and customer retention, rather than acquisition. This has been particularly prevalent in the 888 brands in the UK which had historically invested significantly in customer acquisition given its subscale market position, particularly in sports. With the range of brands and assets the Group now has in the UK it can be much more effective with its marketing investment, which has improved profitability but reduced revenue in the short term.

Pro forma adjusted EBITDA increased by £40.4m (36.1%) with the Adjusted EBITDA margin improving by 7.5 percentage points to 23.1% as a result of optimised marketing and delivery of synergies.

Retail

On a statutory basis, Retail generated revenue of £535.0m and Adjusted EBITDA of £98.9m as the Retail business continued to deliver robust financial performance and strong cash generation.

On a pro forma basis, revenue increased by 3.1% to £535.0m in 2023 despite a 3% reduction in the number of shops. This was driven by continued strong customer engagement, and a slightly higher sportsbook net win margin year over year, particularly at some of the bigger racing festivals. During the year the Group replaced and upgraded approximately 2,000 SSBTs and added an additional 1,000 SSBTs (self-service betting terminals) across the estate, contributing to an improved product offering which supported revenue growth.

Pro forma Adjusted EBITDA increased by £8.2m to £98.9m in 2023 driven by the revenue growth, with high operating leverage within Retail, as well as excellent cost control including our refined staffing model.

There were 1,343 shops open at the end of 2023 compared to 1,386 at the end of 2022.

The small reduction to the already well optimised estate largely reflects the impact of inflationary cost increases making certain shops no longer commercially viable.

International

On a statutory basis, International revenue increased by 1.8% to £517.4m and Adjusted EBITDA decreased by £18.9m compared to the previous period. The revenue increase was driven by the acquisition of William Hill, with the dotcom compliance changes more than offsetting this impact at an Adjusted EBITDA level.

On a pro forma basis revenue declined by 15.7% to £517.4m, as double-digit growth in our core markets of Italy and Spain was more than offset by a significant reduction in revenue from our dotcom markets. This was a result of our regulatory and compliance changes, principally the suspension of VIP customer accounts in the Middle East, as the business did not recover as expected following the initial suspension.

Pro forma adjusted EBITDA declined by £36.6m to £99.4m with the Adjusted EBITDA margin declining by 3.0 percentage points to 19.2% primarily reflecting the loss of revenue from dotcom markets, where margins are typically much higher.

Corporate costs

On a statutory basis, corporate costs were £42.3m in 2023 compared to £4.9m in 2022. This is due to the timing of the release of staff incentive accruals in the prior year across the Group including those accrued prior to acquisition within William Hill.

On a pro forma basis, there was an increase in corporate costs of £14.2m to £42.3m due to capitalisation rate alignments across the Group, as well as reallocation of overheads across segments.

EXCEPTIONAL ITEMS AND ADJUSTMENTS

Operating Exceptional items	**2023 £'m**	**2022 £'m**
Retroactive duties and associated charges	-	(3.9)
Integration and transformation costs	49.3	14.4
Corporate transaction related costs	(0.1)	24.5
Regulatory provisions and associated costs	3.4	-
Disposal of 888 Bingo	-	11.7
Impairment of US Goodwill and other assets	-	55.7
Revaluation of Contingent consideration	-	(9.2)
Total exceptional items before interest and tax	**52.6**	**93.2**
Bond early redemption fees	-	14.1
Gain on settlement of bonds	-	(7.1)
Total exceptional items before tax	**52.6**	**100.2**
Tax on exceptional items	(9.0)	2.8
Total exceptional items	**43.6**	**103.0**
Adjustments:		
Fair value gain on financial assets	(4.1)	-
Amortisation of Finance Fees	17.2	7.4
Amortisation of acquired intangibles	114.3	56.7
Foreign exchange	(37.6)	26.7
Share benefit (credit) / charge	(0.5)	5.2
Total Adjustments before tax	**89.3**	**96.0**
Tax on adjustments	(28.4)	(14.2)
Total Adjustments	**60.9**	**81.8**
Total exceptional items and adjustments	**104.5**	**184.8**

Operating exceptional items in the year totalled £43.6m in 2023 compared to £103.0m in 2022.

Exceptional items are defined as those items which are considered one-off or material in size or nature to be brought to attention to better understand the Group's financial performance. Refer to note 3 to the condensed financial statements for further detail.

There were £49.3m of costs incurred relating to the on-going integration and transformation of the William Hill business in order to achieve synergies. The cash costs to achieve the targeted integration synergies and the global cost saving programme has therefore now increased to cost approximately £115m, incurred through to 2025 with the majority incurred in 2023 or expected to be incurred in 2024. This includes the global cost saving programme of £30m, initiated in December 2023, as well as the original £150m synergy programme.

Corporate transaction related costs relate predominantly to the disposal of the Latvia and Colombia businesses, with prior year costs related to the acquisition of William Hill.

The Group paid £2.9m during the period related to a regulatory settlement with the Gibraltar regulator in relation to the previously disclosed failings that we identified in our Middle East business. Further to this there were £0.5m of professional fees incurred relating to this settlement.

Adjustments reflect items that are recurring, but which are excluded from internal measures of underlying performance to provide clear visibility of the underlying performance across the Group, principally due to their non-cash accounting nature. They are items that are therefore excluded from Adjusted EBITDA, Adjusted PAT and Adjusted EPS.

The amortisation of the specific intangible assets recognised on acquisitions has been presented as an adjusted item, totalling £114.3m relating to the William Hill acquisition. This amortisation is a recurring item that will be recognised over its useful life.

The other items that have been presented as adjusted items are fair value gain on financial assets of £4.1m, foreign exchange gains of £37.6m (foreign exchange loss of £26.7m in 2022), amortisation of finance fees of £17.2m (£7.4m in 2022), and share based payment (credit) / charges of £(0.5)m (£5.2m in 2022).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets decreased by £169.9m to £2,298.5m compared to £2,468.4m at 2022, predominantly due to amortisation of Goodwill and Other intangible assets which have decreased by £170.0m. Deferred tax assets have increased by £31.8m to £37.0m compared to £5.2m in 2022, due to the recognition of a previously unrecognised deferred tax asset related to the Group's intangible assets.

Current assets are £449.1m, a decrease of £45.3m compared to £494.4m at 2022. Within this, cash and cash equivalents decreased by £61.4m to £256.2m from £317.6m, which includes £127.8m of customer deposits compared to £141.3m at 2022. Excluding client funds, cash and cash equivalents decreased by £47.9m from £176.3m in 2022 to £128.4m in 2023.

Current liabilities decreased by £49.3m from £703.4m at FY 2022 to £654.1m at 2023. This includes the reduction in client funds held, offset by an increase in trade and other payables. Provisions decreased by £33.0m to £78.5m primarily due to the payment of the regulatory settlement with the UKGC. Furthermore, there are provisions of £62.8m for gaming tax in Austria.

Non-current liabilities were £2,013.6m, a decrease of £86.6m from the balance of £2,100.2m at 2022. This reduction is predominantly due to the movement in borrowing driven by foreign exchange translations. In addition, the deferred tax liability decreased by £59.1m, mainly driven by the unwind of deferred tax on the acquisition accounting. Lease liabilities have remained broadly in line with prior year. Additionally, provisions for customer claims of £104.7m, include £98.8m relating to William Hill and Mr Green brands and £5.9m relating to 888 are currently recognised as non-current liabilities.

Net assets of £79.9m was a decrease of £79.3m compared to £159.2m at 2022.

CASH FLOWS

	2023 **£'m**	**2022** **£'m**
Cash generated from operating activities before working capital	233.3	139.6
Working capital movements	(81.9)	(169.8)
Net cash generated from / (used in) operating activities	**151.4**	**(30.2)**
Acquisitions	0.0	(386.8)
Disposals	41.8	33.0
Capital expenditure	(68.4)	(76.8)
Net movement in borrowings incl loan transaction fees	(35.8)	527.6
Proceeds from equity placing	0.0	158.5
Net interest paid	(138.1)	(75.6)
Settlement of derivatives	(10.8)	0.0
Other movements in cash incl FX	(1.5)	(21.5)
Net cash (outflow)/inflow	**(61.4)**	**128.2**
Cash balance	**256.2**	**317.6**
Gross Debt	**(1,757.7)**	**(1,815.0)**
Net Debt	**(1,716.9)**	**(1,727.7)**

Overall, the Group had a cash outflow of £61.4m in the year, compared to an inflow of £128.2m in 2022. This resulted in a cash balance of £256.2m as at 31 December 2023 (£317.6m at 31 December 2022), although this included customer deposits and other restricted cash of £127.8m such that unrestricted cash available to the Group was £128.4m compared to £176.3m in 2022.

Cash flow from operations was a £151.4m inflow compared to an outflow of £30.2m in 2022. This increase was partly due to a full year of EBITDA from the enlarged business in 2023, as well as lower working capital outflows.

Disposals of £41.8m represented the proceeds on the sale of non-core assets including the Latvia business and the sale and leaseback of certain freeholds.

Capital expenditure was £68.4m in 2023, a reduction from £76.8m reflecting synergies and on-going cost control.

Payment of lease liabilities represented £31.8m of lease liability payments in the period, with the increase over the prior year driven by the acquisition of William Hill and its associated retail estate, as well as from the sale and leaseback of freehold properties in the year.

Included within net movement in borrowings were £4.0m of principal payments, relating to the 1% annual amortisation on the US$ Term Loan B.

Net interest paid of £138.1m predominantly related to the borrowings undertaken.

Settlement of derivatives of £10.8m paid in the year related to hedging instruments.

Other movements included £4.3m further investment in 888AFRICA, as well as dividend income received from associates of £5.9m.

NET DEBT

	31 December 2023 £'m	**31 December 2022 £'m**
Borrowings	(1,661.1)	(1,702.3)
Loan transaction fees	(96.6)	(112.7)
Gross Borrowings	**(1,757.7)**	**(1,815.0)**
Lease liability	(87.6)	(89.0)
Cash (excluding customer balances)	128.4	176.3
Net Debt	**(1,716.9)**	**(1,727.7)**
LTM pro forma Adjusted EBITDA	308.3	310.6
Leverage	5.6x	5.6x

The gross borrowings balance as at 31 December 2023 was £1,757.7m. The earliest maturity of this debt is in 2026, which is £11m, with most of the debt maturing across 2027 and 2028. In addition to this, the Group has access to a £150m Revolving Credit Facility maturing in January 2028, which was undrawn at 31 December 2023, consistent with 31 December 2022.

The debt is across GBP sterling, Euro and US Dollar; with 49% of the debt in Euro; 43% in GBP and 8% in USD. The Group has undertaken hedging activities such that 70% of the interest is at fixed rates and 30% at floating rates with the hedging relationships in place for three years to 2025. The Group continues to assess all opportunities to optimise its debt capital structure and manage its debt facilities.

The net debt balance at 31 December 2023 was £1,716.9m with a net debt to EBITDA ratio of 5.6x. This compares to £1,727.7m and 5.6x respectively as at 31 December 2022. The reduction in net debt is predominantly due to foreign exchange movements on the USD and EUR denominated debt principal amounts, together with lower loan transaction fees. This is partly offset by lower closing cash position following outflow of cash detailed above.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that are considered to have a potentially material impact on the Group's future performance, sustainability and strategic objectives are set out below. This list is not exhaustive but encompasses management's assessment of those risks which require considered response at this time.

Regulatory and Compliance Risks

Compliance with regulatory requirements is critical to maintaining the Group's licences, protecting our customers and driving growth. With most of our revenue generated from licensed jurisdictions and more countries looking to regulate, the importance of such licenses to the business is constantly increasing.

Our strategic focus is on regulated markets, as these represent the best opportunity for sustainable growth as regulation drives better outcomes for customers, for the business, and for wider stakeholders.

The integrity of our privacy and data protection framework, including the holding and processing of personal data, is crucial to ensure compliance with our regulatory obligations and build customer trust.

888 Holdings accepts that regulatory compliance risks may be present in the ordinary course of business, however the enterprise risk management approach allows us to identify these as they arise and implement mitigations and controls targeted at removing and reducing these risks and, where possible, improving player experience, regulatory transparency and stakeholder engagement. The growing complexity of the Company's regulatory footprint means a robust understanding of the legal, and regulatory position in key locations worldwide is crucial to mitigating this risk combined with strong relationships with regulators.

Anti-Money Laundering Risk

Ensuring compliance with regulatory requirements and the prevention of money laundering is critical to maintaining our licences. We are committed to combating financial crime and ensuring that proceeds of crime do not enter the business.

The EU Supranational Risk Assessment 2022 estimates the risk level for online gambling is very high for both money laundering and terrorist financing in the absence of controls. Therefore, we make every effort to ensure that controls related to AML and CFT are robust and reviewed regularly to provide assurance.

Brand & Reputational Risks

The Group relies on its world-class brands across its key markets, with brand reputation being a key driver of customer choice. As such, maintaining a strong reputation is critical to the ongoing success of the Group.

In various regions where our business operates, there is an ongoing trend towards the enhancement of regulations focused on safer gambling and the protection of consumers. This trend is particularly aimed at safeguarding underage individuals and players who are vulnerable or at heightened risk of harm.

Media reporting on the industry has seen continuing and increased criticism of how individual customers have been treated. This has led to further calls for additional regulation, particularly around responsible gambling, affordability and advertising, any failure to ensure the business is fully compliant would result in significant reputational damage, in addition to sanctions imposed by regulators.

ESG Risks

The Group is dedicated to implementing and maintaining robust policies, procedures, and controls that ensure the effective delivery of our Environmental, Social, and Governance (ESG) objectives.

