24 March 2015

888 Holdings Public Limited Company
(“888” or the “Group”)

Audited annual financial results for the year ended 31 December 2014

“Another record-breaking year”

888, one of the world’s most popular online gaming entertainment and solutions providers, announces its audited annual financial results for the year ended 31 December 2014.

Financial Highlights

- Revenue increased 14% to US$455m (2013: US$401m)
- B2C Revenue increased 11% to US$391m (2013: US$352m)
- B2B Revenue increased 32% to US$64m (2013: US$48m)
- Adjusted EBITDA* increased 33% to US$101m (2013: US$76m)
- Adjusted EBITDA* margin increased to 22.1% (2013: 18.9%)
- Profit before tax increased 28% to US$68m (2013: US$53m)
- Cash generated from operating activities increased 24% to US$112m (2013: US$90m)
- Corporate cash net of customer liabilities increased 58% to US$96m (2013 US$60m)
- Final dividend at 4.5 cents per ordinary share per policy (2013: 4.0 cents), and due to strong performance the Board is recommending an additional one-off dividend of 7.0 cents per share (2013: 7.0 cents), bringing the total dividend per share for the year to 15.0 cents per share (2013: 14.0 cents)
- Adjusted EPS* increased 16% to 19.2 cents per share (2013: 16.6 cents)
- Basic EPS increased 13% to 16.1 cents per share (2013: 14.2 cents)
- As at 31 December 2014, 888 had 17.9 million Casino, Poker and Sport real money registered customer accounts, representing an increase of 15% from 31 December 2013

Operational Highlights

- Mobile embedded and driving growth across product verticals now representing 33% of UK revenue
- Continued outperformance in Casino reflecting market-leading product and CRM
- 888Poker bucks negative industry trends and maintains No. 2 position in global poker rankings
- Spectacular growth from 888Sport including strong FIFA World Cup
- Further excellent progress in Spain including launch of Sport in H2
- Encouraging trends in Italy following launch of mobile in Q4
- B2B growth from Dragonfish including the addition of 13 new Bingo skins

Recent Developments

- Successful deployment of shared poker network across states of Delaware and Nevada in March 2015 creating significant competitive edge for 888 and its operating partners

** As defined in the table below*

Brian Mattingley, CEO of 888, commented:

"2014 was another record-breaking year for 888 during which we again delivered strong growth in revenue and profitability. This outstanding result reflects the fundamental strength of our business and the continued execution of our focused strategy. This is underpinned by our strong brands, exceptional technology and industry-leading marketing systems.

Our core Casino product delivered another outstanding performance reflecting our strength and heritage in this vertical, while 888Poker cemented its position at number two in the PokerScout global rankings at the year end. The outstanding 115 per cent revenue growth from 888Sport was an undoubted highlight of 2014 and we continue to see very exciting growth opportunities in this vertical.

Trading during the first quarter of the year has been in line with our expectations with significant increases in new customer recruitment as well as increases in deposit level and bet volumes. Average daily revenue during the quarter to date was 6 per cent lower than the previous year, and on a constant currency basis and excluding the impact of VAT, which from 2015 is deducted from revenue generated in certain jurisdictions, the performance was 7 per cent ahead.

Whilst the business faces external challenges in the form of Point of Consumption Tax in the UK, VAT in certain jurisdictions and adverse foreign exchange movement from a strong US Dollar, I am confident that the Group is well placed to take advantage of opportunities that regulatory change opens up to companies such as 888.

I am delighted with 888's record achievements in 2014, and I would like to take this opportunity to thank each member of our dynamic and talented team for their fantastic efforts during the year."

Analyst Presentation

Brian Mattingley, Chief Executive Officer, Aviad Kobrine, Chief Financial Officer, and Itai Frieberger, Chief Operating Officer, will be hosting a presentation for analysts today at 10:30 (GMT) at the offices of Hudson Sandler, 29 Cloth Fair, London EC1A 7NN.

An audio recording of the presentation will be available from the investor relations section of 888's website (http://www.888holdingsplc.com) later this morning.

Contacts and enquiries

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Financial Summary

	2014[1] US$ million	2013[1] US$ million	Change
Revenue			
B2C			
Casino	**220.6**	190.4	16%
Poker	**93.7**	93.6	0%
Bingo	**46.6**	43.7	7%
Emerging Offering	**29.9**	24.5	22%
Total B2C	**390.8**	352.2	11%
B2B	**63.9**	48.3	32%
Revenue	**454.7**	400.5	14%
Operating expenses[2,3]	**130.3**	114.1	14%
Gaming taxes and duties	**15.8**	13.7	16%
Research and Development expenses	**40.7**	30.7	32%
Selling and Marketing expenses	**133.8**	139.9	(4%)
Administrative expenses[4]	**33.4**	26.5	26%
Adjusted EBITDA[3,4]	**100.7**	75.6	33%
Depreciation, Amortisation and Impairment charges	**19.0**	13.9	
Share benefit charges, finance and other	**6.1**	4.4	
Share of Joint Venture loss	**7.7**	4.1	
Profit before tax	**67.9**	53.2	28%
Adjusted Earnings Per Share[5]	**19.2¢**	16.6¢	16%
Basic Earnings Per Share	**16.1¢**	14.2¢	13%

Reconciliation of Operating Profit to Adjusted EBITDA

	2014[1] US$ million	2013[1] US$ million
Operating profit	**80.0**	56.2
Depreciation	**9.0**	8.3
Amortisation and Impairment charges	**10.0**	5.6
Share benefit charges	**1.7**	5.5
Adjusted EBITDA	**100.7**	75.6

[1] Totals may not sum due to rounding.
[2] Excluding depreciation of US$9.0 million (2013: US$8.3 million) and amortization of US$8.3 million (2013: US$5.6 million).
[3] Excluding impairment charges of US$1.7 million (2013: nil).
[4] Excluding share benefit charges of US$1.7 million (2013: US$5.5 million).
[5] Excluding share benefit charges, movement in contingent consideration, impairment charges, share of post-tax loss of equity accounted joint ventures and profit on acquisition of equity accounted joint ventures.

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

CHAIRMAN'S STATEMENT

2014 was another record year for 888, building on the strategic development of the Group in 2013. This success has been driven by an outstanding Casino performance, but was also underpinned by notably strong growth both in Sport and in our B2B business as well as impressive market outperformance in Poker and in Bingo.

Mobile is having a transformational impact on our business. We continued to innovate with a 'mobile first' approach embedded in all product development whilst our best-in-class technology and analytical capabilities facilitated ever more effective targeting of our marketing investment.

Growth in the global online gambling industry is set to continue in 2015, despite challenging Poker market dynamics and a competitive UK Bingo market. New markets are becoming regulated, presenting opportunities across the globe. In the US, we are uniquely positioned to exploit the progressive regulation of the market as the only operator active in all three regulated states. Whilst to date market momentum in the US has been slower than many anticipated, the long-term opportunities remain significant and we will be a major player as more states regulate online gaming over time. Our approach gives us the financial firepower to take advantage of these significant opportunities whilst ensuring that our investment in the US is disciplined as the market is established.

We monitor the regulatory environment in the UK and Europe closely as countries adapt their approaches. Our significant regulatory experience and operational scale means that we are able to manage the impact of these changes better than most and to take advantage of opportunities that these changes open up, particularly in enabling larger players like 888 to increase market share.

Financial results and Dividend

2014 has seen another year of record performance driven by growth across our core products and delivering on our financial forecasts enabling us to increase revenue to US$455 million, representing a 14% uplift from the prior year (2013: US$401 million). We continue to strengthen our market position through investment in product development and cost effective customer acquisition, while increasing our adjusted EBITDA by 33% to US$101 million (2013: US$76 million) and profit after tax by 14% to US$57 million (2013: US$50 million).

As at 31 December 2014, 888 had US$163 million cash and cash equivalents (2013: US$116 million) and US$67 million liabilities to customers (2013: US$55 million).

Given the continuing strong financial performance of the Group, the Board is recommending a final dividend of 4.5¢ per share (which together with the interim dividend equals 8.0¢ per share in accordance with the Group's dividend policy) and an additional one-off 7.0¢ per share, bringing the total for the year to 15.0¢ per share (2013: 14.0¢ per share).

Board changes

I would like to take this opportunity to highlight some changes to our Board, some of which have been previously announced, and all of which have been carefully planned and implemented in order to support the Company's further growth and development.