ESG issues include risks such as climate change, player protection, diversity & inclusion, cybersecurity concerns and social responsibility not just to employees and customers but also to the communities where the business bases its operations and retail outlets. ESG risks, particularly those related to climate, often present unique characteristics distinct from other types of risk. They are typically marked by a lack of extensive historical data and exhibit non-linear patterns, complicating their forecasting and management efforts.

The Group's strategic focus is on protecting our players from gambling related harm, creating an engaging and inclusive environment where colleagues can thrive and protecting the environment by achieving net zero direct carbon emissions by 2030.

Market Risks

The acquisition of William Hill was funded through various means, including significant debt facilities. The Group has implemented a series of hedging strategies, securing approximately 70% of our interest costs at fixed rates for the next two years, while also aligning the currency composition of our debt more closely with that of the Group's financial profile. Despite these measures, the Group remains susceptible to risks associated with changes in interest rates and currency values. Such fluctuations could elevate our borrowing costs, potentially diverting financial resources away from critical areas such as growth initiatives, marketing efforts, and the development and launch of new products and projects.

The Group is also exposed to foreign exchange rate fluctuations and risks in its financial reporting. A substantial part of the Group's deposits and revenues are generated in GBP, EUR and other currencies, whilst the Group's operating expenses are largely incurred in local currencies, primarily GBP, EUR, ILS and USD with incremental exposure to operating expenses in Swedish krona and Polish zloty. The Group also has debt servicing costs which are denominated in USD and EUR, partially hedged in GBP.

Liquidity & Capital Management

Liquidity risk is the risk that the Group has insufficient funds available to settle its liabilities as they fall due. The Group generates strong operating cash flows and aims to maintain sufficient cash balances to meet its anticipated working capital requirements based on regularly updated cash flow forecasts. Liquidity requirements that cannot be met from operational cash flow or existing cash resources would be satisfied by drawings under the Group's revolving credit facility and overdraft facility.

We fund our investments in people, product, marketing, and technology with positive cash flows generated from our trading activities and its available cash resources. As the business continues to invest in strengthening its core capabilities there could be increased need to reduce operating costs and improve liquidity by removing duplications, delivering best in class and scalable shared functions, and driving efficiency to reinvest in growth.

People Risk

Our colleagues across all our business functions are vital to ensuring our day-to-day operations are undertaken efficiently and effectively and to the successful delivery of our strategic business objectives. Competition for highly qualified personnel is elevated in many of the locations in which the Group is based. Ensuring our colleagues are well remunerated, managed and supported is fundamental to the success of the business.

The integration and operating model changes following the acquisition of the William Hill have introduced some uncertainty for our colleagues across the business, which does carry a risk with regard to staff retention in particular, but also recruitment in the short term.

Third Party Risk

To effectively deliver our products and services to customers the Group has reliance upon certain critical suppliers of technology, payment services, marketing, gaming products, sports content and media. The effective management of critical third-party relationships and performance is key to delivering our strategic objectives. Any failure of our suppliers to provide services to us may have a significant adverse impact on our own operations.

The Group also has certain strategic partnerships where we supply third party operators with business to business (B2B) gambling services in the United States. Any risks to our B2B partnerships or meeting our contractual obligations with them must be managed to ensure the long-term viability of our operations linked to these relationships, and to ensure we can meet our strategic growth targets.

Information Security Risks

There is an ongoing risk that cyber-attacks, such as Distributed Denial of Service (DDoS) by malicious third parties, could impact our technology systems and, consequently, our operations. This risk extends to the potential theft or misuse of customer and business data by both internal and external entities.

Cyber-attacks leading to data theft could expose the Group to "ransom" demands or regulatory sanctions including fines and reputational damage, which could lead to loss of customer confidence in the business.

The loss of availability of our technology and communication systems, or those in our key suppliers' infrastructure could cause significant disruption and cost to the business, and lead to revenue loss both during the incident and in the aftermath if customers move their business to our competitors. Lengthy down-time could also cause us to breach regulatory obligations.

Product & Technology

As a company, we acknowledge the importance of innovation and digital transformation, and we recognize that these initiatives come with inherent risks. We recognize that consolidating multiple systems can be complex and challenging and may lead to potential disruptions in our operations.

In pursuing our goal of building one unified global scalable technology platform, we understand that it requires us to take on higher levels of risk in the short term. However, we believe that the potential rewards outweigh the risks. By creating a unified platform, we will be able to streamline our operations, improve efficiency, and enhance our ability to respond to changing market conditions.

We recognize the importance of developing high-quality products to meet the evolving needs of our customers, however, acknowledge that this comes with inherent risks. We understand that product and content development require significant investments in resources, time, and expertise. Additionally, the fast-paced and constantly changing nature of the market may require us to take on higher levels of risk in the short term.

Condensed Consolidated Income Statement
For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	2	**1,710.9**	**1,238.8**
Gaming duties		(372.0)	(256.3)
Other cost of sales		(198.0)	(188.1)
Exceptional items – cost of sales	3	-	3.9
Cost of sales		**(570.0)**	**(440.5)**
Gross profit		**1,140.9**	**798.3**
Marketing expenses		(237.6)	(257.8)
Operating expenses		(819.1)	(448.5)
Share of post-tax profit of equity accounted associate		1.4	0.3
Exceptional items – operating expenses	3	(52.6)	(97.1)
Operating profit/(loss)		**33.0**	**(4.8)**
Adjusted EBITDA		**308.3**	**217.9**
Exceptional items – cost of sales and operating expenses	3	(52.6)	(93.2)
Fair value gain on financial assets	13	4.1	-
Foreign exchange gains/(losses)		1.0	(4.0)
Share benefit credit/(charge)		0.5	(5.2)
Depreciation and amortisation		(228.3)	(120.3)
Operating profit/(loss)		**33.0**	**(4.8)**
Finance income	4	41.0	0.8
Finance expenses	5	(195.3)	(111.7)
Loss before tax		**(121.3)**	**(115.7)**
Taxation credit/(charge)	6	64.9	(4.9)
Loss after tax		**(56.4)**	**(120.6)**
Equity holders of the Parent		**(56.4)**	**(120.5)**
Non-controlling interests		**-**	**(0.1)**
		(56.4)	**(120.6)**
Loss per share			
Basic (pence)	7	**(12.6)**	(28.3)
Diluted (pence)	7	**(12.6)**	(28.3)

Condensed Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Loss for the year		**(56.4)**	**(120.6)**
Items that may be reclassified subsequently to profit or loss (net of tax)			
Exchange differences on translation of foreign operations		(22.8)	2.5
Movement in cash flow hedging position		(1.2)	(14.4)
Items that will not be reclassified to profit or loss (net of tax)			
Remeasurement of severance pay liability		(0.2)	1.7
Actuarial remeasurement in defined benefit pension scheme		1.8	(0.8)
Tax on severance pay liability		-	0.6
Movement in hedging reserve		-	1.0
Movement in equity investment designated at fair value through OCI		-	(1.0)
Total other comprehensive loss for the year		**(22.4)**	**(10.4)**
Total comprehensive loss for the year		**(78.8)**	**(131.0)**
Total comprehensive loss for the year attributable to equity holders of the Parent		**(78.8)**	**(130.9)**
Total comprehensive loss for the year attributable to non-controlling interests		**-**	**(0.1)**

Condensed Consolidated Statement of Financial Position

At 31 December 2023

	Note	2023 £m	2022[2] £m
Assets			
Non-current assets			
Goodwill and other intangible assets	9	2,038.3	2,208.3
Right-of-use assets		78.0	81.9
Property, plant and equipment		91.7	110.4
Investment in sublease		1.0	1.4
Investments in associates		33.9	38.4
Non-current prepayments		2.8	6.2
Derivative financial instruments	13	15.8	16.6
Deferred tax assets		37.0	5.2
		2,298.5	**2,468.4**
Current assets			
Cash and cash equivalents[1]		256.2	317.6
Trade and other receivables		138.0	132.7
Income tax receivable		53.3	35.2
Derivative financial instruments	13	1.6	2.0
Assets held for sale		-	6.9
		449.1	**494.4**
Total assets		**2,747.6**	**2,962.8**
Equity and liabilities			
Share capital	14	2.2	2.2
Share premium	14	160.7	160.7
Treasury shares		(0.6)	(0.9)
Foreign currency translation reserve		1.8	24.6
Hedging reserves		(14.6)	(13.4)
Retained earnings		(69.6)	(14.0)
Total equity		**79.9**	**159.2**
Liabilities			
Non-current liabilities			
Borrowings	12	1,657.2	1,697.5
Severance pay liability		0.6	1.2
Retirement benefit liability		-	1.2
Provisions	11	104.8	101.9
Deferred tax liability		156.9	216.0
Derivative financial instruments	13	29.9	17.4
Lease liabilities		64.2	65.0
		2,013.6	**2,100.2**
Current liabilities			
Borrowings	12	3.9	4.8
Trade and other payables		374.7	368.0
Provisions	11	78.5	111.5
Derivative financial instruments	13	23.5	20.8
Income tax payable	6	22.3	33.0
Lease liabilities		23.4	24.0
Customer deposits		127.8	141.3
		654.1	**703.4**
Total equity and liabilities		**2,747.6**	**2,962.8**

[1] Cash and cash equivalents includes customer deposits of £127.8m (2022: £141.3m) which represent bank deposits matched by customer liabilities of an equal value. Cash and cash equivalents excludes restricted short-term deposits of £22.6m which are presented in Trade and other receivables (2022: £21.6m).

[2] Since the disclosure of the provisional fair values for the acquisition of William Hill on 1 July 2022, an adjustment of £15.7m has been made to increase the fair value of provisions, with a related £4.4m reduction in deferred tax liabilities, and an equivalent movement in goodwill. This adjustment has been made after the 31 December 2022 year end accounts and during the measurement period.

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedging reserve	Retained earnings	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	1.9	2.5	(0.9)	22.1	-	98.8	0.1	124.5
Loss after tax for the year	-	-	-	-	-	(120.5)	(0.1)	(120.6)
Other comprehensive income/(expense) for the year	-	-	-	2.5	(13.4)	0.5	-	(10.4)
Total comprehensive income/(expense)	**-**	**-**	**-**	**2.5**	**(13.4)**	**(120.0)**	**(0.1)**	**(131.0)**
Issue of shares (equity placing)	0.3	158.2	-	-	-	-	-	158.5
Equity settled share benefit charges	-	-	-	-	-	7.9	-	7.9
Acquisition of treasury shares	-	-	(0.7)	-	-	-	-	(0.7)
Exercise of deferred share bonus plan	-	-	0.7	-	-	(0.7)	-	-
Balance at 31 December 2022	**2.2**	**160.7**	**(0.9)**	**24.6**	**(13.4)**	**(14.0)**	**-**	**159.2**
Loss after tax for the year	-	-	-	-	-	(56.4)	-	(56.4)
Other comprehensive (expense)/income for the year	-	-	-	(22.8)	(1.2)	1.6	-	(22.4)
Total comprehensive expense	**-**	**-**	**-**	**(22.8)**	**(1.2)**	**(54.8)**	**-**	**(78.8)**
Equity settled share benefit credit	-	-	-	-	-	(0.5)	-	(0.5)
Exercise of deferred share bonus plan	-	-	0.3	-	-	(0.3)	-	-
Balance at 31 December 2023	**2.2**	**160.7**	**(0.6)**	**1.8**	**(14.6)**	**(69.6)**	**-**	**79.9**

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.
Treasury shares - represents reacquired own equity instruments. Treasury shares are recognised at cost and deducted from equity.
Foreign currency translation reserve – represents exchange differences arising from the translation of all Group entities that have functional currency different from £.
Hedging reserve – represents changes in the fair value of derivative financial instruments designed in a hedging relationship.
Retained earnings - represents the cumulative net gains and losses recognised in the Condensed Consolidated Statement of Comprehensive Income and other transactions with equity holders.

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Loss before income tax		(121.3)	(115.7)
Adjustments for:			
Depreciation of property plant and equipment and right-of-use assets		46.3	30.8
Amortisation	9	182.0	89.5
Interest income	4	(41.0)	(0.8)
Interest expenses	5	195.3	111.7
Income tax paid		(30.1)	(35.1)
Fair value gain on financial assets		(4.1)	-
Share of post-tax loss of equity accounted associate		(1.4)	(0.3)
Non-cash exceptional items		5.9	52.3
Profit on sale of businesses		0.3	-
Movement on Ante-post and other financial derivatives		7.6	2.3
Profit on sale of freehold properties via sale and leaseback		(4.6)	-
Gain on disposal of property, plant and equipment		(1.1)	(0.3)
Share benefit (credit)/charge		(0.5)	5.2
Cash generated from operating activities before working capital movement		**233.3**	**139.6**
Increase in receivables		(1.9)	(50.3)
Decrease in customer deposits		(13.4)	(9.2)
Decrease in trade and other payables		(39.6)	(100.3)
Decrease in provisions		(27.0)	(10.0)
Net cash generated from/(used in) operating activities		**151.4**	**(30.2)**
Cash flows from investing activities			
Acquisition of intangible assets		(62.9)	(67.9)
Acquisition of property, plant and equipment		(7.4)	(8.9)
Proceeds from sale of businesses		19.2	32.5
Proceeds on sale and leaseback of freehold properties		22.6	-
Proceeds from sale of property, plant and equipment		1.9	0.5
Loans to related parties		(4.3)	-
Interest received	4	3.9	0.8
Dividend received from associate		5.9	0.9
Acquisition of William Hill (net of cash acquired)	10	-	(386.8)
Net cash used in investing activities		**(21.1)**	**(428.9)**
Cash flows from financing activities			
Payment of lease liabilities		(31.8)	(21.5)
Settlement of derivatives	13	(10.8)	-
Interest paid		(142.0)	(75.6)
Repayment of loans	12	(4.0)	(1,503.2)
Issue of shares – equity placing	14	-	158.5
Proceeds from loans	12	-	2,163.1
Loan transaction fees		-	(132.3)
Acquisition of treasury shares		-	(0.7)
Net cash (used in)/generated from financing activities		**(188.6)**	**588.3**
Net (decrease)/Increase in cash and cash equivalents		**(58.3)**	**129.2**
Net foreign exchange difference		(3.1)	(1.0)
Cash and cash equivalents at the beginning of the year		317.6	189.4
Cash and cash equivalents at the end of the year		**256.2**	**317.6**

Notes to the condensed consolidated financial statements

General information

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

Definitions

In these financial statements:

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

1. Accounting policies

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

Basis of preparation
The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2023 or the year ended 31 December 2022 but is derived from those accounts. Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies in Gibraltar. Statutory accounts for the year ended 31 December 2023 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2023 and 2022 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under sections 257(1), 258(2) and 258(2A) of the Gibraltar Companies Act 2014.

The condensed consolidated financial statements of the Group have been prepared in accordance with UK adopted international accounting standards and in accordance with the requirements of the Gibraltar Companies Act 2014. The condensed consolidated financial statements have been prepared on a historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in the Group's accounting policies.

All values are rounded to the closest hundred thousand, except when otherwise indicated.

The significant accounting policies applied in the condensed consolidated financial statements in the prior year have been applied consistently in these condensed consolidated financial statements, except for the amendments to accounting standards effective for the annual periods beginning on 1 January 2023. These are described in more detail below.

As a Company incorporated in Gibraltar, 888 Holdings plc is not required by UK law or regulation to prepare the Directors' Remuneration or Strategic reports under regulation that applies to UK incorporated companies. However, by virtue of 888's Premium Listing on the London Stock Exchange and reflecting the Director's approach to good governance and investor expectation, we have prepared these reports in line with the requirements under the UK Companies Act 2006.

The Directors' Remuneration Report, set out within the Annual Report and Accounts 2023, has been voluntarily prepared in accordance with sections 420 to 422 UK Companies Act 2006.

The information given in the Strategic Report, set out within the Annual Report and Accounts 2023, has been voluntarily prepared in accordance with section 414 UK Companies Act 2006.

1. Accounting policies (continued)

Going concern

Background

The financial statements have been prepared using the going concern basis of accounting. As at the year end, the Group had net assets of £79.9m (2022: £159.2m) and incurred a statutory loss before tax of £121.3m during the year (2022: £115.7m loss). The Group also had net current liabilities of £205.0m (2022: £209.0m).

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report within the Annual Report and Accounts 2023, and in notes 12 to 13 to these financial statements.

Business planning and performance management

The Group has robust forecasting and monitoring processes which consist of weekly monitoring and careful management of liquidity, an annual budget and a long-term plan, which generates income statement and cash flow projections for assessment by management and the Board. Forecasts are regularly compared with prior forecasts and current trading to identify variances and understand their future impact so management can act where appropriate. Analysis is undertaken to review, and sense check the key assumptions, including the integration and transformation programmes, underpinning the forecasts.

Whilst there are risks to the Group's trading performance (as summarised in the Risks section of the Strategic Report within the Annual Report and Accounts 2023, the Group has established risk management processes to identify and mitigate risks, and such risks have been considered when undertaking the going concern evaluation for the period to 30 June 2025.

The Group's future prospects

The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. The Group holds cash and cash equivalents excluding customer balances and restricted cash of £128.4m as at 31 December 2023 (2022: £176.3m). In addition to this the Group has access, until 31 December 2027, to a £150m Revolving Credit Facility, which was undrawn as of 31 December 2023.

The Group entered into significant debt arrangements in the previous year to fund the acquisition of the William Hill business. Other than an annual $5.0m repayment on the TLB facility, no borrowings are due within the period of the going concern evaluation or in the period soon after it. The next due date on the Group's debt is in 2026 and the majority is repayable in 2027-28. The Group's Revolving Credit Facility contains a Net Leverage covenant which is not restrictive in the base case, downside or reverse stress test scenarios. The remainder of the Group's debt does not contain any financial covenants.

The Group's forecasts, for the going concern evaluation period to 30 June 2025, based on reasonable assumptions including, in the base case, a 10% increase in 2024 revenue coupled with higher marketing investment, indicate that the Group will be able to operate within the level of its currently available and expected future facilities for this period to 30 June 2025. Under the base case forecast, the Group has sufficient cash reserves and available facilities to enable it to meet its obligations as they fall due, for this going concern evaluation period to 30 June 2025.

The Group has also assessed a range of downside scenarios to evaluate whether any material uncertainty exists relating to the Group's ability to continue as a going concern. The forecasts and scenarios consider severe but plausible downsides that could impact the Group, which are linked to the business risks identified by the Group. These scenarios, both individually and in combination, have enabled the Directors to conclude that the Group has adequate resources to continue to operate for the foreseeable future.

Specifically, the Directors have given careful consideration to the regulatory and legal environment in which the Group operates. Downside sensitivities have been run, individually and in aggregate to assess the impact of the following scenarios:

- Reductions in revenue reflecting a lower return on marketing investment than budgeted;
- Reductions in profitability for the Group of 10% to reflect potential regulatory, macroeconomic and competitive pressures;
- An increase in interest expense as a result of higher interest rates on the Group's remaining floating rate debt;
- The phasing of cash outflows relating to regulatory and other provisions and accrual settlements; and

  A 10% increase in the Group's capex spend as a result of execution delays or product overspends.

1. Accounting policies (continued)

Going concern (continued)

Management has performed a separate reverse stress test to identify the conditions that would be required to compromise the Group's liquidity. Having done so, management has identified further actions to conserve or generate cash to mitigate any impact of such a scenario occurring. Management has calculated mitigating cost savings that can be implemented by reducing variable operating expenditure to offset a reduction in cash generation resulting from lower profitability. Following these actions, the Group could withstand a decrease in forecast adjusted EBITDA of 38%. The Board considers the likelihood of a decline of this magnitude to be remote. Other initiatives, not directly in the Group's control at the date of approval of these financial statements, could be considered including the disposal of non-core assets and investments.

Should a more extreme downside scenario occur, or mitigations and initiatives not be achieved, further mitigating actions that can be executed in the necessary timeframe could be taken, such as a temporary reduction of marketing expenditures.

Conclusion

Based on the above considerations, the Directors continue to adopt the going concern basis in preparing the financial statements.

New standards, interpretations and amendments adopted by the Group

In preparing the Group financial statements for the current period, the Group has adopted the following new IFRSs, amendments to IFRSs and IFRS Interpretations Committee (IFRIC) interpretations. All standards do not have a significant impact on the results or net assets of the Group. Changes are detailed below:

IFRS 17	Insurance Contracts (effective 1 January 2023)
IAS 1 (amended)	Disclosure of accounting policies (effective 1 January 2023)
IAS 8 (amended)	Definition of accounting estimates (effective 1 January 2023)
IAS 12 (amended)	Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)
IAS 12 (amended)	International Tax Reform – Pillar Two Model Rules (effective 1 January 2023)

Standards in issue but not effective

At the date of authorisation of the Group financial statements, the following amendments and Interpretations, which have not been applied in these Group financial statements, were in issue but not yet effective:

Amendments and interpretations

IAS 1 (amended)	Classification of liabilities as current or non-current (effective 1 January 2024)
IAS 7 and IFRS 17 (amended)	Supplier finance arrangements (effective 1 January 2024)
IAS 21 (amended)	Lack of exchangeability (effective 1 January 2024)
IFRS 16 (amended)	Lease liabilities in a sale and leaseback (effective 1 January 2024)

The Group does not currently consider that the adoption of these new standards or amendments would have a material effect on the results or financial position of the Group.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where it affects only that period or in the period and future periods if it affects both current and future periods.

1. Accounting policies (continued)

Critical accounting judgements

Internally generated intangible assets
Costs relating to internally generated intangible assets are capitalised if the criteria for recognition as assets are met. The initial capitalisation of costs is based on management's judgement that technological and economic feasibility criteria are met. In making this judgement, management considers the progress made in each development project and its latest forecasts for each project. Other expenditure is charged to the Condensed Consolidated Income Statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For further information see note 9.

Leases
Management considers the key judgement to be the assessment of the lease term at the point where the lessee can be reasonably certain of its right to use the underlying asset.

Given the number of shop closures in the Retail estate historically, management determined the lease term under IFRS 16 across the Retail estate as the next available break date, as the Group is not 'reasonably certain' that any lease break will not be exercised. The Group has recognised a lease liability of £87.6m at 31 December 2023 (31 December 2022: £89.0m).

Exceptional and adjusted items
The Group classifies and presents certain items of income and expense as exceptional items. The Group presents adjusted performance measures which differ from statutory measures due to exclusion of exceptional items and certain non-cash items as the Group considers that it allows a further understanding of the underlying financial performance of the Group. These measures are described as "adjusted" and are used by management to measure and monitor the Group's underlying financial performance. Non-cash items that are excluded from adjusted performance measures of underlying financial performance include amortisation of acquired intangibles, amortisation of finance fees, share benefit charges and foreign exchange differences.

The Group considers any items of income and expense for classification as exceptional if they are one off in nature and by virtue of their size. The items classified as exceptional (and are excluded from the adjusted measures) are described in further detail in note 3.

Significant accounting estimates
The following are the Group's major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill
For the purposes of impairment testing under IAS 36 Impairment of Assets, CGUs are grouped to reflect the level at which goodwill is monitored by management. The key judgement is the level at which the impairment tests are performed. Management have allocated Goodwill to Retail on a group of CGUs basis, International on a group of CGUs basis and UK&I Online as its own CGU as this is the lowest level at which it is practical to monitor goodwill. These are the levels at which goodwill is assessed for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Cash flows are forecast for periods up to five years. The key assumptions used in the model are based on historical experience and other factors that are considered to be relevant, including growth rates and discount rates. For further information see note 9.

Provisions, contingent liabilities and regulatory matters
The Group makes a number of estimates in respect of the accounting for, and disclosure of, expenses and contingent liabilities for customer claims. Provisions are described in further detail in note 11 and contingent liabilities in note 16.
In common with other businesses in the gambling sector the Group receives claims from customers relating to the provision of gambling services. Claims have been received from customers in a number of (principally European) jurisdictions and allege either failure to follow responsible gambling procedures, breach of licence conditions or that underlying contracts in question are null and void given local licencing regimes.

The Group has recognised a provision and contingent liability for customer claims in Austria and Germany where the business has been subject to a particular acceleration of claims since 2020 following marketing campaigns by litigation funders in those jurisdictions. Customers who have obtained judgement against the Group's entities in the Austrian and German courts have sought to enforce those judgements in Malta and Gibraltar. These are being defended on the basis of a public policy argument. The provisions held for the Group relating to these claims is £113.0m (2022: £112.3m), mostly related to the Mr Green brand.

1. Accounting policies (continued)

The value of the provision and contingent liability are both estimates based on the number and individual size of claims received to date and assumptions based on such observations as can be derived from those claims and include an estimate of claims the Group assess it probable, for the provision, and possible, for the contingent liability, that it will receive in the future. If these rates of receipt of claims were to increase by 25% compared to the Group's expectation, the value across the provision recognised and contingent liability disclosed would increase by £7.0m before consideration of potential gaming tax reclaim.

Identification and valuation of William Hill intangible assets
In the prior year, the Group acquired the International (non-US) business of William Hill on 1 July 2022 for an enterprise value of £1.73 billion. Since the disclosure of the provisional fair values in the prior year end accounts and during the measurement period, an adjustment of £15.7m has been made to increase the fair value of provisions in relation to the customer claims in Germany, and an equivalent increase in goodwill has been recognised. See note 10 for further details of the change.

As part of the purchase price allocation the Group recognised separately identifiable acquired intangible assets comprising brands (£574.4m); customer relationships (£595.1m) and gambling licences (£8.5m). Goodwill of £776.6m was recognised on acquisition. The estimate of the value of each class of asset described above is based on recognised valuation methodologies such as the "relief from royalty" method for brands, recognised industry comparative data and the Group's industry experience and specialist knowledge and is therefore a significant accounting estimate. A 5% increase/decrease in estimated customer churn rates would (decrease)/increase the fair value of customer relationships by (£123.0m)/£176.0m respectively. Note that consideration of provisions and contingent liabilities identification and valuation on acquisition are considered in the provision, contingent liabilities and regulatory matters section below. This was an area where the Group made significant accounting estimates.

Further, the Group exercised judgement in determining the intangible assets acquired and their fair value on the William Hill business combination, with the support of external experts to support the valuation process, where appropriate. See note 10 for additional information. These estimates and judgements only relate to the prior year.

Basis of consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by 888 Holdings PLC. Control exists where the Company has power over an entity; exposure, or rights, to variable returns from its involvement with an entity; and the ability to use its power over an entity to affect the amount of its returns. Subsidiaries are consolidated from the date the Parent gained control until such time as control ceases.
The financial statements of subsidiaries are included in the condensed consolidated financial statements using the purchase method of accounting. On the date of the acquisition, the assets and liabilities of a subsidiary are measured at their fair values and any excess of the fair value of the consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, net of discounts, marketing inducements and VAT, as set out below.

In the case of licensed betting offices ("LBO") (including gaming machines), online sportsbook and telebetting and online casino (including games on the Online arcade and other numbers bets) revenue represents gains and losses from gambling activity in the period. This revenue is treated as a derivative under IFRS 9 'Financial Instruments' and is therefore out of scope of IFRS 15 'Revenue from Contracts with Customers'. Open positions are carried at fair value, and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Revenue from the Online poker business is within the scope of IFRS 15 'Revenue from Contracts with Customers' and reflects the net income (rake) earned when a poker game is completed, which is when the performance obligation is deemed to be satisfied.