Late last year, Ron McMillan joined the Board and was appointed Chair of the Audit Committee. With a wealth of experience on boards and audit committees, and a long and respected 'Big 4' career behind him, we can already see the great value that Ron is bringing to 888.

From the conclusion of the 2015 Annual General Meeting, I will be stepping down as Chairman of the Board due to my retirement. It is with a heavy heart that I conclude my nine-year tenure as Chairman. However I am consoled by the knowledge that I am leaving the Company at the top of its game and only getting stronger.

At the same time as my retirement, Brian Mattingley will be stepping down as Chief Executive Officer, and appointed Executive Chairman. We are very excited at this move, which will allow the Company to continue to take advantage of Brian's wealth of experience, particularly in maintaining and developing relationships with regulators. In Brian Mattingley, shareholders have an Executive Chairman with huge experience of the gaming industry and extensive knowledge of our business.

With Brian as Executive Chairman, we feel confident that we have an industry-leading senior team to continue 888's growth and development in the years to come.

Finally, John Anderson will be stepping down as a Non-executive Director from the conclusion of the 2015 Annual General Meeting. John is a valuable resource of knowledge and experience in the industry, and will remain available to consult with and assist the Board as needed. I would like to take this opportunity to thank John for his dedication and service to 888, as its CEO until 2006, and as a Non-executive Director thereafter.

On a personal note, I would like to thank our shareholders for the trust and confidence which they have placed in the Board and in my leadership as Chairman.

Winning team

The success enjoyed by the company in the last 12-months is, once again, testament to the hard-work and quality of the 888 team. Globally, our 1,800 staff are setting the standard of innovation in online gaming and are the Group's greatest asset. Their passion will ensure that 888 continues to be at the fore of the online gaming industry for years to come. On behalf of the board I would like to thank all my colleagues for their commitment to making the 888 strategy come to life.

Outlook

888's success has been built on its world class technology and market leading products. The global online gaming market will continue to develop driven by regulation and with mobile, in particular, making our products more accessible and enjoyable than ever.

Although we do face regulatory headwinds in some of our markets, including the Point of Consumption Tax in the UK, I am confident that we are strongly placed to take advantage of opportunities that they also open up to larger, well-financed market leaders such as 888.

Our focus will continue to be on delivering a truly satisfying experience for our customers and delivering strong, sustainable long term earnings growth for our shareholders.

Richard Kilsby
Chairman

STRATEGIC REPORT

2014 OVERVIEW: ANOTHER RECORD-BREAKING YEAR

I am delighted to report that 2014 was another exceptional year for 888 as the Group delivered all-time-high revenues, further enhanced profitability and maintained strong cash generation.

This excellent financial result reflects the fundamental strengths of our business and the continued execution of our focused strategy. Innovation and technology leadership are at 888's core and we have continued to enhance our offering to ensure that our customers always play the most enjoyable games in the safest possible environment. Underpinning this focus are our technology platform and analytical capabilities which together deliver industry-leading marketing strategies that enable the Group to attract more players to the 888 brand and increase customer lifetime value. This was evidenced by the number of active players in Casino and Poker increasing as at Q4 2014 by seven and eight per cent respectively, against the prior year.

888's Casino offering has again been a key driver behind the Group's success, delivering consistent stand-out growth reflecting the quality of our product as well as our unrivalled heritage in this vertical. In Poker, I am delighted that we maintained our position at number two in the PokerScout* global rankings at the year end and were able to deliver stable revenue in a market which many other operators have found challenging. In Bingo, we continued to benefit from the strategic decision we took during 2013 to restructure the division as we performed well in what remained a competitive and mature market. The performance of 888Sport was undoubtedly a major highlight in 2014 as revenue increased in this important vertical by 115% against the prior year reflecting the standard of our offer since re-launching the product in May 2013. Underpinning our growth across verticals has been our leading mobile proposition as more and more customers choose to play on touch devices, benefitting from the unrivalled accessibility and usability they provide. We were also pleased with the revenue growth delivered by Dragonfish, our leading B2B offer, which was driven by our US operations as well as further progress on our Bingo business.

The excellent overall progress we made in 2014 is testament to our highly skilled and dedicated team and, as ever, I would like to thank everyone at 888 for their hard work during the year. As described in the Chairman's statement and as previously announced, 2014 was my final full year as CEO of 888. I look back on my three years as CEO with pride as the business has delivered transformational growth in its core markets and entered new regulated markets in Spain, Italy and the US which provide a strong platform for future development. 888 boasts one of the most dynamic and talented teams in the industry and I look forward to continuing to provide guidance and support to the rest of the executive team as 888 continues to develop in the years to come.

* As at 17 March 2015

OUR BUSINESS MODEL AND STRATEGY

888 is one of the world's most popular online gaming and entertainment solutions providers. Under our trusted brands, we have been at the forefront of the online gaming industry for more than 16 years by providing customers with market-leading products that are localised to enable players to enjoy the games they want, in the languages they speak, in a safe and secure environment.

The Group is structured into two lines of business: B2C, under the 888 brand, and B2B, conducted through Dragonfish. This structure allows the Group to leverage its core technological, product, marketing and analytical strengths and maximise their benefits across both B2C and B2B routes to market. This approach enables 888 to compete successfully and surpass competition in both established and newer markets.

With increasing international regulation in our industry and the evolution of more technologies, we continue to see clear growth opportunities in our global markets. We remain well placed to deliver long term growth across our business and value for our shareholders. Our stated strategy to achieve this comprises five key pillars:

Growth and development of our core products

888 is focused on the growth and development of its core product groups which are Casino, Poker, Bingo and Sport, where we work with a partner. These products are delivered through our B2C and B2B lines of business.

"Best in class" B2C offer

888's B2C offering remains at the core of the Group and is the foundation for the success of the business. We continue to innovate, invest in and develop our offer to ensure that we deliver an unrivalled customer experience through best-in-class products, excellence in customer service delivering a real value-for-money proposition for our customers. These core principles of our B2C offer, in combination with our advanced modelling and analytics competencies that underpin our product development and CRM functions, helps us to increase customer numbers and acquire customers at lower cost; further strengthen brand loyalty; and enhance customer lifetime value.

Partner of choice through Dragonfish (B2B)

Dragonfish is 888's B2B arm which offers clients industry leading Total Gaming Services solutions that are tested vigorously to meet the regulatory requirements of the different jurisdictions where they are involved. The quality of our offering, driven by our continuous investment in developing leading gaming platforms, means that we continue to establishing ourselves as the partner of choice in both regulated and newly regulating markets.

Driving margin growth through operational efficiencies

Management remains steadfastly focused on improving the Group's margins by maximising operational efficiencies, including by constantly developing our marketing approach and driving increased volumes.

Expansion in regulated markets

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

OPERATIONAL REVIEW: DELIVERING OUR STRATEGY

Technology leadership and innovation

Technology leadership and continuous innovation are central to 888's progress. Our proprietary platform underpinned by industry-leading back office systems and unique online marketing experience, developed over more than 16 years at the fore of the industry, provide the bedrock of our competitive advantage.

This technical edge and our strong analytical capabilities drive the success of our products from initial development through to marketing and customer service. We continue to enhance our comprehensive analytical tools allowing our marketing spend to be increasingly effective.

Touch devices represent the future of our industry and 888 was quick to acknowledge the major shift in customer preferences towards mobile platforms. We previously fully embedded a mobile product offering across all of our verticals and our strategic decision to develop our own mobile games and solution, thereby giving the Group full control over innovation and developing our offer ahead of our competition, has been vindicated as revenue from mobile devices grew impressively during the year. Furthermore, our internal culture has developed so that product development is first and foremost focused on developing mobile games and solutions. We continue to invest in and develop our front-end mobile products which, in combination with our proven back office capabilities, mean that we are confident of delivering sustainable growth from mobile supported by new and innovative marketing strategies devised specifically for mobile players.

Excellent momentum in B2C

888's B2C offer comprises core products in Casino, Poker and Bingo as well as an emerging offering in Sport. Our strong brands offer more than a dozen localised offerings to players in more than 100 countries. B2C revenue during the year was US$391 million, an 11% increase on the prior year (2013: US$352 million), representing 86% of total Group revenue (2013: 88%).

Casino

Casino enjoyed another exceptional year delivering double digit revenue growth in each quarter of 2014 against the prior year, resulting in a total revenue increase of 16% to US $221 million (2013: US$190 million). This reflects exceptionally strong performances in our core market in the UK, where we retained a market leading position, as well as in Spain where the 888 brand continues to gain traction.