1. Accounting policies (continued)

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

For services provided to business partners through its B2B unit, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services itself, which means the Group is a principal and therefore recognises revenue as the gross amount of the revenue generated from use of the Group's platform in online gaming activities with the partners' share of the revenue charged to marketing expenses; or to arrange that another party provide the goods or services which means the Group is an agent and therefore recognises revenue as the amount of the net commission from use of the Group's platform.

The Group is a principal when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: The Group is the
primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

Cost of Sales

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

Operating expenses

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each period end date. Actuarial remeasurements are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Condensed Consolidated Statement of Other Comprehensive Income.

The net retirement benefit asset or obligation recognised in the Condensed Consolidated Statement of Financial Position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any net asset resulting from this calculation is not recognised on the balance sheet as this is expected to be used to meet the costs of eventual wind-up of the Plan rather than refunded to the Company in practice.

Foreign currency

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

The results and financial position of all Group entities that have a functional currency different from pound sterling are translated into the presentation currency at foreign exchange rates as set out below. Exchange differences arising, if any, are recorded in the Condensed Consolidated Statement of Comprehensive Income as a component of other comprehensive income.

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

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

1. Accounting policies (continued)

Finance income

Finance income relates to interest income and is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Finance costs

Finance costs arising on interest-bearing financial instruments carried at amortised cost are recognised in the Condensed Consolidated Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Condensed Consolidated Income Statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the
Condensed Consolidated Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities arising from the implementation of the global minimum tax rules published by the Organization for Economic Cooperation and Development ("OECD"), so-called Pillar Two income taxes, as required under IAS 12.

Goodwill

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

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

1. Accounting policies (continued)

Intangible assets

Acquired intangible assets
Intangible assets arising on acquisitions are recorded at their fair value.

Amortisation is provided at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Acquired brands	– assessed separately for each asset, with lives ranging up to 30 years
Customer relationships	– between 18 months and 13 years
Bookmaking and mobile technology	– between three and five years
Licences	– 10 to 20 years

Amortisation of assets arising on acquisition is recognised as an adjusted item, please see note 3 for further information.

Internally generated intangible assets

An internally generated intangible asset arising from the Group's development of computer systems is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Expenditure incurred on development activities of gaming platforms 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.

Property, plant and equipment

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

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

Freehold buildings	50 years
Long leasehold properties	50 years
Short leasehold properties	over the unexpired period of the lease
Short leasehold improvements	the shorter of ten years or the unexpired period of the lease
Fixtures, fittings and equipment and motor vehicles	at variable rates between three and ten years
Right-of-use asset	reasonably certain lease term

Impairment of non-financial assets

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. At each period end date, the Group reviews the carrying amounts of its goodwill, property plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This process is described in more detail in note 9 to the financial statements.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the point that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date. The fair value related disclosures are included in notes 24 and 25 of the Annual Report and Accounts 2023. Fair value is the price that would be received or paid in an orderly transaction between market participants at a particular date, either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for that asset or liability accessible to the Group.

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

IFRS 13 'Fair Value Measurement' emphasises that fair value is a market-based measurement, not an entity-specific measurement. Therefore, fair value measurements under IFRS 13 should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, IFRS 13 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs utilise quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Assets held for sale

Assets categorised as held for sale are held on the Condensed Consolidated Statement of Financial Position at the lower of the book value and fair value less costs to sell. This assessment is carried out when assets are transferred to held for sale. The impact of any adjustment as a part of this assessment is booked through the Condensed Consolidated Income Statement.

Cash and cash equivalents Cash comprises cash in hand, balances with banks and on-demand deposits. 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.

1. Accounting policies (continued)

Trade receivables

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

Equity

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

Treasury shares

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

Dividends

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

Equity-settled Share benefit charges

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

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised within employee benefits expenses. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Severance pay schemes

The Group operates two severance pay schemes:

Defined benefit severance pay scheme

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

Severance pay scheme surpluses and deficits are measured as:

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

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

1. Accounting policies (continued)

Defined contribution severance pay scheme

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

Borrowings

The Group records bank and other borrowings initially at fair value, which equals the proceeds received, or acquired in a business transaction, net of direct issue costs, and subsequently at amortised cost. The Group accounts for finance charges, including premiums payable on settlement or redemption and direct issue costs, using the effective interest rate method.

Derivatives and hedging activities

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether or not the derivative is designated for hedge accounting.

Hedge accounting

The Company designates certain derivatives as hedging instruments as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an ongoing basis, the Company documents whether a hedging relationship meets the hedge effectiveness requirements under IFRS 9 and whether there continues to be an economic relationship between the hedged item and the hedging instrument.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately within profit and loss.

Amounts previously recognised in other comprehensive income are reclassified to earnings in the periods when the hedged item is recognised in profit and loss. These earnings are included within the same line of the Condensed Consolidated Income Statement as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. Any gain or loss recognised in the cash flow hedge reserve remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge are recognised immediately in profit or loss and are included in “finance income/expense”.

1. Accounting policies (continued)

Leasing

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using an appropriate discount rate. The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. The Group uses an incremental borrowing rate for its leases, which is determined based on the margin requirements of the Group's revolving credit facilities as well as country specific adjustments. A right-of-use asset is also recognised equal to the lease liability and depreciated over the period from the commencement date to the earlier of, the end of the useful life of the right-of-use asset or the lease term. The Group has assessed the lease term of properties within its retail estate to be up to the first available contractual break within the lease. The Group has deemed that it cannot be reasonably certain that it will continue beyond this time given the continued uncertainty surrounding the Group's retail business.

The Group has also applied the below practical expedients:

- exclude leases from measurement and recognition where the lease term ends within 12 months from the date of initial application and account for those leases as short-term leases;
- exclude low value leases for lease values less than £5,000;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- use hindsight to determine the lease term if the contract contains options to extend or terminate; and
- exclude initial direct lease costs in the measurement of the right-of-use asset.

The Group has a small number of sublet properties. In these instances, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where the Group is an intermediate lessor, the sublease classification is assessed with reference to the head lease right-of-use asset. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the lease. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for most leases.

Trade and other payables

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

Provisions

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

Liabilities to customers

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

2. Segment information

The Board has reviewed and confirmed the Group's reportable segments in accordance with the requirements of IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports that the Group's Chief Executive Officer and Chief Financial Officer as Chief Operating Decision Makers review to make strategic decisions.

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The UK&I Online segment comprises all online activity, including sports betting, casino, poker and other gaming products along with telephone betting services that are incurred within the UK and Ireland. The International segment comprises all online activity, including sports betting, casino, poker and other gaming products along with telephone betting services that are incurred within all territories excluding the UK and Ireland. There are no inter-segmental sales within the Group.

Segment performance is shown on an adjusted EBITDA basis, with a reconciliation from adjusted EBITDA to statutory results for clarity. Information for the year ended 31 December 2023 is as follows:

2023	**Retail £m**	**UK&I Online £m**	**International £m**	**Corporate £m**	**Total £m**
Revenue[1]	**535.0**	**658.5**	**517.4**	**-**	**1,710.9**
Gaming duties and other cost of sales	(115.4)	(246.6)	(207.2)	-	(569.2)
Adjusted Gross Profit	**419.6**	**411.9**	**310.2**	**-**	**1,141.7**
Marketing	(6.5)	(134.5)	(96.8)	-	(237.8)
Contribution	**413.1**	**277.4**	**213.4**	**-**	**903.9**
Operating expenses	(314.2)	(125.1)	(114.0)	(43.7)	(597.0)
Associate income	-	-	-	1.4	1.4
Adjusted EBITDA	**98.9**	**152.3**	**99.4**	**(42.3)**	**308.3**
Depreciation					(46.3)
Amortisation (excluding acquired intangibles)					(67.7)
Amortisation of acquired intangibles					(114.3)
Exceptional items					(52.6)
Fair value gain on financial assets					4.1
Share benefit credit					0.5
Foreign exchange					1.0
Finance expenses					(195.3)
Finance income					41.0
Loss before tax					**(121.3)**

[1] Revenue recognised under IFRS 9 is £535.0m in Retail, £658.5m in UK&I Online and £486.9m in International. Revenue recognised under IFRS 15 is £nil in Retail, £nil in UK&I Online and £30.5m in International.

	Retail £m	**UK&I Online £m**	**International £m**	**Corporate £m**	**Total £m**
Total segment assets	**516.2**	**1,292.4**	**759.3**	**89.4**	**2,657.3**
Total segment liabilities	**173.3**	**265.7**	**219.6**	**1,829.9**	**2,488.5**
Included within total segment assets:					
Goodwill	99.4	357.9	306.0	-	763.3
Interests in associates	-	-	-	33.9	33.9
Capital additions	4.6	11.2	66.3	2.2	84.3

2. Segment information (continued)

2022	Retail £m	UK&I Online £m	International £m	Other[2] £m	Corporate £m	Total £m
Revenue[1]	255.5	455.5	508.3	19.5	-	1,238.8
Gaming duties and other cost of sales	(55.0)	(163.7)	(184.7)	(10.5)	-	(413.9)
Adjusted Gross Profit	200.5	291.8	323.6	9.0	-	824.9
Marketing	(3.3)	(148.1)	(105.2)	(2.5)	-	(259.1)
Contribution	197.2	143.7	218.4	6.5	-	565.8
Operating expenses	(156.0)	(82.1)	(100.1)	(4.8)	(5.2)	(348.2)
Associate income	-	-	-	-	0.3	0.3
Adjusted EBITDA	41.2	61.6	118.3	1.7	(4.9)	217.9
Depreciation						(30.8)
Amortisation (excluding acquired intangibles)						(32.8)
Amortisation of acquired intangibles						(56.7)
Exceptional items – cost of sales and operating expenses						(93.2)
Share benefit charge						(5.2)
Foreign exchange						(4.0)
Finance expenses						(111.7)
Finance income						0.8
Loss before tax						(115.7)

[1] Revenue recognised under IFRS 9 is £255.5m in Retail, £455.5m in UK&I Online, £502.7m in International and £10.9m in Other. Revenue recognised under IFRS 15 is £nil in Retail, £nil in UK&I Online, £5.6m in International and £8.6m in Other.
[2] 'Other' represents the Bingo business that was disposed of during 2022. See note 10 for further information.

	Retail £m	UK&I Online £m	International £m	Corporate £m	Total £m
Total segment assets	542.6	1,394.9	973.2	11.7	2,922.4
Total segment liabilities	176.3	341.6	578.0	1,458.7	2,554.6
Included within total assets:					
Goodwill	99.4	359.8	338.1	-	797.3
Interests in associates	-	-	-	38.4	38.4
Capital additions	13.4	24.6	68.3	1.1	107.4

3. Exceptional items and adjustments

In determining the classification and presentation of exceptional items we have applied consistently the guidelines issued by the Financial Reporting Council ('FRC') that primarily addressed the following:

- Consistency and even-handedness in classification and presentation;
- Guidance on whether and when recurring items should be considered as part of underlying results; and
- Clarity in presentation, explanation and disclosure of exceptional items and their relevance.

In preparing the Annual Report and Accounts, we also note the European Securities and Markets Authority ('ESMA') guidance on Alternative Performance Measures (APM), including:

- Clarity of presentation and explanation of the APM;
- Reconciliation of each APM to the most directly reconcilable financial statement caption;
- APMs should not be displayed with more prominence than statutory financials;
- APMs should be accompanied by comparatives; and
- The definition and calculation of APMs should be consistent over time.

We are satisfied that our policies and practice conform to the above guidelines.

3. Exceptional items and adjustments (continued)

Adjusted results

The Group reports adjusted results, both internally and externally, that differ from statutory results prepared in accordance with IFRS. These adjusted results, which include our key metrics of adjusted EBITDA and adjusted EPS, are considered to be a useful reflection of the underlying performance of the Group and its businesses, since they exclude items which impair visibility of the underlying activity in each segment. More specifically, visibility can be impaired in one or both of the following instances:

– a transaction is of such a material or infrequent nature that it would obscure an understanding of underlying outcomes and trends in revenues, costs or other components of performance (for example, a significant impairment charge); or
– a transaction that results from a corporate activity that has neither a close relationship to the Group's operations nor any associated operational cash flows (for example, the amortisation of intangibles recognised on acquisitions).

Adjusted results are used as the primary measures of business performance within the Group and align with the results shown in management accounts, with the key uses being:

– management and Board reviews of performance against expectations and over time, including assessments of segmental performance (see note 2 and the Strategic Report in the Annual Report and Accounts 2023);
– in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making

The Group's policies on adjusted measures are consistently applied over time, but they are not defined by IFRS and, therefore, may differ from adjusted measures as used by other companies.

The Condensed Consolidated Income Statement presents adjusted results alongside statutory measures, with the reconciling items being itemised and described below. We discriminate between two types of reconciling items: exceptional items and adjusted items.

Exceptional items

Exceptional items are those items the Directors consider to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

Exceptional items are as follows:

	2023 £m	2022 £m
Cost of sales		
Retroactive duties and associated credit	-	(3.9)
Exceptional items - cost of sales	**-**	**(3.9)**
Operating expenses		
Corporate transaction related (income)/costs	(0.1)	36.2
Integration and transformation costs	49.3	14.4
Regulatory provisions and other associated costs	3.4	-
Impairment of US Goodwill and other assets	-	55.7
Revaluation of contingent consideration	-	(9.2)
Exceptional items - operating expenses	**52.6**	**97.1**
Finance expenses		
Senior Unsecured Notes early redemption fees	-	14.1
Gain on settlement of Senior Unsecured Notes	-	(7.1)
Exceptional items - finance expenses	**-**	**7.0**
Total exceptional items before tax	52.6	100.2
Tax on exceptional items	(9.0)	2.8
Total exceptional items	**43.6**	**103.0**

Total exceptional items in the year were £43.6m in 2023 compared to £103.0m in 2022.

Exceptional items are defined as those items which are considered to be one-off or material in nature to be brought to attention to better understand the Group's financial performance. Comparatives are included even when not individually material to aid comparability.

3. Exceptional items and adjustments (continued)

Retroactive gaming duties and associated charges

The industry in which the Group operates is subject to continuing scrutiny by regulators and other governmental authorities, which may, in certain circumstances, lead to enforcement actions, sanctions, fines and penalties or the assertion of private litigations, claims and damages. In 2022, a net credit of £3.9m was recognised in respect to exceptional provision for retroactive duties and associated charges following a reassessment of potential gaming duties relating to activity in prior years.

Corporate transaction related costs

The Group has incurred legal and M&A costs, including in relation to the disposal of its Latvia and Colombia businesses of £0.8m. During 2023, income relating to the acquisition of William Hill was received from Caesars, amounting to £2.0m. During 2022, the Group incurred £24.5m of costs associated with the acquisition of the international (non-US) business of William Hill and recognised an impairment loss of £11.7m in relation to the disposal of 888 Bingo.

Integration and transformation costs

The Group has incurred a total of £49.3m of costs relating to the integration programme, including £14.7m of platform integration costs, £8.3m of legal and professional costs, £10.8m of redundancy costs, £5.3m of relocation and HR related expenses, £4.7m of employee incentives as part of the integration of William Hill and 888, and £3.8m of technology integration costs. During 2022, the Group incurred £14.4m, including £5.8m of redundancy costs, £3.0m of legal and consultancy fees and £3.7m of platform separation and other integration costs.

Regulatory provisions and other associated costs

The Group has paid £2.9m during the period related to a regulatory settlement with the Gibraltar regulator in relation to the previously disclosed failings that we identified in our Middle East business. Further to this there was £0.5m of professional fees incurred relating to this settlement.

Impairment of US Goodwill and other assets

During the prior year, as a part of the annual impairment review, management performed a value in use calculation to assess the recoverable amount of the Group's US business, using that business's underlying cash flow forecasts. The recoverable amount was lower than the book value of its net assets and, as such, the Group impaired the goodwill on the US business in full, totalling £25.7m. Additionally as part of the integration, the business intends to use the existing 888 technology platform as the basis for the future platform of the Group which led to a write off of the Unity platform, a proprietary technology system William Hill was building that is no longer needed, at a cost of £28.1m. A further £1.4m of smaller technology assets were written off and £0.5m of 39 freehold assets were written off when reclassified to held for sale at the prior year end, due to the assets being tested for impairment as a result of the transfer.

Revaluation of contingent consideration

As a part of the transaction agreement with Caesars for the purchase of William Hill, an amount of up to £100.0m consideration was contingent subject to the enlarged group hitting specific EBITDA metrics. This was assessed at fair value on acquisition at £9.6m and revalued at 31 December 2022 to £0.4m, leading to a release in this contingent consideration of £9.2m in the prior period.

Senior Unsecured Notes early redemption fees

As part of the William Hill acquisition, the Group acquired certain Senior Unsecured Notes, £350.0m 4.875% due May 2023 and £350.0m 4.75% due May 2026. Subsequent to the acquisition, the £350.0m Note due May 2023 was fully redeemed as well as a partial redemption amounting to £339.5m of the Note due May 2026. The total cost to the Group of settling the Notes consisted of £12.2m in early redemption fees together with a combined £1.9m of unamortised finance fees, which were written off to the income statement immediately in the prior period on redemption of each note. All of the costs were considered as exceptional due to their one-off nature.

Gain on settlement of Senior Unsecured Notes

The Senior Unsecured Notes acquired in the acquisition of William Hill were accounted for at fair value. These Notes were settled in the prior period, and as such the gain on settlement of these Notes of £7.1m was recognised in the prior period.

3. Exceptional items and adjustments (continued)

Adjusted items

Adjusted items are recurring items that are excluded from internal measures of underlying performance and which are not considered by the Directors to be exceptional. This relates to the amortisation of specific intangible assets recognised in acquisitions, amortisation of finance fees, fair value gain of financial assets, foreign exchange and share benefit charges. These items are defined as adjusted items as it is believed it would impair the visibility of the underlying activities across each segment as it is not closely related to the businesses' or any associated operational cash flows. Each of these items are recurring and occur in each reporting period and will be consistently adjusted in future periods. Adjusted items are all shown on the face of the Condensed Consolidated Income Statement in the reconciliations of adjusted EBITDA and note 7 in the reconciliation of adjusted profit after tax.

4. Finance income

	2023 £m	2022 £m
Interest income	**4.6**	0.8
Foreign exchange on financing activities	**36.4**	-
Total finance income	**41.0**	0.8

5. Finance expenses

	Note	2023 £m	2022 £m
Interest expenses related to lease liabilities		**6.9**	3.0
Bank loans and bonds		**175.8**	74.9
Amortisation of finance fees		**-**	0.1
Hedging activities		**12.1**	3.3
Foreign exchange on financing activities		**-**	22.7
Other finance charges and fees		**0.5**	0.7
Finance expenses - underlying		**195.3**	104.7
Senior Unsecured Notes early redemption fees	3	**-**	14.1
Gain on settlement of Senior Unsecured notes	3	**-**	(7.1)
Finance expenses – exceptional		**-**	7.0
Total finance expenses		**195.3**	111.7

6. Taxation

Corporate taxes

	2023 £m
Current taxation	
UK corporation tax charge at 23.5%	**0.7**
Other jurisdictions taxation	**22.0**
Adjustments in respect of prior years	**(21.0)**
	1.7
Deferred taxation	
Origination and reversal of temporary differences	**(37.7)**
Recognition of previously unrecognised deductible temporary differences	**(30.2)**
Adjustments in respect of prior years	**1.3**
	(66.6)
Taxation credit	**(64.9)**
Deferred taxation related to items recognised in OCI	
Remeasurement of severance pay liability	-

6. Taxation (continued)

	2022 £m
Current taxation	
UK corporation tax charge at 19.0%	6.5
Other jurisdictions taxation	17.8
Adjustments in respect of prior years	1.3
	25.6
Deferred taxation	
Origination and reversal of temporary differences	(3.0)
Adjustments in respect of prior years	(17.7)
	(20.7)
Taxation expense	4.9
Deferred taxation related to items recognised in OCI	
Remeasurement of severance pay liability	0.6

The UK tax rate increased from 19% to 25% on 1 April 2023 giving an average UK tax rate for the year of 23.5%.

The effective tax rate in respect of ordinary activities before exceptional items for the year ended 31 December 2023 is 81.4% (2022: 20.0%). The effective tax rate in respect of ordinary activities after exceptional items is 53.5% (31 December 2022: -4.2%).

Pillar Two legislation has been acted, or substantively enacted, in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the information available regarding the financial performance of the constituent entities in the Group for the year ended 31 December 2023 and forecasts for the year ended 31 December 2024. Based on the assessment, the Group has identified potential exposure to Pillar Two income taxes in respect of profits earned in Gibraltar, Malta, and Spain. The potential exposure comes from the constituent entities (mainly licensed operating subsidiaries) in these jurisdictions where the expected Pillar Two effective tax rate is below 15%.

The Pillar Two effective tax rate is lower in these jurisdictions due to the Group being subject to tax at effective rates lower than 15% in those countries (Gibraltar at 12.5%, Spain at 12.5%, and Malta at 5% after the distribution of profits).

Had the Pillar Two legislation been effective for the current year ending 31 December 2023, the restated effective tax rate under IFRS would be approximately 49.5-51.5% which would have been 2-4% lower than the reported effective rate under IFRS of 53.5%. The rate would be lower because the Group reports a tax credit on a loss and the tax credit would be reduced due to the Pillar Two income tax charge. The impact on the effective tax rate under IFRS for the Group is mainly driven by top up taxes arising on profits earned in Gibraltar, Malta, and Spain where the Pillar Two effective tax rate is lower than 15%. The impact on the effective tax rate in 2024 will depend on factors such as revenues and costs.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2023 £m
Loss before taxation	**(121.3)**
Standard tax rate in UK (23.5%)	**(28.5)**
Difference in effective tax rate in other jurisdictions	**(15.4)**
Expenses not allowed for taxation	**13.6**
Accrual of liabilities for uncertain tax positions	**(1.8)**
Deferred tax not recognised	**26.5**
Recognition of previously unrecognised deductible temporary differences	**(30.3)**
Difference in current and deferred tax rate	**0.2**
Tax on share of result of associate	**(0.3)**
Non-taxable income	**(8.8)**
Adjustments to prior years' tax charges	**(19.7)**
Losses utilised previously not recognised for deferred tax	**(0.4)**
Total tax credit for the year	**(64.9)**

6. Taxation (continued)

	2022 £m
Loss before taxation	(115.7)
Standard tax rate in UK (19.0%)	(22.0)
Difference in effective tax rate in other jurisdictions	2.5
Expenses not allowed for taxation	32.9
Accrual of liabilities for uncertain tax positions	5.2
Tax on share of result of associate	0.1
Deferred tax not recognised	0.4
Difference in current and deferred tax rate	5.1
Non-taxable income	(2.9)
Adjustments to prior years' tax charges	(16.4)
Total tax charge for the year	4.9

The difference in effective tax rates in other jurisdictions primarily reflects the lower effective tax rate in Gibraltar, Spain and Malta. Expenses not allowed for tax purposes mainly relate to reduced availability of tax relief arising on costs incurred in the period. Deferred tax not recognised mainly relates to restricted interest in the UK in respect of which no deferred tax asset can be recognised. Recognition of previously unrecognised deductible temporary differences relates to recognition of a deferred tax asset for the Group's intangible assets. The prior year adjustments mainly relate to additional claims being made for tax allowances in Gibraltar for 2021. Non-taxable income mainly relates to fair value and accounting gains not taxable in Gibraltar and the UK.

7. Earnings per share

Basic earnings per share

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

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Potential ordinary shares are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are anti-dilutive. The number of equity instruments included in the diluted EPS calculation consist of 2,789,783 Ordinary Shares (2022: 6,235,340) and no market-value options (2022: nil).

The number of equity instruments excluded from the diluted EPS calculation is 2,294,080 (2022: 1,986,155).

	2023	2022
Loss for the period attributable to equity holders of the Parent (£m)	**(56.4)**	(120.5)
Weighted average number of Ordinary Shares in issue and outstanding	**448,166,792**	426,536,392
Effect of dilutive Ordinary Shares and Share options	**2,789,783**	6,235,340
Weighted average number of dilutive Ordinary Shares	**450,956,575**	432,771,732
Basic loss per share (pence)	**(12.6)**	(28.3)
Diluted loss per share (pence)	**(12.6)**	(28.3)

The diluted loss per share in the current and prior year is the same as the basic loss per share as the potentially dilutive share options are considered antidilutive as they would reduce the loss per share and therefore, they are disregarded in the calculation.

Adjusted earnings per share

The Directors believe that EPS excluding exceptional and adjusted items, tax on exceptional and adjusted items ("Adjusted EPS") allows for a further understanding of the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

7. Earnings per share (continued)

	2023	2022
Adjusted profit after tax (£m)	**48.1**	64.2
Weighted average number of Ordinary Shares in issue	**448,166,792**	426,536,392
Weighted average number of dilutive Ordinary Shares	**450,956,575**	432,771,732
Adjusted basic earnings per share (pence)	**10.7**	15.1
Adjusted diluted earnings per share (pence)	**10.7**	14.8

The table below highlights the measures used to achieve Adjusted profit after tax:

	Note	2023 £m	2022 £m
Adjusted profit after tax		**48.1**	64.2
Exceptional items – cost of sales and operating expenses	3	**(52.6)**	(93.2)
Exceptional items - finance expenses	3,5	**-**	(7.0)
Fair value gain on financial assets	13	**4.1**	-
Amortisation of finance fees		**(17.2)**	(7.4)
Amortisation of acquired intangibles		**(114.3)**	(56.7)
Tax on exceptional and adjusted items		**37.4**	11.4
Foreign exchange gains/(losses)		**37.6**	(26.7)
Share benefit credit/(charge)		**0.5**	(5.2)
Loss attributable to non-controlling interests		**-**	0.1
Loss after tax		**(56.4)**	(120.5)

8. Dividends

The Board of Directors does not recommend a final dividend to be paid in respect of the year ended 31 December 2023. No final dividend was recommended as at 31 December 2022.

9. Goodwill and other intangibles

	Goodwill £m	Brands, customer relationships and licences £m	Software £m	Total £m
Cost or valuation				
At 31 December 2022[1]	823.0	1,230.8	403.3	2,457.1
Acquisition related adjustment[2]	(20.3)	-	-	(20.3)
Additions	-	2.0	58.9	60.9
Disposals	(13.7)	(10.7)	-	(24.4)
Effect of foreign exchange rates	-	(3.0)	(10.4)	(13.4)
At 31 December 2023	**789.0**	**1,219.1**	**451.8**	**2,459.9**
Amortisation and impairments:				
At 31 December 2022	25.7	73.5	149.6	248.8
Amortisation charge for the year	-	90.8	91.2	182.0
Impairment charge for the year	-	-	0.6	0.6
Disposals	-	(1.3)	-	(1.3)
Effect of foreign exchange rates	-	(1.6)	(6.9)	(8.5)
At 31 December 2023	**25.7**	**161.4**	**234.5**	**421.6**
Carrying amounts				
At 31 December 2023	**763.3**	**1,057.7**	**217.3**	**2,038.3**
At 31 December 2022	797.3	1,157.3	253.7	2,208.3

[1] Since the disclosure of the provisional fair values for the acquisition of William Hill on 1 July 2022, an adjustment of £15.7m has been made to increase the fair value of provisions, with a related £4.4m reduction in deferred tax liabilities, and an equivalent movement in goodwill. This adjustment has been made after the 31 December 2022 year end accounts and during the measurement period. See note 10 for further details.