888's outperformance in this vertical is underpinned by our continuous innovation. We have consistently refreshed our games portfolio and developed premium content courtesy of our in-house Games Studio. Furthermore, our ability to continually develop our own mobile Casino product remains a key growth driver.

We added 49 new PC games and 34 new mobile games during the course of the year to ensure we remain at the fore of the online gaming experience. In combination with effective and innovative marketing campaigns, this has helped the Group to attract new customers to the 888Casino brand, with a 7% year on year increase in active Casino customers as at Q4 2014.

Poker

Poker delivered a very resilient performance in 2014, bucking negative trends witnessed across the industry by recording stable revenue of US$94 million (2013: US$94 million) and maintaining 888Poker's position at number two in the global liquidity rankings according to PokerScout. This pleasing performance demonstrates 888Poker's competitive edge which results from our consistent and unwavering focus on providing recreational players with a safe and enjoyable poker ecosystem as well as the strength of our player proposition. Together these enable 888 to perform well even in a challenging industry environment.

Furthermore, our trusted Poker brand continues to provide significant cross-sell opportunities for 888 as we drive customers towards our other products, notably Casino.

Mobile continued to grow in popularity, particularly suiting the playing habits of our target customer base, and we continue to develop and innovate our offer on this platform.

Bingo

Bingo delivered 7% year on year revenue growth to US$47 million (2013: US$44 million). This represents an impressive result in what continues to be a mature and competitive market and 888's performance vindicates the strategic decision taken in 2013 to restructure our Bingo division. We are now able to apply the Group's core competencies in analytics, CRM and content creation to the Bingo product.

2015 is likely to be a challenging year in Bingo as Point of Consumption Tax impacts the highly competitive and fragmented UK market, however we approach this environment with good momentum.

Emerging Offering

Revenue from our Emerging Offering was US$30 million (2013: US$24 million) reflecting the tremendous growth delivered by Sport.

2014 was a transformational year for 888Sport recording a spectacular 115% increase in revenue. This reflected excellent performances during major sporting events over the year, most notably including the FIFA World Cup in June and July. The World Cup saw a significant amount of promotional and marketing activity across the industry, providing a stern test for the strength of our revamped product and the appeal of the 888Sport brand, and I am delighted that we delivered such a positive result.

At the time of the re-launch of 888Sport in May 2013 we set ourselves very testing and ambitious growth targets in this vertical that our team has achieved. There remains a significant growth opportunity in this major e-gaming vertical and further developing Sport will be a major driver of the Group's overall strategy in the coming years as significant customer acquisition and revenue opportunities remain available for 888.

Significant growth in B2B

Dragonfish, the Group's B2B line of business, delivered a strong 32% increase in revenue to US$64 million (2013: US$48 million), accounting for 14% of total Group revenue. This increase was driven by a first full year of contributions from our nascent US operations as well as growth in our pre-existing leading B2B platform and offer.

We further developed our leading B2B bingo platform, adding 13 new skins to the Dragonfish Bingo network during the year and extending key strategic deals, including a four year extension with Cashcade Ltd. announced in May.

Success in regulated markets

UK & Europe

We continued to drive growth in the UK market, which accounted for 44% of Group revenue. 2014 saw a significant development in the UK as the entire online industry was subjected to licencing and taxation, and we have adapted our strategy to accommodate this change in our major market. As well as remaining highly focused on further developing our leading customer proposition, a significant focus during the year was placed on ensuring the Group was fully prepared in advance of the introduction of Point of Consumption Tax, which came into effect in December. This included developing strategies to mitigate some of the financial impact of the tax for 888 whilst continuing to ensure that our customers enjoy the most enjoyable gaming experience and exceptional value. Nevertheless our profit margins in this market are set to contract in the medium term.

As a result of our meticulous preparation, operational momentum, scale and leading brand, we are well placed to further develop in the UK market and take advantage of opportunities that arise as a result of the changing industry landscape.

In Spain we built on our leading position in Casino and, early in the second half of the year, made the important introduction of 888sport.es to the Spanish market. Spain is primarily a sport driven market and our strong results in Spain prior to the introduction of 888sport.es were a significant achievement. Now with a full suite of Casino, Poker and Sport products across both desktop and mobile platforms we are in a strong position to further build our market share as the 888 brand continues to gain traction.

Whilst the Italian market continues be volatile, we have seen positive and encouraging trends for 888.it since introducing our mobile offering in the final quarter of the year. We continue to focus on developing our Casino product in this market and will evaluate opportunities for further products over time.

US

In the US we built on our achievements in 2013 when we launched successfully in all three regulated states - Nevada, Delaware and New Jersey. In our first full year of trading we have developed unrivalled know-how and experience of the US market as well as further developing the key relationships and networks to reinforce our position to be a major player in the US market as state by state regulation occurs.

Trading in New Jersey, the largest of the three regulated states, has been slower than was forecast by many as a result of industry-wide technical issues around geo-location and ePayments, as well as the continued operation of unregulated sites and a general lack of public awareness in the market of legalised online gaming. A study we conducted in the summer informed us that a significant portion of our target New Jersey market remained unaware of legalised online gaming, and these findings along with our experience of this market are helping to shape and refine our marketing approach moving forward. Despite the overall slower market environment, our market share performance is solid with more than 50% of the Poker market accounted for by the 888 platform which is used by the All American Poker Network ("AAPN") and other operators.

In February, the states of Delaware and Nevada signed an interstate compact whereby poker liquidity can be pooled, meaning that 888, as the only operator in both states, is in a unique position to gain from increased liquidity. We deployed a shared poker network across both states in early 2015, creating a competitive edge for 888 as well as for our operating partners. Our ability and unique experience of delivering interstate liquidity is another advantage for 888 as and when smaller states introduce regulation over time.

The opportunities in the US remain potentially vast and we remain committed for the long term. Our approach gives 888 the flexibility and resources to launch in more states as and when they regulate and coupled with our unique market experience we continue to have a significant technical and regulatory competitive edge.

Customer protection

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

2015 outlook

In 2015 the UK market will undoubtedly be impacted by the new Point of Consumption Tax that was introduced in December 2014. In the early stages of the new regime, there has been minimal impact on competitor activity and marketing; however, we continue to expect smaller operators to be marginalised as a result of the duty which may present opportunities to industry leaders such as 888.

The Group continues to monitor regulatory changes developments and opportunities across Europe and the US. We remain in close dialogue with regulators and Governments where we operate, allowing 888 to plan ahead and leverage our experience and agility in preparing for significant regulatory changes.

Regulatory developments will continue to have a profound impact on the Group. The growing trend towards "place-of-consumption based" regulatory regimes means a growing number of licencing, compliance and tax burdens for the Group. In addition to the UK, we expect similar changes in other European markets (such as The Netherlands and Romania) in 2015.

We are closely watching the ongoing debates around the US regarding the regulation of online gaming. Of particular interest is the ongoing debate in Washington DC, fuelled by the opponents of internet gaming, over a federal ban on online gaming. We hope that the voices of reason and progress will prevail in that debate and that 888 will continue to play a leading role in the emergence of internet gaming around the US.

As always, we remain firm believers in the importance of well-crafted regulatory frameworks as a vehicle for creating long-term value in our industry, and we continue to support efforts in this direction worldwide. Our significant experience of successfully entering regulated markets means that we continue to be well positioned to capitalise on positive regulatory developments.

The fundamental growth drivers of the online gaming industry remain robust, driven by continuing regulation and the increasing adoption of user-friendly mobile technology that provides players with an unrivalled experience wherever and whenever they choose to play. 888 remains well positioned in the market underpinned by our operational scale, strong brand and exceptional team.

Brian Mattingley
Chief Executive Officer

Aviad Kobrine, Chief Financial Officer
Financial Review and Key Performance Indicators
Financial Summary

	2014[1] US$ million	2013[1] US$ million	Change
Revenue			
B2C			
Casino	**220.6**	190.4	16%
Poker	**93.7**	93.6	0%
Bingo	**46.6**	43.7	7%
Emerging Offering	**29.9**	24.5	22%
Total B2C	**390.8**	352.2	11%
B2B	**63.9**	48.3	32%
Revenue	**454.7**	400.5	14%
Operating expenses[2,3]	**130.3**	114.1	14%
Gaming taxes and duties	**15.8**	13.7	16%
Research and Development expenses	**40.7**	30.7	32%
Selling and Marketing expenses	**133.8**	139.9	(4%)
Administrative expenses[4]	**33.4**	26.5	26%
Adjusted EBITDA[3,4]	**100.7**	75.6	33%
Depreciation, Amortisation and Impairment charges	**19.0**	13.9	
Share benefit charges, finance and other	**6.1**	4.4	
Share of Joint Venture loss	**7.7**	4.1	
Profit before tax	**67.9**	53.2	28%
Adjusted Earnings Per Share[5]	**19.2¢**	16.6¢	16%
Basic Earnings Per Share	**16.1¢**	14.2¢	13%

Reconciliation of Operating Profit to Adjusted EBITDA

	2014[1] US$ million	2013[1] US$ million
Operating profit	**80.0**	56.2
Depreciation	**9.0**	8.3
Amortisation and Impairment charges	**10.0**	5.6
Share benefit charges	**1.7**	5.5
Adjusted EBITDA	**100.7**	75.6

[1] Totals may not sum due to rounding.
[2] Excluding depreciation of US$9.0 million (2013: US$8.3 million) and amortization of US$8.3 million (2013: US$5.6 million).
[3] Excluding impairment charges of US$1.7 million (2013: nil).
[4] Excluding share benefit charges of US$1.7 million (2013: US$5.5 million).
[5] As defined in note 8 to the financial statements.

Overview

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

Following a record performance in 2013 in which the Company delivered a revenue increase of 7%, 888 outperformed in 2014 with another record-breaking year, recording an outstanding 14% increase in revenues to US$455 million (2013: US$401 million). Growth was driven primarily by the B2C line of business, with an 11% revenue increase. This was led by an outstanding performance from Casino which recorded a revenue increase of 16%, reflecting 888's leading product, back office technology and rich offering across platforms. Bingo revenue increased 7% and Emerging offering increased 22%, led by impressive growth in Sport leveraging the Group's new integrated Sport platform capabilities introduced in May 2013. Poker maintained its leading performance with stable revenues of US$94 million, bucking negative industry trends and consolidating the Group's number two position in global liquidity rankings, as reported by Pokerscout.

888's B2B business (Dragonfish) delivered an outstanding increase in revenue of 32% driven by 888's US business as well as expanding activity with the Company's Bingo partners.

Adjusted EBITDA increased 33% to US$101 million (2013: US$76 million) and Adjusted EBITDA margin increased to 22.1% (2013: 18.9%). This is a remarkable achievement given that Research and Development expenses increased by US$10 million over the year and additional gaming duties charges were incurred as a result of the introduction of Point of Consumption Tax in the UK, which came into effect from the beginning of December.

Profit before tax increased 28% to US$68 million (2013: US$53 million) and Adjusted Earnings per Share increased 16% to 19.2¢ (2013: 16.6¢).

888's record performance in 2014 resulted in strong and continually growing operational cash generation of US$112 million (2013: US$90 million). The Group's financial position remains strong with cash and cash equivalents at the year-end of US$163 million (2013: US$116 million).

Product segmentation

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

Revenue by product segment:

Revenue	2014 US$ million	2013 US$ million	Change
B2C			
Casino	**220.6**	190.4	16%
Poker	**93.7**	93.6	0%
Bingo	**46.6**	43.7	7%
Emerging Offering	**29.9**	24.5	22%
Total B2C	**390.8**	352.2	11%
B2B	**63.9**	48.3	32%
Revenue	**454.7**	400.5	14%

	Q4 2014	Q4 2013	Change
Number of active customers B2C Casino and Poker	633,000	602,000	5%

	2014	2013	Change
Casino, Poker and Sport real money registered customer accounts (million)	**17.9**	15.5	15%

888Casino continued its strong growth, with record revenues of US$221 million and a 7% increase in active players during Q4 compared to the prior year, reflecting leading CRM and back office technology accompanied by effective marketing as well as expansion of the mobile offering.

888Poker outperformed industry trends and maintained stable revenue at US$94 million in a mature market, supported by an 8% increase in active players during Q4 compared to the prior year reflecting improvements made to the Group's Poker product. This resulted in impressive stability at number two in the global poker rankings, as reported by PokerScout.

Bingo B2C revenues increased by 7%, despite a highly competitive and mature market in the UK, continuing the recovery in Bingo following the strategic review the Group performed at the end of 2013.

Emerging Offerings delivered an impressive increase in revenue of 22%. This was driven by growth from the 888Sport brand, resulting from 888's strategic agreement with Kambi Sports Solutions in 2013 which allowed the Group to offer its players a broader range of products and an enhanced gaming experience on both online channels and mobile platforms. The successful launch of Sport in Spain played an important role in the continuous success of the Emerging Offerings segment.

888's B2B line of business achieved a record performance with revenue rising by 32% to US$64 million (2013: US$48 million) driven by the US business as well as expanding activity with various Bingo partners.

Geographical segmentation

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

Revenue by geographical market:

Year ended 31 December 2014

	Revenue US$ million	**Growth on prior year**	**% from Total Revenue**
UK	**201.6**	23%	44%
Europe (excluding UK)	**170.1**	5%	38%
Americas	**55.2**	19%	12%
Rest of World	**27.8**	(5%)	6%
Total Revenue	**454.7**	14%	100%

Growth was achieved in most geographical segments with UK revenue up 23% driven by continued success of the Group's Casino offering on mobile which delivered a significant increase in new players. The performance of Bingo in the UK was improved against the prior year as a result of the division's recent restructuring. Europe (excluding UK) revenue increased 5% in part as a result of the successful launch of the Group's new Sport offering in Spain.

Americas revenue increased 19%, driven by a full year of contributions from the US B2B business.

Revenue from the Rest of the World, which was not a focus region for 888 in 2014, declined by 5%.

Expenses

Selling and Marketing expenses were lower during 2014 as a result of further optimisation efforts and strict return on investment criteria in B2C. On the other hand, higher costs were incurred in Research and Development and in Sport, as a result of higher commissions and royalties related to higher business volume. A one-off special cash bonus was awarded to eligible employees in recognition of their efforts and dedication to the year's record performance and increased corporate tax attributed to the record-breaking set of results.

Operating Expenses

Operating expenses*, which mainly comprise employee related costs, commission and royalties payable to third parties, chargebacks, payment service providers' ("PSP") commissions and costs related to operational risk management services, totalled US$130million (2013: US$114 million). This represented a stable proportion of revenues at 28.7% (2013: 28.5%) as a result of continued operating efficiencies and strict cost control despite higher costs associated with Sport content required to support the Group's enhanced Sport performance.

Staff costs as a percentage of revenues was maintained at 13%, a consistent ratio with 2013 and 2012.

The Group's chargebacks ratio continued its trend of gradual decrease between 2011 and 2014, representing 0.6% of revenue during the year. On-going improvements to the Group's Risk Management and Fraud detection mechanisms to enhance monitoring systems, alert processes and reporting including the continued use of 3DSecure verification systems, all resulted in an optimized balance between maintaining revenues and increased deposits inflow whilst reducing transactions with high risk profiles.

The PSP commission ratio decreased to 5.0% (2013: 5.5%) reflecting the Group's stronger commercial terms coupled with higher deposit volumes.

* *As defined in the financial summary table above*

Gaming taxes and duties

Gaming taxes and duties levied in regulated markets reached US$16 million (2013: US$14 million). Commencing from December 2014, Point of Consumption Tax in the UK was introduced and resulted in additional charges.

Research and Development Expenses

The Research and Development expenses to revenue ratio increased slightly to 9% (2013: 8%). This year's expense of US$41 million (2013: US$31 million) is mainly attributed to the Group's investment in maintaining its leading position in the market which was achieved by investments in its highly skilled development teams, continued development of the US platform and a one-off bonus as described above. Additionally, significant efforts were invested towards the launch of licenced regulated gaming in the UK on 1 November 2014.

Research and Development expenses do not include capitalised in-house development costs which totalled US$6.7 million (2013: US$10.2 million). The decrease is attributed mainly to the US regulated market as the majority of the investment took place during the previous year.

Selling and Marketing Expenses

Marketing expenses during the year were US$134 million (2013: US$140 million) reflecting an optimization process which enabled the Group to focus on effective marketing channels. 888's online media buying channel focused on more profitable campaigns which generate an improved return-to-cost ratio. In search engine marketing channels, the Group optimized campaigns by aiming its efforts on recruiting higher value players. Accordingly, the marketing to revenue ratio significantly decreased to 29% (2013: 35%).