[2] In the current year, but outside of the measurement period, management have identified £20.3m of additional deferred tax balances which were present at acquisition. Management have deemed the adjustment to be qualitatively immaterial for restatement of prior year figures, as it does not impact the profit or loss, net assets, cash flow, remuneration, the Group's key performance indicators or any of the Group's covenants. As such, the deferred tax balances have been adjusted in the current year, with a corresponding adjustment to the acquisition goodwill.

Goodwill

Including the adjustment made in the current year, goodwill recognised on the acquisition of William Hill was £776.6m as outlined in note 10. Based on the estimated synergies from the combination, management has allocated this goodwill between Retail (£99.4m), UK&I Online (£357.9m) and International (£319.3m). This represents the lowest level at which goodwill is monitored for internal management purposes.

Brands, customer relationships and licences

This category of assets includes brands, customer relationships and licences primarily recognised in business combinations. As outlined in note 10, in 2022 the Group acquired William Hill and recognised brands of £574.4m, customer relationships of £595.1m and licences of £8.5m. These assets are being amortised over 20-30 years for brands, 7-13 years for customer relationships and 20 years for licences.

Software

This category relates to the cost of both acquired software, through purchase or acquisition, as well as the capitalisation of internally developed software where the recognition criteria are met. Capitalised costs on projects that are works in progress amount to £44.8m at year end (2022: £42.0m). On the acquisition of William Hill, the Group acquired software with a fair value of £226.2m. The software acquired primarily consisted of proprietary software platforms owned by William Hill. Subsequent to the acquisition, the decision was made to migrate a number of William Hill platforms onto the existing 888 platforms, resulting in an asset impairment of £29.5m in 2022. These assets are being amortised over 3-5 years.

9. Goodwill and other intangibles (continued)

Impairment reviews

The Group performs an annual impairment review for goodwill, by comparing the carrying amount of goodwill and other relevant assets with their recoverable amount. This is an area where the directors exercise judgement and estimation, as noted within the Annual Report and Accounts 2023. For the purposes of impairment testing under IAS 36, CGUs are grouped in order to reflect the level at which goodwill is monitored by management. In the prior year, the Group completed the acquisition of William Hill and disposed of the Group's Bingo business, which changed the groups of CGUs to which goodwill is allocated and monitored. The goodwill generated from the acquisition of William Hill is monitored in line with the Group's segments, being Retail, UK&I Online and International.
Testing is carried out by allocating the carrying value of the assets to CGUs or group of CGUs and determining the recoverable amount of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired.

Value in use calculations are based upon estimates of future cash flows derived from the Group's profit forecasts by segments. Profit forecasts are derived from the Group's annual strategic planning or similarly scoped exercise.
The principal assumptions underlying our cash flow forecasts are as follows:

- management assumes that the underlying business model will continue to operate on a comparable basis, as adjusted for known regulatory or tax changes and planned business initiatives; this does not include any capex projects or the benefits that arise from them in line with IAS 36;
- management's forecasts anticipate the continuation of recent growth or decline trends in staking, gaming net revenues and expenses, as adjusted for changes in our business model or expected changes in the wider industry or economy
- management assumes that the Group will achieve its target sports betting gross win margins as set for each territory, which management bases upon its experience of the outturn of sports results over the long term, given the tendency for sports results to vary in the short term but revert to a norm over a longer term; and
- in management's annual forecasting process, expenses incorporate a bottom-up estimation of the Group's cost base. For employee remuneration, this takes into account staffing numbers and models by segment, while other costs are assessed separately by category, with principal assumptions including an extrapolation of recent cost inflation trends and the expectation that the Group will incur costs in line with agreed contractual rates.

The Board approved the 2024 budget for each segment in January 2024. Management prepared a 3-year strategic forecast covering years 2025 to 2027 using the same basis as the four-year strategic forecast covering years 2024 to 2027 that was approved by The Board in the prior year. Additionally, management has prepared a separate forecast for the year 2028, incorporating long-term growth projections based on the year 2027. These five years form the basis of our value in use calculation.

Cash flows beyond that five-year period were extrapolated using long-term growth rates as estimated for each group of CGUs separately.

The other assumptions incorporated into the Group's impairment reviews are those relating to discount rates and long-term growth assumptions, as noted below separately for each CGU or group of CGUs:

CGUs	2023 Discount rate %	2023 Long-term growth rate %	2022 Discount rate %	2022 Long-term growth rate %
Retail	**13.0**	**0.0**	13.3	0.0
UK&I Online	**13.0**	**2.5**	12.1	2.5
International	**14.7**	**5.0**	13.8	5.0

Discount rates are applied to each CGU or group of CGUs' cash flows that reflect both the time value of money and the risks that apply to the cash flows of that CGU or group of CGUs. Discount rates are calculated using the weighted average cost of capital formula based on the CGU's or group of CGUs' leveraged beta. The leveraged beta is determined by management as the mean unleveraged beta of listed gaming and betting companies, with samples chosen where applicable from comparable markets or territories as the CGU or group of CGUs, leveraged to the Group's capital structure. Further risk premia and discounts are applied, if appropriate, to this rate to reflect the risk profile of the specific CGU or the group of CGUs relative to the market in which it operates.

9. Goodwill and other intangibles (continued)

Our discount rates are calculated on a post-tax basis and converted to a pre-tax basis using the tax rate applicable to each CGU or group of CGUs. Discount rates disclosed below are pre-tax discount rates.

The long-term growth rates included in the impairment review do not exceed the observed long-term growth rate for each respective CGU or group of CGUs.

Results of impairment reviews

The recoverable amount and headroom above carrying amount or impairment below carrying amount based on the impairment review performed at 31 December 2023 for each CGU or group of CGUs are as follows:

CGUs	2023 Recoverable amount £m	2023 Headroom £m	2022 Recoverable amount £m	2022 Headroom/ (impairment) £m
Retail	**559.4**	**71.1**	668.6	165.5
UK&I Online	**1,551.8**	**419.6**	1,534.5	359.3
International	**1,119.0**	**493.6**	1,725.2	996.2
US B2C	**n/a**	**n/a**	19.4	(25.7)

Within the US CGU, specifically in the US B2C business, there is goodwill from a previous acquisition in the 888 Group, however this was fully impaired in the previous financial year and therefore no longer requires an impairment assessment.

Sensitivity of impairment reviews

For the Retail group of CGUs, the following reasonably possible changes in assumptions upon which the recoverable amount was estimated, would lead to the following changes in the recoverable amount of the CGU or group of CGUs:

	10% fall in cash flows		1% increase in discount rate	
CGUs	Reduction in recoverable amount £m	Remaining headroom £m	Reduction in recoverable amount £m	Remaining headroom £m
Retail	**(55.9)**	**15.1**	**(37.1)**	**34.0**

Retail cash flows would have to fall by more than 12.7% before the value in use fell below the CGU carrying value. For the UK&I Online and International group of CGUs, no impairment would occur under any reasonable possible changes in assumptions upon which the recoverable amount was estimated.

10. Acquisition & disposals

Acquisitions

On 1 July 2022, the Group acquired all of the equity interests in William Hill. Total consideration for the transaction was £554.3m, consisting of £544.7m cash consideration and up to £100.0m of contingent consideration, fair valued on acquisition date at £9.6m.

Identifiable assets acquired and liabilities assumed

	Final Fair Value
Intangible assets	1,404.2
Property, plant and equipment	109.5
Right-of-use assets	72.3
Investment in sublease	1.4
Investments and investments in associates	40.0
Cash and cash equivalents	157.9
Trade and other receivables	32.9
Income tax asset	10.8
Assets held for sale	0.2
Trade and other payables	(399.3)
Provisions and contingent liabilities[1]	(194.5)
Derivative financial instruments	(3.5)
Lease liabilities	(76.6)
Retirement benefit liability	(0.4)
Deferred tax liabilities	(211.5)
Long term debt	(1,165.7)
Total net identifiable liabilities	**(222.3)**
Goodwill	776.6
Consideration transferred	**554.3**

[1] Since the disclosure of the provisional fair values in the 31 December 2022 year end accounts, and during the measurement period, an adjustment of £15.7m has been made to increase the fair value of provisions, with a related £4.4m reduction in deferred tax liabilities, and an equivalent movement in goodwill. In the current year but outside of the measurement period, management have identified £20.3m of additional deferred tax balances which were present at acquisition. Management have deemed the adjustment to be qualitatively immaterial for restatement of prior year figures, as it does not impact the profit or loss, net assets, cash flow, remuneration, the Group's key performance indicators or any of the Group's covenants. As such, the deferred tax balances have been adjusted in the current year, with a corresponding adjustment to the acquisition goodwill.

Intangible assets

Acquired identifiable intangible assets include £574.4m in respect of brands, £595.1m in respect of customer relationships and £8.5m in respect of licences. Software and technology of £226.2m, inclusive of a fair value uplift of £70.6m has also been recognised on acquisition in the prior year. Management considers the residual goodwill of £776.6m to represent a number of factors including the future growth of the William Hill business and the potential to achieve buyer specific synergies and workforce.

The fair value of the brand assets was assessed by considering the benefit to the Group's future revenue of the acquired brand and assessing the royalty costs that would be incurred in deriving the same benefit. The key assumptions in the assessments are the forecast revenue growth and royalty cost applied. A royalty cost of 5.0% of revenue was applied. The fair value of the customer relationships was assessed using the multi-period excess earnings methodology. The key assumption in the assessments is customer retention rates. The fair value of the licences has been derived by calculating a replacement cost for each individual licence. A 5% increase/(decrease) in estimated customer churn rates would (decrease)/increase the fair value of customer relationships by £(123.0)m/£176.0m respectively.

10. Acquisition & disposals (continued)

Provisions and contingent liabilities
A contingent liability with a fair value of £80.6m has been recognised in the prior year on acquisition to reflect the possible future economic outflow resulting from customer claims in Austria. The contingent liability has been fair valued in line with IFRS 3 based on the expected cash outflow of settled claims and recognised on the basis that it is a possible future liability. Additional provisions of £115.2m have been recognised based on pre-existing provisions within William Hill. The carrying amount at acquisition was assessed to be the fair value. Refer to note 11 for further details on these acquired provisions.

Following receipt of updated advice, the development of case law in Germany indicates that the courts may apply a more customer-friendly approach to the application of the three-year limitation period and link the commencement of the limitation period to the player's first positive knowledge of a claim to recover his gambling losses. The law permits a maximum limitation period of 10 years in this scenario. As such, during 2023 and within the purchase price accounting measurement period, we have re-assessed the value of the provision for customer claims in Germany as at the acquisition date. This has led to an increase in the provision of £15.7m to a total value of £23.4m. This has been recognised through the opening balance sheet on acquisition, leading to an equivalent increase in goodwill on acquisition.

Other fair value adjustments
A fair value uplift of £1.1m has been recognised on property, plant and equipment, representing the depreciated replacement cost of the assets in comparison to their pre-acquisition net book value.

A fair value uplift of £0.8m has been recognised on the acquired right-of-use assets, representing favourable market positions on William Hill's portfolio of leases. This has been offset by a £6.8m reduction to the right-of-use asset and £6.4m reduction to the lease liability that reflects matching the right-of-use asset to the new fair value of the lease liability, based on a new discount rate for the liability at the acquisition date.

The fair value of the Group's investment in SIS was increased by £27.4m to a fair value of £39.0m, reflecting the Group's holding and the estimated market value of the entity at the acquisition date.

The fair value of the Group's outstanding listed debt was increased by £7.1m, reflecting the current market price of the debt at acquisition date.

Deferred tax liabilities of £192.2m have been recognised on the resultant fair value uplifts to assets.

The fair value of all other assets and liabilities acquired are considered to be equal to their net book value as at the acquisition date.

Disposals

2023
On 22 May 2023, the Group agreed to sell its Latvian business to Paf Consulting Abp. On 13 June 2023, the deal with Paf Consulting Abp completed. The cash consideration for the Latvian business was £19.5m, of which £0.9m is a working capital adjustment. As a part of the deal, the Group agreed an earn out with Paf Consulting Abp, under which the Group would receive further consideration of up to €4.25m. As this is deemed to hold a fair value of £nil this has not been recorded in these financial statements. The Group sold net assets totalling £20.2m, leading to a loss on disposal of £0.7m. These net assets were made up of goodwill and other intangible assets of £23.1m, other net assets totalling £1.0m, non-controlling interests of £0.5m offset by deferred tax liabilities totalling £4.4m.

On 1 August 2023, the Group sold its 90% holding in its Colombian business Alfabet S.A.S to Vivo Aladdin Online S.A.S for £0.6m, recognising a gain of £0.4m on disposal.

10. Acquisition & disposals (continued)

2022

On 7 July 2022, the Group disposed of its entire Bingo business to Saphalata Holdings Ltd., a member of the Broadway Gaming group, for a total cash consideration of £37.4m (US$45.25m), out of which £35.7m was paid on completion and a further £1.7m will unconditionally be paid in one year. As at 30 June 2022, the Group reclassified the Bingo business assets and liabilities as 'Held for sale', at which time an impairment loss of £11.2m was recognised on the Bingo goodwill, representing the difference between the carrying value of the businesses net assets and the fair value at the date of reclassification to held for sale.

	£m
Consideration received	35.7
Deferred consideration	1.7
Less:	
Cash disposed of	(3.2)
Net proceeds on disposal	34.2
Less:	
Net assets disposed of (excluding cash):	
Intangible assets	(37.6)
Trade and other receivables	(0.5)
Trade and other payables	3.3
Net assets disposed of (excluding cash)	(34.7)
Loss on disposal	(0.5)

11. Provisions

	Indirect tax provision £m	Legal and regulatory £m	Shop closure provision £m	Other restructuring costs £m	Total £m
At 31 December 2022[1]	61.7	143.2	4.8	3.7	213.4
Charged/(credited) to income statement:					
Additional provisions recognised	5.1	8.9	1.3	-	15.3
Provisions released to income statement	-	(3.8)	-	-	(3.8)
Utilised during the year	(2.3)	(27.8)	(2.5)	(1.3)	(33.9)
Transfers to trade and other payables[2]	-	(3.6)	-	(1.9)	(5.5)
Foreign exchange differences	(1.7)	(0.5)	-	-	(2.2)
At 31 December 2023	**62.8**	**116.4**	**3.6**	**0.5**	**183.3**

[1] Since the disclosure of the provisional fair values in the 31 December 2022 year end financial statements and during the measurement period, an adjustment of £15.7m has been made to increase the fair value of provisions, and an equivalent increase in goodwill.

[2] During the year, a £1.9m provision which was previously categorised as other restructuring costs and a provision of £3.6m within legal and regulatory have been transferred to accruals to better reflect the nature of the liability.

Customer claims provisions of £104.8m (2022: £101.9m) within legal and regulatory are classified as non-current. The remaining provisions are all classified as current.

Indirect tax provision

As part of the acquisition of William Hill, the Group acquired a provision relating to a gaming tax liability in Austria, where the Austrian tax authority believes that foreign gaming companies should be liable to pay gaming taxes in Austria. Post-acquisition, the Group has continued to provide for the gaming taxes including interest, as management considers that an outflow is probable. The Group is in constructive discussions with the Austrian tax authority over the timing of settlement.

11. Provisions (continued)

Legal and regulatory provisions

The Group has recorded a provision in respect of legal and regulatory matters, including customer claims, and updated it to reflect the Group's revised assessment of these risks in light of developments arising during 2023 such that this represents management's best estimate of probable cash outflows related to these matters.

The industry in which the Group operates is subject to continuing scrutiny by regulators and other governmental authorities, which may, in certain circumstances, lead to enforcement actions, sanctions, fines and penalties or the assertion of private litigations, claims and damages. Within the opening provision, there is a provision acquired relating to a periodic compliance assessment undertaken by the UK Gambling Commission ("UKGC") in July and August 2021 of the William Hill business. William Hill has been subject to an ongoing licence review and has addressed certain action points raised by the UKGC in relation to William Hill's social responsibility and anti-money laundering obligations. The Group has agreed a regulatory settlement of £19.2m, including divestments of £0.7m. This provision was acquired at 1 July 2022 and was settled during the year.

In common with other businesses in the gambling sector, the Group receives claims from consumers relating to the provision of gambling services. Claims have been received from consumers in a number of (principally European) jurisdictions and allege either failure to follow responsible gambling procedures, breach of licence conditions or that underlying contracts in question are null and void given local licencing regimes.

Consumers who have obtained judgement against the Group's entities in the Austrian courts have sought to enforce those judgements in Malta and Gibraltar. These are being defended on the basis of a public policy argument. The provisions held for the Group relating to these claims is £86.2m, which includes a provision of £80.6m relating to the William Hill and Mr Green brands and £5.6m relating to 888.

The calculation of the customer claims liability includes provision for both legal fees and interest but, does not include any gaming taxes that have already been paid on these revenues. Management have assessed that it is probable as opposed to virtually certain that the tax will be reclaimed and therefore a contingent asset of up to £28.0m has been disclosed but not recognised for the tax reclaims.

The timing and amount of the outflows is ultimately determined by the settlement reached with the relevant authority.

Following receipt of updated advice, the development of case law in Germany indicates that the courts may apply a more customer-friendly approach to the application of the three-year limitation period and link the commencement of the limitation period to the player's first positive knowledge of a claim to recover his gambling losses. The law permits a maximum limitation period of 10 years in this scenario. As such, during 2023 and within the purchase price accounting measurement period, we have re-assessed the value of the provision for customer claims in Germany as at the acquisition date. This has led to an increase in the provision of £15.7m to a total value on acquisition of £23.4m. This has been recognised through the opening balance sheet on acquisition, leading to an equivalent increase in goodwill on acquisition.

During the year, the Group has utilised £3.5m of the overall provision as claims have been settled. In addition, a further charge of £6.2m has been recognised to reflect the receipt of new claims.

Shop closure provisions

The Group holds provisions relating to the associated costs of closure of 713 shops in 2019, 119 shops in 2020, and certain shops that ceased to trade as part of normal trading activities.

Other restructuring costs

The Group has recognised certain provisions for staff severance as a result of restructuring announced during the current and prior year.

12. Borrowings

	Interest rate %	Maturity	2023 £m	2022 £m
Borrowings at amortised cost				
Bank facilities				
€473.5m term loan facility	EURIBOR + 5.25%	2028	**385.6**	392.6
$575.0m term loan facility	CME term SOFR + 5.35%	2028	**401.6**	420.7
£150.0m Equivalent Multi-Currency Revolving Credit Facility	Benchmark rate + 3.5%	2028	**-**	-
Loan Notes				
€582.0m Senior Secured Fixed Rate Notes	7.56	2027	**489.6**	498.6
€450.0m Senior Secured Floating Rate Notes	EURIBOR + 5.5%	2028	**373.8**	379.9
£350.0m Senior Unsecured Notes	4.75%	2026	**10.5**	10.5
Total Borrowings			**1,661.1**	1,702.3
Less: Borrowings as due for settlement in 12 months			**3.9**	4.8
Total Borrowings as due for settlement after 12 months			**1,657.2**	1,697.5

Bank facilities

Term Loan Facilities

In July 2022, the Group entered into a Senior Facilities Agreement in connection with the William Hill Group acquisition, under which the following term loan facilities were made available:

- a 6-year euro-denominated bullet term facility of €473.5m, of which €6.4m was repaid in September 2022.
- a 6-year sterling-denominated delayed-draw bullet term facility of £351.8m which was partially drawn in September 2022 ("GBP Term Loan") and used to partially prepay the William Hill Group's £350m 4.75% Senior Unsecured Notes due 2026 and partially prepay the Group's euro-denominated bullet term facility.
- a 6-year US Dollar-denominated term facility of $500.0m.

In December 2022, the GBP Term Loan was repaid and partially replaced with an increase of $75.0m under the Group's 6-year US Dollar-denominated term facility, with the remaining amount replaced with senior secured note issuances.

At 31 December 2023, the following amounts were outstanding under the term facilities made available to the Group under the Senior Facilities Agreement:

– €467.1m (2022: €467.1m) under the Group's 6-year euro-denominated term facility.
– $568.8m (2022: $573.5m) under the Group's 6-year US Dollar-denominated term facility.

Loan Notes

Senior Secured Notes

(i) €582m 7.558% Senior Secured Fixed Rate Notes due July 2027

In July 2022, as part of the William Hill Group acquisition funding, the Group issued €400m of guaranteed senior secured fixed rate notes and used the net proceeds to finance the William Hill Group acquisition. The notes, which are guaranteed by certain members of the Group and certain of the Group's operating subsidiaries, mature in July 2027.

In December 2022, a further €182m in principal amount was issued under the same terms as the initial €400m issuance and used to partially refinance the GBP Term Loan.

(ii) €450m Senior Secured Floating Rate Notes due July 2028

In July 2022, the Group issued €300m of guaranteed senior secured floating rate notes and used the net proceeds to partially finance the William Hill Group acquisition. The notes, which are guaranteed by certain members of the Group and certain of the Group's operating subsidiaries, mature in July 2028.

In December 2022, a further €150m in principal amount was issued under the same terms as the initial €300m issuance to partially refinance the GBP Term Loan.

12. Borrowings

Senior Unsecured Notes

£350m 4.875% Senior Unsecured Fixed Rate Notes due 2023 & £350m 4.75% Senior Unsecured Fixed Rate Notes due 2026

The Group acquired two separate listed Senior Unsecured notes, due 2023 and 2026 respectively as at 1 July 2022. The acquisition triggered a change in control and the exercise of a put option by a number of Noteholders (refer below). The £350m 4.875% Senior Unsecured Notes due 2023 were settled in full and, on 22 September 2022, Noteholders of £339.5m out of £350.0m 4.75% Senior Unsecured Notes due 2026 took the option to exercise. As a result, this reduced the £350.0m 4.75% Senior Unsecured Notes due 2026 to £10.5m at 31 December 2023 (2022: £10.5m). The cash purchase price of both notes was equal to 101 per cent of the principal amount together with the interest accrued.

Finance fees and associated costs incurred on the issue of both notes were held in the William Hill Statement of Financial Position at acquisition, which were subsequently fair valued which led to an increase of £7.1m, reflecting the current market price of the debt at acquisition date. This is being amortised over the life of the respective notes using the effective interest rate method. On redemption of the Notes, any unamortised fees were written off to the income statement as exceptional costs in the 2022 financial year (see note 3).

Change of control

Following the occurrence of a change of control, either (i) each lender under the Senior Facilities Agreement shall be entitled to require prepayment of outstanding amounts and cancellation of its commitments within a prescribed time period or (ii) the Group may elect that all outstanding undrawn commitments of each lender shall be cancelled and outstanding drawn commitments shall become due and payable.

In addition, the Group will be required to make an offer to purchase all of the Fixed Rate Notes, the Floating Rate Notes and the 4.75% senior unsecured notes due 2026 as a result of such change of control at a price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

Undrawn credit facilities

At 31 December 2023, the Group had the following undrawn credit facilities:

£150m Equivalent Multi-Currency Revolving Credit Facility

In July 2022, as part of the William Hill Group acquisition, the Group entered into a new Senior Facilities Agreement under which its £50m revolving credit facility was replaced with a multi-currency revolving credit facility. The replacement facility has an aggregate principal amount of £150m with a five-and-a-half-year maturity (maturing in January 2028). The drawn balance on this facility at 31 December 2023 was £nil (2022: nil).

Financial Covenant

The Revolving Credit Facilities are subject to a Senior Facilities Agreement whereby any applicable revolving Incremental Senior Facilities (together the "Financial Covenant Facilities") are tested at every reporting period to ensure that they do not exceed a pre-agreed threshold to be agreed with the Mandated Lead Arrangers prior to the entry into the Senior Facilities Agreement.

There are no other covenants on the group debt, therefore the directors are satisfied that, at the year-end, the net leverage ratio has not exceeded the pre-agreed threshold and, as a consequence, the Financial Covenants have not been breached.

Overdraft facility

In July 2022, as part of the William Hill Group acquisition, the Group acquired an overdraft facility with National Westminster Bank plc of £5.0m. The balance on this facility at 31 December 2023 was £nil (2022: £nil).

Weighted average interest rates

The weighted average interest rates paid, including commitment fees, were as follows:

	2023	**2022**
	%	**%**
€473.5m term loan facility	**10.01**	7.25
$575.0m term loan facility	**13.49**	11.47
€582.0m Senior Secured Fixed Rate Notes	**8.44**	8.47
€450.0m Senior Secured Floating Rate Notes	**9.95**	7.58
£350.0m Senior Unsecured Fixed Rate Notes	**4.75**	4.75

12. Borrowings

Borrowings reconciliation

2023

Debt	**Opening £m**	**Repayments £m**	**Non-cash £m**	**FX £m**	**Total £m**
2026 Senior Unsecured Notes	**10.5**	**-**	**-**	**-**	**10.5**
€473.5m term loan facility	**392.6**	**-**	**2.9**	**(9.8)**	**385.7**
$575.0m term loan facility	**420.6**	**(4.0)**	**7.4**	**(22.3)**	**401.7**
€582.0m Senior Secured Fixed Rate Notes	**498.7**	**-**	**2.9**	**(12.4)**	**489.2**
€450.0m Senior Secured Floating Rate Notes	**379.9**	**-**	**3.6**	**(9.5)**	**374.0**
	1,702.3	**(4.0)**	**16.8**	**(54.0)**	**1,661.1**

2022

Debt	**Opening £m**	**Inflows £m**	**Acquired £m**	**Repayments £m**	**Fees on debt £m**	**Non-cash £m**	**FV adjustment £m**	**FX £m**	**Total £m**
2023 Senior Unsecured Notes	-	-	352.3	(349.0)	-	-	(3.3)	-	-
2026 Senior Unsecured Notes	-	-	351.9	(339.0)	-	-	(2.4)	-	10.5
£358.1 term loan facility	-	347.0	-	(347.0)	-	-	-	-	-
£461.5m asset bridge loan	-	-	461.5	(461.5)	-	-	-	-	-
€473.5m term loan facility	-	420.4	-	(5.7)	(23.5)	1.7	-	(0.3)	392.6
$575.0m term loan facility	-	479.1	-	(1.0)	(57.4)	3.5	-	(3.6)	420.6
€582.0m Senior Secured Fixed Rate Notes	-	517.0	-	-	(18.9)	0.9	-	(0.3)	498.7
€450.0m Senior Secured Floating Rate Notes	-	399.6	-	-	(20.3)	0.9	-	(0.3)	379.9
	-	2,163.1	1,165.7	(1,503.2)	(120.1)	7.0	(5.7)	(4.5)	1,702.3

13. Financial instruments

On acquisition, under IFRS 3 'Business Combinations', the assets and liabilities of William Hill were recorded at fair value. Refer to note 10 for details of values and valuation methods used.