Administrative Expenses

Administrative expenses* totalled US$33 million (2013: US$27 million) representing 7% of revenue (2013: 7%). The increase over the previous year was mainly attributed to the one-off bonus described above, expenses related to employers' national insurance obligation and to the increased level of professional expenses associated with obtaining the UK gaming licence.

* *As defined in the financial summary table above*

Share Benefit Charges

Equity settled share benefit charges were US$1.3 million (2013: US$3.3 million). This year's charges are mainly attributed to long-term incentive equity awards granted to eligible employees.

Cash settled share benefit charges decreased to US$0.4 million (2013: US$2.2 million) due to the lower fair value of the long term incentive plan.

Finance Income and Expenses

Finance income less finance expenses resulted in an expense of US$4.5 million (2013: expense of US$0.3 million). The majority of this change compared to the previous year is attributable to the fair value of operational hedging instruments.

The Group continually monitors foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This has resulted in an expense of US$5 million in respect of the ILS/US$ forward hedge given the strength of the US$. On the other hand, EUR and GBP forward transactions resulted in income of US$2 million. An additional expense of US$2 million is attributable to the valuation of assets and liabilities denominated in currencies other than the Group's functional currency.

Adjusted EBITDA

As a result of the strong revenue increase coupled with strict cost control, a record Adjusted EBITDA of US$101 million (2013: US$76 million) was achieved. Adjusted EBITDA margin increased to a healthy 22.1% (2013: 18.9%).

Taxation

The tax charge for 2014 was US$11.0 million (2013: US$3.2 million). This was mainly attributed to the increase in the Group's profit as well as to tax expenses associated with the appreciation of financial assets denominated in foreign currencies incurred by the Group's local subsidiary which reports in non US Dollars.

Equity Accounted Joint Ventures

In 2013, the Group entered into a joint venture agreement with Avenue Capital. The Group's share of the post-tax loss of this equity accounted joint venture was US$7.7 million (2013: US$4.1 million). In accordance with accounting standards, given that this loss reduced the investment to nil during the year, further losses of the US joint venture will not affect the carrying value of the investment on the balance sheet.

Earnings Per Share

Basic earnings per share rose 13% to 16.1¢ (2013: 14.2¢). Adjusted basic earnings per share rose 16% to 19.2¢ (2013: 16.6¢). The Board believes that adjusted basic earnings per share - excluding share benefit charges, movement in contingent consideration, impairment charges and share of joint venture loss - better reflects the underlying business and assists in providing a clearer view of Group performance.

Dividend

Given the strong cash generation during the year the Board of Directors declared an interim dividend of 3.5¢ per share that was paid on 1 October 2014. Taking into account the strong performance the Board is recommending a final dividend of 4.5¢ per share (which together with the interim dividend equals 8.0¢ per share in accordance with the Group's dividend policy) and an additional one-off 7.0¢ per share, bringing the total for the year to 15.0¢ per share (2013: 14.0¢ per share).

Cash Flow

The Group's outstanding performance and operating efficiency led to another record year, generating substantial free cash with net cash generated from operating activities of US$112 million (2013: US$90 million). The net increase in cash and cash equivalents in 2014 was US$48 million (2013: US$34 million), after cash dividend payments during the year of US$51 million (2013: US$33 million).

Balance Sheet

The Group's balance sheet remains strong, with no debt and ample liquid resources. The Group's cash position as at 31 December 2014 was US$163million (2013: US$116 million). Balances owed to customers were US$67 million (2013: US$55 million).

Principal Risks and Uncertainties

The Group operates in a dynamic business environment. In addition to the day-to-day commercial risks faced by most enterprises such as fraud and theft, the online gaming industry faces particular challenges in respect of regulatory risk, reputational risk, information technology risk and taxation risk, each of which is detailed below. The Group considers that the nature of its principal risks has not undergone any significant change during 2014.

Regulatory risk

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

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

Reputational risk

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

Information Technology risks

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

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

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

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

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

Taxation risk

The Group aims to ensure that each legal entity within the Group is a tax resident of the jurisdiction in which it is incorporated and has no taxable presence in any other jurisdiction. In addition, certain jurisdictions impose tax by reference to customers' activity, regardless of whether the Group has a taxable presence in such jurisdiction. In this respect, the Group pays VAT in certain EU countries in which certain of the Group’s online gaming offerings are considered electronically supplied services subject to VAT. Furthermore, jurisdictions in which online gaming is regulated impose gaming duties on licenced operators. As of December 2014, the United Kingdom has imposed gaming tax on a point of consumption basis, which on the one hand has lowered margins, but on the other, it is expected to continue the trend toward consolidation in that market. Furthermore, draft legislation has been published in the United Kingdom, intended to come into force on 1 April 2015, giving rise to a Diverted Profits Tax which imposes tax at a rate of 25% on profits which would be attributable to a permanent establishment in the United Kingdom were such a permanent establishment to exist, in circumstances where profits are deemed “diverted” from the UK under the terms of such draft legislation; the Group is considering its position in this respect. The Group actively monitors taxation risk in the relevant jurisdictions and takes such steps as it considers necessary to minimise such risks.

Financial risks and financial instruments

The Group considers its exposure to financial risks, including country risk and exposure to trading counterparties, to be low. The financial risk management objectives and policies of the Company are set out in the notes to the financial statements below. The Company is exposed to foreign exchange fluctuations and is mitigating that risk by adopting policies to hedge its cost base currency exposure as described in note 24 to the financial statements. During 2014, the Group hedged its foreign currency risks solely with leading banks including Barclays plc.

The Company is not materially exposed to price risk, credit risk or liquidity risk. Given that end-users are required to fund their online gaming wallet prior to carrying out any gaming activity, operational cash flow is not a material risk for the Company. In addition, the Group manages its cash in a prudent manner and maintains sufficient liquid resources to meet its anticipated liabilities as and when they come due.

Partnership risks

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

Directors' Statement of Responsibilities

We confirm, to the best of our knowledge:

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

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

On behalf of the Board:

Brian Mattingley
Chief Executive Officer
24 March, 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 US $ million	2013 US $ million
Revenue	3	**454.7**	400.5
Operating expenses		**149.3**	128.0
Gaming duties		**15.8**	13.7
Research and development expenses		**40.7**	30.7
Selling and marketing expenses		**133.8**	139.9
Administrative expenses		**35.1**	32.0
Operating profit before share benefit charges		**81.7**	61.7
Share benefit charges	21	**(1.7)**	(5.5)
Operating profit	4	**80.0**	56.2
Finance income	6	**0.3**	7.2
Finance expenses	6	**(4.8)**	(7.5)
Movement in contingent consideration		**0.1**	(0.5)
Profit on acquisition of equity accounted joint ventures	12	**-**	1.9
Share of post-tax loss of equity accounted joint ventures	12	**(7.7)**	(4.1)
Profit before tax		**67.9**	53.2
Taxation	7	**11.0**	3.2
Profit after tax for the year attributable to equity holders of the parent		**56.9**	50.0

	Note	2014 US $	2013 US $
Earnings per share	8		
Basic		16.1¢	14.2¢
Diluted		15.9¢	14.0¢

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 US $ million	2013 US $ million
Profit for the year		**56.9**	50.0
Items that may be reclassified subsequently to profit or loss			
Group share of equity injections by joint venture partner in equity accounted joint ventures	12	**3.8**	6.1
Exchange differences on translation of foreign operations		(0.5)	-
Items that will not be reclassified to profit or loss			
Remeasurement of severance pay liability	5	**(0.3)**	(0.5)
Total other comprehensive income for the year		**3.0**	5.6
Total comprehensive income for the year attributable to equity holders of the parent		**59.9**	55.6

The notes below form part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2014

	Note	2014 US $ million	2013 US $ million
Assets			
Non-current assets			
Goodwill and other intangible assets	10	**157.2**	155.7
Property, plant and equipment	11	**15.5**	19.1
Investment in equity accounted joint ventures	12	**-**	3.9
Non-current receivables	16	**0.7**	-
Available for sale investment		**0.2**	0.2
Deferred taxes assets	13	**0.5**	1.2
		174.1	180.1
Current assets			
Cash and cash equivalents	14	**163.1**	115.8
Short term investments	15	**-**	3.9
Trade and other receivables	16	**30.0**	31.4
Income tax receivable		**-**	1.0
		193.1	152.1
Total assets		**367.2**	332.2
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	**3.2**	3.2
Share premium		**1.3**	0.9
Retained earnings		**180.6**	170.6
Total equity attributable to equity holders of the parent		**185.1**	174.7
Liabilities			
Current liabilities			
Trade and other payables	18	**104.1**	92.5
Derivative financial instruments	24	**2.5**	4.2
Income tax payable		**4.6**	1.9
Customer deposits	19	**67.5**	55.4
Contingent consideration		**-**	0.4
Share benefit charges - cash settled	21	**3.4**	-
		182.1	154.4
Non-current liabilities			
Share benefit charges - cash settled	21	**-**	3.1
Total liabilities		**182.1**	157.5
Total equity and liabilities		**367.2**	332.2