The hierarchy (as defined in IFRS 13 'Fair Value Measurement') of the Group's financial instruments carried at fair value as at 31 December 2023 was as follows:

	Contractual / notional amount £m	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Financial assets				
888 Africa convertible loan	**6.8**	**-**	**-**	**11.3**
Cross-currency swaps	**385.9**	**-**	**6.1**	**-**
Interest rate swaps	**130.1**	**-**	**-**	**-**
	522.8	**-**	**6.1**	**11.3**
Financial liabilities				
Cross-currency swaps	**351.9**	**-**	**45.0**	**-**
Interest rate swaps	**-**	**-**	**1.4**	**-**
Ante post bet liabilities	**-**	**-**	**-**	**7.0**
	351.9	**-**	**46.4**	**7.0**

The hierarchy (as defined in IFRS 13 'Fair Value Measurement') of the Group's financial instruments carried at fair value as at 31 December 2022 was as follows:

	Contractual / notional amount £m	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**
Financial assets				
Cross-currency swaps	397.1	-	17.7	-
Interest rate swaps	132.2	-	0.9	-
	529.3	-	18.6	-
Financial liabilities				
Cross-currency swaps	365.3	-	45.0	-
Ante post bet liabilities	-	-	-	7.8
Contingent consideration (note 10)	100.0	-	-	0.4
	465.3	-	45.0	8.2

Ante post bets

Ante post bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Ante post bets at the period end totalled £7.0m (2022: £7.8m) and are classified as current liabilities.
Ante post bet liabilities are valued using methods and inputs that are not based upon observable market data and all fair value movements are recognised in revenue in the Income Statement. Although the final value will be determined by future betting outcomes, there are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined. The principal assumptions relate to the Group's historical gross win margins by betting markets and segments. Although these margins vary across markets and segments, they are expected to stay broadly consistent over time, only varying in the short term. The gross win margins are reviewed annually at period end. As at 31 December 2023, the gross win margins ranged from 2%-25%.

A reconciliation of movements in the ante post bets liability in the year is provided below.

	Ante post bet liabilities £m
At 31 December 2022	7.8
Movement through income statement	(0.8)
At 31 December 2023	**7.0**

13. Financial instruments (continued)

888 Africa convertible loan

On 22 March 2022 the Group entered into a joint venture agreement as 19.9% owners of 888 Africa Limited ("888 Africa").

Whilst the Group's equity contribution was not material, as part of the joint venture shareholder agreement, the Group agreed to lend 888 Africa $8.0m (£7.2m) as a senior secured convertible loan that can be converted into 60.1% of 888 Africa issued and outstanding shares at the Group's discretion. Because of the conversion option, the loan is deemed to be a derivative financial asset under IFRS 9 'Financial Instruments' and is held at fair value through profit and loss.

As at 31 December 2023 the convertible loan has been fair valued using the market approach based on forecast 2024 revenue in proven African markets. The non-cash, fair value uplift of £4.1m is recorded within operating profit in the Condensed Consolidated Income Statement. In the prior year fair value was deemed approximate to the carrying value of the convertible loan due to the early stage of the investment.

Hedging activities

The table below illustrates the effects of hedge accounting on the Condensed Consolidated Statement of Financial Position and Condensed Consolidated Income Statement by disclosing separately by risk category each type of hedge and the details of the associated hedging instrument and hedge item. These are for items designated as in a cash flow hedging relationship.

2023	Carrying amount £m	Change in fair value in period for calculating ineffectiveness (hedging instrument) £m	Cash settlements and accruals in the period (hedging instrument) £m	Change in fair value in period for calculating ineffectivenes s (hedged item) £m	Cash settlements and accruals in the period (hedged item) £m	Hedge ineffectiveness in the period £m
Interest rate swaps						
EUR trades	**(0.8)**	**(1.7)**	**0.3**	**(1.7)**	**0.3**	**-**
Total	**(0.8)**	**(1.7)**	**0.3**	**(1.7)**	**0.3**	**-**
Cross-currency swaps						
EUR trades	**(4.7)**	**(9.8)**	**(9.1)**	**(9.8)**	**(9.1)**	**-**
USD trades	**(34.8)**	**(17.0)**	**(2.0)**	**(17.0)**	**(2.0)**	**-**
Total	**(39.5)**	**(26.8)**	**(11.1)**	**(26.8)**	**(11.1)**	**-**

2022	Carrying amount £m	Change in fair value in period for calculating ineffectiveness (hedging instrument) £m	Cash settlements and accruals in the period (hedging instrument) £m	Change in fair value in period for calculating ineffectivenes s (hedged item) £m	Cash settlements and accruals in the period (hedged item) £m	Hedge ineffectiveness in the period £m
Interest rate swaps						
EUR trades	1.0	1.0	-	0.9	-	(0.1)
Total	1.0	1.0	-	0.9	-	(0.1)
Cross-currency swaps						
EUR trades	5.1	5.1	(1.4)	4.7	(1.4)	(0.4)
USD trades	(17.8)	(17.8)	(2.3)	(18.7)	(2.3)	(0.9)
Total	(12.7)	(12.7)	(3.7)	(14.0)	(3.7)	(1.3)

13. Financial instruments (continued)

Contractual maturity analysis

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for net and gross settled derivative financial instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows:

2023	**On Demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Interest rate swaps	**-**	**0.8**	**(1.5)**	**-**	**(0.7)**
Cross currency swaps					
EUR trades	**-**	**(8.2)**	**(7.7)**	**-**	**(15.9)**
USD trades	**-**	**(6.6)**	**(30.7)**	**-**	**(37.3)**
Total	**-**	**(14.0)**	**(39.9)**	**-**	**(53.9)**

2022	**On Demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Interest rate swaps	-	-	-	-	-
Cross currency swaps					
EUR trades	-	(6.2)	316.9	-	310.7
USD trades	-	(8.0)	(43.6)	-	(51.6)
Total	-	(14.2)	273.3	-	259.1

14. Share capital

Share capital comprises the following:

	Authorised			
	31 December 2023 Number	**31 December 2022 Number**	**31 December 2023 £m**	**31 December 2022 £m**
Ordinary Shares of £0.005 each	**1,026,387,500**[1]	1,026,387,500	**5.1**	5.1

[1] including 297,501 treasury shares held by the Group as at 31 December 2023 (2022: 447,020)

	Allotted, called up and fully paid			
	31 December 2023 Number	**31 December 2022 Number**	**31 December 2023 £m**	**31 December 2022 £m**
Ordinary Shares of £0.005 each at beginning of year	**446,331,656**	372,759,202	**2.2**	1.9
Issue of Ordinary Shares of £0.005 each	**2,713,601**	73,572,454	**-**	0.3
Ordinary Shares of £0.005 each at end of year	**449,045,257**	446,331,656	**2.2**	2.2

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan during 2023 and 2022.

On 7 April 2022 the Company issued 70.8m new ordinary shares to partly fund the acquisition of the international (non-US) business of William Hill, representing approximately 19% of its issued capital, at £2.30 per share. After issue costs of £4.3m, the net proceeds were £158.5m. Issue costs directly attributable to the transaction were accounted for as a deduction from share premium in the prior period.

15. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate are disclosed below.

Trading transactions

Associates and joint ventures

As part of the William Hill acquisition in the prior year, the Group acquired Sports Information Services (Holdings) Limited, an associate of the William Hill Group. For the year to 31 December 2023, the Group made purchases of £36.6m (1 July 2022 to 31 December 2022: £15.8m) from Sports Information Services Limited, a subsidiary of Sports Information Services (Holdings) Limited. At 31 December 2023, the amount payable to Sports Information Services Limited by the Group was £nil (31 December 2022: £nil).

During the year the Group made loans totalling £2.4m (2022: £4.5m) to 888 Africa as part of the joint venture shareholder agreement. These loans incur interest at 12% per annum. For the year ended 31 December 2023 the Group received £0.7m in revenue from 888 Africa for the use of the 888 brand. During the year the Group also made loans totalling £1.8m to 888 Emerging limited, a joint venture of the Group.

Remuneration of key management personnel

The aggregate amounts payable to key management personnel, as well as their share benefit charges, are set out below:

	2023 £m	2022 £m
Short-term benefits	**1.6**	2.9
Post-employment benefits	**0.3**	0.1
Share benefit charges – equity-settled	**0.1**	2.4
	2.0	5.4

16. Contingent assets and liabilities

Legal claims

As at 31 December 2023, potential legal claims of £4.5m related to the Austria and Germany provisions (see note 11 for further details) are deemed to give rise to a possible future cash outflow, as such no provision was required at the balance sheet date.

The calculation of the customer claims liability includes provision for both legal fees and interest but does not include any gaming taxes that have already been paid on these revenues. Management have assessed that it is probable as opposed to virtually certain that the tax will be reclaimed and therefore a contingent asset of up to £28.0m (31 December 2022: £24.3m) has been disclosed for the tax reclaims. Refer to note 11 for further details.

17. Events after the reporting date

On 6 March 2024, the Group announced its decision to conclude its partnership with Authentic Brands Group as part of the strategic review of its B2C business. This partnership had granted exclusive use of the Sports Illustrated brand for online betting and gaming. As part of the termination agreement, the Group has agreed to pay a total termination fee of $50.0m, $25.0m of which will be paid upfront in cash from available resources. The remaining $25.0m will be paid between 2027 and 2029.

On 22 March 2024, the GB Gambling Commission ("GBGC") informed the Group that it had concluded its review into the Group's operating licences that was announced by the Group on 14 July 2023. The GBGC concluded the review without imposing any licence conditions, financial penalties or other remedies on the Group.

Appendix 1 - Alternative Performance Measures

In reporting financial information, the Board uses various alternative performance measures (APMs) which it believes provide useful additional information for understanding the financial performance and financial health of the Group. These APMs should be considered in addition to IFRS measures and are not intended to be a substitute for them. Since IFRS does not define APMs, they may not be directly comparable to similar measures used by other companies.

The Board uses APMs to improve the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, the Board and management use APMs for performance analysis, planning, reporting and incentive-setting.

APM	**Closest equivalent IFRS measure**	**Definition/purpose**	**Reconciliation/calculation**
Adjusted EBITDA	Operating profit/ loss	Adjusted EBITDA is defined as operating profit or loss excluding share benefit charges, foreign exchange, depreciation and amortisation, fair value gains and any exceptional items which are typically non-recurring in nature.	A reconciliation of this measure is provided on the face of the condensed consolidated income statement.
Adjusted EBITDA margin	No direct equivalent	Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue. It is a measure of the business' profitability, and also measures how much revenue the business converts into underlying profitability. Improving Adjusted EBITDA margin is a key strategic priority for the business.	See note A.
Adjusted EPS	Earnings per share	Adjusted EPS represents basic and diluted EPS based on adjusted profit before tax.	Reconciliations of these measures are provided in note 7 of the condensed financial statements.
Adjusted profit after tax	Profit after tax	Adjusted profit after tax is defined as profit after tax before amortisation of acquired intangibles and finance fees, foreign exchange, share benefit charges, exceptional items and tax on exceptional items.	A reconciliation of this measure is disclosed in note 7 of the condensed financial statements.
Exceptional and adjusted items	No direct equivalent	Exceptional items are those items the Directors consider to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. Adjusted items are recurring items that are excluded from internal measures of underlying performance, and which are not considered by the Directors to be exceptional. This relates to the amortisation of specific intangible assets recognised in acquisitions, foreign exchange and share benefit charges.	Exceptional items and adjusted items are included on the face of the consolidated income statement with further detail provided in note 3 of the condensed financial statements.
Effective tax rate	Income tax expense	This measure is the tax charge for the year expressed as a percentage of profit before tax.	Effective tax rate is disclosed in note 6 of the condensed financial statements.

Adjusted effective tax rate	No direct equivalent	This measure is the tax charge for the year as a percentage of profit before tax adjusted for the items disclosed in adjusted profit after tax above.	Adjusted effective tax rate is disclosed in note 6 of the condensed financial statements.
Leverage ratio	No direct equivalent	Leverage ratio is calculated as net debt divided by the previous 12-months adjusted pro forma EBITDA. Net debt comprises the principal outstanding balance of borrowings, accrued interest on those borrowings and lease liabilities less cash and cash equivalents (excluding customer deposits).	See note B.
Pro forma revenue and pro forma adjusted EBITDA	No direct equivalent	Pro forma metrics, which are unaudited, reflect the results as if 888 had owned William Hill for each of the periods and excludes the results of the 888 Bingo business for all periods. This enables measurement of the performance of the divisions on a comparable year-on-year basis.	Reconciled in the CFO report.

Note A

	Retail £m	UK&I Online £m	International £m	Other £m	Corporate £m	Total £m
2023						
External revenue from continuing businesses	**535.0**	**658.5**	**517.4**	**-**	**-**	**1,710.9**
Adjusted EBITDA	**98.9**	**152.3**	**99.4**	**-**	**(42.3)**	**308.3**
Adjusted EBITDA margin %	**18.5%**	**23.1%**	**19.2%**	-	**N/A**	**18.0%**
2022						
External revenue from continuing businesses	255.5	455.5	508.3	19.5	-	1,238.8
Adjusted EBITDA	41.2	61.6	118.3	1.7	(4.9)	217.9
Adjusted EBITDA margin %	16.1%	13.5%	23.3%	8.7%	N/A	17.6%

Note B

	2023 £m	2022 £m
Borrowings	**(1,661.1)**	(1,702.3)
Add back loan transaction fees	**(96.6)**	(112.7)
Gross borrowings	**(1,757.7)**	(1,815.0)
Lease liability	**(87.6)**	(89.0)
Cash (excluding customer balances)	**128.4**	176.3
Net debt	**(1,716.9)**	(1,727.7)
Adjusted EBITDA	**308.3**	310.6
Financial leverage ratio	**5.6**	5.6