The notes below form part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital US $ million	Share premium US $ million	Retained earnings US $ million	Foreign currency translation reserve US $ million	Total US $ million
Balance at 1 January 2013	3.2	0.1	144.9		148.2
Profit after tax for the year attributable to equity holders of the parent	-	-	50.0	-	50.0
Other comprehensive income for the year	-	-	5.6	-	5.6
Total comprehensive income	-	-	55.6	-	55.6
Dividend paid (note 9)	-	-	(33.2)	-	(33.2)
Equity settled share benefit charges (note 21)	-	-	3.3	-	3.3
Issue of shares (note 17)	-	0.8	-	-	0.8
Balance at 31 December 2013	3.2	0.9	170.6	-	174.7
Profit after tax for the year attributable to equity holders of the parent	-	-	56.9	**-**	**56.9**
Other comprehensive income for the year	-	-	3.5	(0.5)	**3.0**
Total comprehensive income	-	-	60.4	(0.5)	59.9
Dividend paid (note 9)	-	-	(51.2)	**-**	**(51.2)**
Equity settled share benefit charges (note 21)		-	1.3	-	**1.3**
Issue of shares (note 17)	-	0.4	-	**-**	**0.4**
Balance at 31 December 2014	**3.2**	**1.3**	**181.1**	**(0.5)**	**185.1**

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

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

The notes below form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 US $ million	2013 US $ million
Cash flows from operating activities			
Profit before tax		**67.9**	53.2
Adjustments for:			
Depreciation	11	**9.0**	8.3
Amortisation and impairment charges	10	**10.0**	5.6
Interest income	6	**(0.3)**	(0.3)
Fair value movements on unrealised foreign exchange derivatives	6	**(1.7)**	7.5
Share of post- tax loss of equity accounted joint ventures	12	**7.7**	4.1
Profit on acquisition of equity accounted joint ventures	12	**-**	(1.9)
Movement in contingent consideration		**(0.1)**	0.5
Share benefit charges	21	**1.7**	5.5
		94.2	82.5
Decrease (increase) in trade receivables	16	**1.6**	(0.7)
Decrease (increase) in other accounts receivables	16	**3.6**	(2.0)
Increase in customer deposits	19	**8.1**	5.9
Increase in trade and other payables	18	**12.5**	8.8
Cash generated from operations		**120.0**	94.5
Income tax paid		**(8.1)**	(4.3)
Net cash generated from operating activities		**111.9**	90.2
Cash flows from investing activities			
Consideration paid on acquisitions		**(0.3)**	(0.8)
Purchase of property, plant and equipment	11	**(5.5)**	(9.1)
Decrease (increase) in short term investments	15	**3.9**	(0.4)
Interest received	6	**0.3**	0.3
Acquisition of intangible assets	10	**(2.9)**	(0.8)
Internally generated intangible assets	10	**(8.6)**	(12.7)
Net cash used in investing activities		**(13.1)**	(23.5)
Cash flows from financing activities			
Issue of shares	17	**0.4**	0.8
Dividends paid	9	**(51.2)**	(33.2)
Net cash used in financing activities		**(50.8)**	(32.4)
Net increase in cash and cash equivalents		**48.0**	34.3
Net foreign exchange difference		**(0.7)**	**-**
Cash and cash equivalents at the beginning of the year	14	**115.8**	81.5
Cash and cash equivalents at the end of the year[1]	14	**163.1**	115.8

[1] Cash and cash equivalents includes restricted cash of $4.9 million (2013: $4.6 million).

The notes below form part of these consolidated financial statements.

1 General information

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2014 or the year ended 31 December 2013, but is derived from those accounts.

Statutory accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. Statutory accounts for the year ended 31 December 2014 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2014 and 2013 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act.

Company description and activities

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

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

Definitions

In these financial statements:

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

2 Significant accounting policies

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

Basis of preparation

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

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

The consolidated financial statements comply with the Gibraltar Companies (Accounts) Act 1999, the Gibraltar Companies (Consolidated Accounts) Act 1999 and the Gibraltar Companies Act 1930 (as amended).

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, without any material changes. The following standards, interpretations and amendments, issued by the IASB or the International Financial

Reporting Interpretations Committee ('IFRIC'), have been adopted by the Group during the year with no significant impact on its consolidated results or financial position:

2 Significant accounting policies (continued)

- IFRS 10 - Consolidated Financial Statements and IAS 27 - Separate Financial Statements - IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. As a consequence, IAS 27 was renamed Separate Financial Statements and has been limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The changes introduced by IFRS 10 required management to reconsider which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. No differences were identified (effective for accounting periods beginning on or after 1 January 2014).

- IFRS 11 - Joint Arrangements and IAS 28 - Investments in Associates and Joint Ventures - IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, entities that meet the definition of a joint venture, based on rights to net assets only, must be accounted for using the equity method. IAS 28 has been renamed Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates (effective for accounting periods beginning on or after 1 January 2014).

- IFRS 12 - Disclosure of Interests in Other Entities - IFRS 12 includes all of the disclosures required by IFRS 10, IAS 27, IAS 28 and IFRS 11 in one standard. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required including how the entity determines that it controls another entity where judgement is used (effective for accounting periods beginning on or after 1 January 2014).

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities - These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10 (effective for accounting periods beginning on or after 1 January 2014).

- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities - These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements (effective for accounting periods beginning on or after 1 January 2014).

- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - These amendments clarify the disclosure requirements in respect of fair value less costs of disposal, removing the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. These amendments have no impact on the Group as it uses value in use in its impairment testing (effective for accounting periods beginning on or after 1 January 2014).

- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group does not apply hedge accounting (effective for accounting periods beginning on or after 1 January 2014).

- IFRIC 21 Levies - Clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years (effective for accounting periods beginning on or after 1 January 2014).

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

- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014).

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for accounting periods beginning on or after 1 January 2016).

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

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

- IFRS 15 - Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).

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

Critical accounting estimates and judgments

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

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

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

Taxation
Due to the international nature of the Group and the complexity of tax legislation in the jurisdictions in which it operates, the Group applies judgement in estimating the likely outcome of tax matters and the resultant provision for income taxes. In making that judgement, the Group makes assumptions regarding the interpretation and application of tax laws to the circumstances of those specific items. The Group believes that its accruals for tax liabilities are appropriate based on its assessment of many factors, including past experience and these interpretations of tax law.

Impairment of goodwill and other intangible assets
Determining whether goodwill or intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. For further information see note 10.

Internally generated intangible assets
Costs relating to internally generated intangible assets, are capitalised if the criteria for recognition as assets are met. The initial capitalisation of costs is based on management's judgment that technological and economic feasibility criteria are met. In making this judgement, management considers the progress made in each development project and its latest forecasts for each project. Other expenditure is charged to the consolidated income statement in the year in which the expenditure is incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For further information see note 10.

Investment in equity accounted joint ventures
The Group's share of results of joint ventures is included in the consolidated income statement using the equity method of accounting. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses. The Group also applies judgement in determining the appropriate accounting treatment for its share of equity contributions made by its joint venture partners. For further information see note 12.

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

Basis of consolidation

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

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

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

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

Revenue from online activities comprises:

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

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

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

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

B2B

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

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

Operating expenses

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

Administrative expenses

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

Foreign currency

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

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

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

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

Taxation

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

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

Intangible assets

Acquired intangible assets

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

Internally generated intangible assets

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

Goodwill and business combinations

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

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

Property, plant and equipment

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

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

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

Impairment of non-financial assets

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

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

Investment in equity accounted joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.
Joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the joint ventures are not recognised unless there is an obligation to make good those losses.

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

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

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

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

Trade receivables

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

Fair value measurement

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

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

Derivative financial instruments

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

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

Short-term investments

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

Cash and cash equivalents

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

Equity

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

Trade and other payables

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

Liabilities to customers

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

Leases

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

Provisions

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

Dividends

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

Share benefit charges

- ***Equity-settled***

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

- ***Cash-settled***

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

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

Severance pay schemes

Severance scheme surpluses and deficits are measured as:

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

Actuarial gains and losses, being any difference between the expected return on assets and that actually achieved and any changes in liabilities due to changes in assumptions or experience within the scheme, are recognised in the consolidated statement of comprehensive income in the period in which they arise.

Financial guarantee contracts

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

3 Segment information

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

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

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

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

	Year ended 31 December 2014						
	B2C					B2B	Consolidated
	Casino	**Poker**	**Bingo**	**Emerging Offerings**	**Total B2C**		
	US $ million					US $ million	
Segment revenue	**220.6**	**93.7**	**46.6**	**29.9**	**390.8**	**63.9**	**454.7**
Segment result[1]					**211.0**	**38.7**	**249.7**
Unallocated corporate expenses[2]							(169.7)
Operating profit							**80.0**
Finance income							0.3
Finance expenses							(4.8)
Movement in contingent consideration							0.1
Share of post-tax loss of equity accounted joint ventures							(7.7)
Taxation							(11.0)
Profit after tax for the year							**56.9**
Assets							
Unallocated corporate assets							**367.2**
Total assets							**367.2**
Liabilities							
Segment liabilities					**59.4**	**8.1**	**67.5**
Unallocated corporate liabilities							**114.6**
Total liabilities							**182.1**

1 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties, selling and marketing expenses.
2 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.

	Year ended 31 December 2013						
	B2C					B2B	Consolidated
	Casino	Poker	Bingo	Emerging offerings	Total B2C		
	US $ million					US $ million	
Revenue	**190.4**	**93.6**	**43.7**	**24.5**	**352.2**	**48.3**	**400.5**
Segment result[1]					**171.4**	**27.0**	**198.4**
Unallocated corporate expenses[2]							(142.2)
Operating profit							**56.2**
Finance income							7.2
Finance expenses							(7.5)
Movement in contingent consideration							(0.5)
Profit on acquisition of equity accounted joint ventures							1.9
Share of post-tax loss of equity accounted joint ventures							(4.1)
Taxation							(3.2)
Profit after tax for the year							**50.0**
Assets							
Unallocated corporate assets							332.2
Total assets							**332.2**
Liabilities							
Segment liabilities					52.1	3.3	55.4
Unallocated corporate liabilities							102.1
Total liabilities							**157.5**

1 Revenue net of chargebacks, payment service providers' commissions, gaming duties, royalties payable to third parties, selling and marketing expenses.
2 Including staff costs, corporate professional expenses, other administrative expenses, depreciation, amortisation and share benefit charges.

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

Geographical information

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

Revenue by geographical market (based on location of customer)

	2014 US $ million	**2013 US $ million**
UK	**201.6**	163.3
Europe (excluding UK)	**170.1**	161.7
Americas	**55.2**	46.4
Rest of world	**27.8**	29.1
Total revenue	**454.7**	400.5

3 Segment information (continued)

Non-current assets by geographical location

	Carrying amount of non-current assets by location 2014 US $ million	2013 US $ million
Gibraltar	**161.0**	165.9
Rest of world	**12.6**	13.0
Total non-current assets by geographical location[1]	**173.6**	**178.9**

1 Excludes deferred tax assets of US$0.5 million (2013: US$1.2 million)

4 Operating profit

	2014 US $ million	2013 US $ million
Operating profit is stated after charging:		
Staff costs	110.1	89.5
Fees payable to EY Limited, Ernst & Young LLP and its affiliates:		
Statutory audit of the consolidated financial statements	0.3	-
Other statutory audits	0.1	-
Other assurance services	0.1	-
Fees payable to BDO LLP and BDO Limited:		
Statutory audit of the consolidated financial statements	-	0.3
Other statutory audits	-	0.1
Other assurance services	-	0.1
Depreciation (within operating expenses)	9.0	8.3
Amortisation (within operating expenses)	8.3	5.6
Impairment charges (within operating expenses)	1.7	-
Chargebacks	2.7	3.1
Payment of service providers' commissions	22.3	21.5

5 Employee benefits

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

	2014 US $ million	2013 US $ million
Wages and salaries	**105.3**	89.9
Social security	**4.5**	3.8
Pension and severance pay scheme costs	**7.0**	6.0
	116.8	99.7
Staff costs capitalised in respect of internally generated intangible assets	**(6.7)**	(10.2)
	110.1	89.5

In the consolidated income statement total staff costs, excluding share benefit charges of US$1.7 million (2013: US$5.5 million), are included within the following expenditure categories:

	2014 US $ million	2013 US $ million
Operating expenses	**58.4**	51.8
Research and development expenses	**29.6**	19.8
Administrative expenses	**22.1**	17.9
	110.1	89.5

The average number of employees by category was as follows:

	2014 Number	2013 Number
Operations	**822**	736
Research and development	**354**	279
Administration	**120**	115
	1,296	1,130

At 31 December 2014 the Group employed 1,306 (2013: 1,253) staff.

Severance pay liability - Israel

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

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

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

	2014 US $ million	2013 US $ million
Severance pay liability (within trade and other payables on theconsolidated balance sheet)	**1.2**	1.2
Current service costs (within Operating expenses in the consolidated income statement)	**1.7**	1.3
Current service costs (within Research and development expenses in the consolidated income statement)	**1.7**	1.4
Current service costs (within Administrative expenses in the consolidated income statement)	**0.6**	0.6
Remeasurement of severance pay liability (included in the consolidated statement of comprehensive income)	**0.3**	0.5

Movement in severance pay liability:

Severance pay plan assets

	2014 US $ million	2013 US $ million
At beginning of year	**14.1**	10.4
Interest income	**0.5**	0.4
Contributions by the Group	**4.1**	3.6
Benefits paid	**(2.7)**	(1.7)
Actuarial gain on past experience	**0.3**	0.6
Actuarial gain on changes in demographic assumptions	**-**	-
Actuarial gain on changes in financial assumptions	**-**	0.2
Exchange differences	**(1.7)**	0.6
At end of year	**14.6**	14.1

Severance pay plan liabilities

	2014 US $ million	2013 US $ million
At beginning of year	**15.3**	11.4
Interest expense	**0.5**	0.4
Current service costs	**4.0**	3.3
Benefits paid	**(2.8)**	(1.8)
Actuarial loss on past experience	**0.4**	1.1
Actuarial loss on changes in demographic assumptions	**0.4**	-
Actuarial (gain) loss on changes in financial assumptions	**(0.2)**	0.2
Exchange differences	**(1.8)**	0.7
At end of year	**15.8**	15.3

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

The expected contribution for 2015 is US$3.7 million.

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

	2014 %	2013 %
Discount rate (nominal)	**3.10**	3.53
Estimated increase in employee benefits costs	**2.47**	3.71
Voluntary termination rate	**75**	70
Inflation rates based on Israeli bonds	**1.87**	2.18

6 Finance income and finance expenses

Finance income:

	2014 US $ million	2013 US $ million
Interest income	**0.3**	0.3
Foreign exchange gains	**-**	6.9
Finance income	**0.3**	7.2

Finance expenses:

	2014 US $ million	2013 US $ million
Fair value movements on foreign exchange derivatives	**2.8**	7.5
Foreign exchange losses	**2.0**	-
Finance expenses	**4.8**	7.5

7 Taxation

Corporate taxes

	2014 US $ million	2013 US $ million
Gibraltar taxation	**5.6**	2.5
Other jurisdictions taxation	**5.2**	2.3
Adjustments in respect of prior years	**(0.5)**	(0.8)
Deferred tax: origination and reversal of temporary differences	**0.7**	(0.8)
Taxation expense	**11.0**	3.2

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

	2014 US $ million	2013 US $ million
Profit before taxation	**67.9**	53.2
Standard tax rate in Gibraltar (2014:10%, 2013: 10%)	**6.8**	5.3
Higher effective tax rate on other jurisdictions	**4.1**	1.4
Losses carried forward	**1.3**	-
Expenses not allowed for taxation[1]	**1.4**	0.5
Non-taxable income	**(2.1)**	(3.2)
Adjustments to prior years' tax charges	**(0.5)**	(0.8)
Total tax charge for the year	**11.0**	3.2

[1]The expenses not allowed for taxation are primarily in respect of losses from equity-accounted investments and impairment of intangible assets.

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

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

Israel - The domestic corporate tax rate in Israel in 2014 is 26.5% (2013: 25%). The Company's Israeli subsidiary had entered into certain transfer pricing agreements with the Israeli Income Tax Commissioner, which were effective until the end of 2010. The subsidiary has concluded an assessment agreement with respect to all tax years up to and including 2012.

UK - The Group's subsidiary in the UK pays corporate tax at the applicable rate of 21.5% (2013: 23.25%).

8 Earnings per share

Basic earnings per share

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

Diluted earnings per share

In accordance with IAS 33 - Earnings per Share, the weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Certain equity instruments have been excluded from the calculation of diluted EPS as their conditions of being issued were not deemed to satisfy the performance conditions at the end of the performance period or it will not be advantageous for holders to exercise them into shares, in the case of options. The number of equity instruments included in the diluted EPS calculation consist of 3,100,238 ordinary shares (2013: 5,143,035) and 122,228 market- value options (2013: 300,675).
The number of equity instruments excluded from the diluted EPS calculation is 3,153,810 (2013: 2,259,924).

	2014	2013
Profit for the period attributable to equity holders of the parent (US$ million)	**56.9**	50.0
Weighted average number of Ordinary Shares in issue	**353,515,738**	350,909,199
Effect of dilutive Ordinary Shares and Share options	**3,222,466**	5,443,710
Weighted average number of dilutive Ordinary Shares	**356,738,204**	356,352,909
Basic earnings per share	**16.1¢**	14.2¢
Diluted earnings per share	**15.9¢**	14.0¢

Adjusted earnings per share

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

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

	2014 US $ million	2013 US $ million
Profit for the period attributable to equity holders of the parent	**56.9**	50.0
Share benefit charges	**1.7**	5.5
Movement in contingent consideration	**(0.1)**	0.5
Impairment charges (see note 10)	**1.7**	-
Share of post-tax loss of equity accounted joint ventures	**7.7**	4.1
Profit on acquisition of equity accounted joint ventures	**-**	(1.9)
Adjusted profit	**67.9**	58.2
Weighted average number of Ordinary Shares in issue	**353,515,738**	350,909,199
Weighted average number of dilutive Ordinary Shares	**356,738,204**	356,352,909
Adjusted basic earnings per share	**19.2¢**	16.6¢
Adjusted diluted earnings per share	**19.0¢**	16.3¢

9 Dividends

	2014 US $ million	**2013 US $ million**
Dividends paid	**51.2**	33.2

An interim dividend of 3.5¢ per share was paid on 1 October 2014 (US$12.4 million). The Board of Directors will recommend to the shareholders a final dividend in respect of the year ended 31 December 2014 comprising 4.5¢ per share, and an additional one-off dividend of 7.0¢, both of which will be recognised in the 2015 financial statements once approved.

In 2013 an interim dividend of 3.0¢ per share was paid on 4 October 2013 (US$10.4 million) and a final dividend of 11.0¢ per share was paid on 21 May 2014 (US$38.8 million).

10 Goodwill and other Intangible assets

	Goodwill US $ million	Acquired intangible assets US $ million	Internally generated intangible assets US $ million	Total US $ million
Cost or valuation				
At 1 January 2013	146.1	10.7	30.7	**187.5**
Additions	-	0.9	12.7	**13.6**
At 31 December 2013	146.1	11.6	43.4	**201.1**
Additions	-	2.9	8.6	**11.5**
At 31 December 2014	**146.1**	**14.5**	**52.0**	**212.6**
Amortisation and impairments:				
At 1 January 2013	20.7	8.7	10.4	**39.8**
Amortisation charge for the year	-	0.8	4.8	**5.6**
At 31 December 2013	20.7	9.5	15.2	**45.4**
Amortisation charge for the year	-	0.8	7.5	**8.3**
Impairment charge	-	-	1.7	**1.7**
At 31 December 2014	**20.7**	**10.3**	**24.4**	**55.4**
Carrying amounts				
At 31 December 2014	**125.4**	**4.2**	**27.6**	**157.2**
At 31 December 2013	125.4	2.1	28.2	155.7
At 1 January 2013	125.4	2.0	20.3	147.7

Analysis of goodwill by cash generating units:

	Bingo online business US $ million	Other US $ million	Total goodwill US $ million
Carrying value at 31 December 2013 and 31 December 2014	125.1	0.3	125.4

Impairment

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

Goodwill - Bingo online business

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

Cash flow projections have been prepared for a five year period, following which a long term growth rate has been assumed. Underlying growth rates, as shown in the table below, have been applied to revenue and are based on past experience, including the positive results in 2014 following the 2013 reorganisations in the B2C Bingo cash generating unit, and projections of future changes in the online gaming market.

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

Key assumptions used

	Discount rate applied[1]	Underlying growth rate year	Underlying growth rate years 2-5	Long-term growth rate year 6+	Operating expenses[2] increase years 1-5	Operating expenses[2] increase year 6+
At 31 December 2014	**9%**	**2%**	**1%**	**1%**	**2%**	**1%**
At 31 December 2013	9%	2%	1%	1%	3%	1%

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

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

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

Other intangible assets

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

Licences

No impairment tests were considered to be required at 31 December 2014 and the carrying value of other intangible assets is considered to be appropriate.

11 Property, plant and equipment

	IT equipment US $ million	Office furniture, equipment and motor vehicles US $ million	Leasehold improvements US $ million	Total US $ million
Cost				
At 1 January 2013	50.5	3.5	13.4	67.4
Additions	8.2	0.3	0.6	9.1
Disposals	-	(0.3)	(0.2)	(0.5)
At 31 December 2013	58.7	3.5	13.8	76.0
Additions	4.6	0.1	0.8	5.5
Disposals	(0.3)	(0.1)	-	(0.4)
At 31 December 2014	**63.0**	**3.5**	**14.6**	**81.1**
Accumulated depreciation				
At 1 January 2013	37.7	2.6	8.8	49.1
Charge for the year	6.9	0.2	1.2	8.3
Disposals	-	(0.3)	(0.2)	(0.5)
At 31 December 2013	44.6	2.5	9.8	56.9
Charge for the year	7.6	0.2	1.2	9.0
Disposals	(0.3)	-	-	(0.3)
At 31 December 2014	**51.9**	**2.7**	**11.0**	**65.6**
Carrying amounts				
At 31 December 2014	**11.1**	**0.8**	**3.6**	**15.5**
At 31 December 2013	14.1	1.0	4.0	19.1
At 1 January 2013	12.8	0.9	4.6	18.3

12 Investment in equity accounted joint ventures

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

Name	Country of incorporation	Effective interest 31 December 2014	Effective interest 31 December 2013
AAPN Holdings LLC	USA	47%	47%
AGN LLC	USA	47%	47%
AAPN New Jersey LLC	USA	47%	47%

USA joint ventures

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

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

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

On 8 November 2013, AAPN NJ obtained the transactional waiver by the New Jersey Division of Gaming Enforcement enabling it to provide online gaming services in the State of New Jersey for a period of six months from the date of the waiver and subject to final approval by the New Jersey Division of Gaming Enforcement. On 7 May 2014, and then again on 7 November 2014, the transactional waiver was renewed for a further period of six months.

On 21 May 2014, the Group contributed its subsidiary AAPN NJ to AAPN, in fulfilment of its prior obligation.

On 21 May 2014 and 10 October 2014, Avenue contributed further US$15 million and US$5 million, respectively, to AAPN in consideration for the issuance of Class B Units. In accordance with the JVA, the Class B Units grant Avenue a priority return, together with interest at arm's length rates, all of which is payable to Avenue as a preference over any distributions to AAPN's shareholders or upon liquidation of AAPN.

As at December 31, 2014, AGN remained 100% owned by the Group. However, the Group considers that due to the manner in which AGN is operated under the contractual arrangements in the AAPN JVA, it is regarded as a joint venture. The Group also has an irrevocable commitment to contribute its ownership of AGN to AAPN for no consideration upon fulfilment of certain conditions.

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

12 Investment in equity accounted joint ventures (continued)

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

Net assets of US joint ventures	2014 US $ million	2013 US $ million
Non-current assets	5.3	5.9
Current assets	17.0	6.0
Current liabilities	(1.7)	(3.6)
Net assets of joint ventures	**20.6**	**8.3**
Assets attributed to class B holders	(20.6)	-
Net assets of joint ventures attributed to the Group	**-**	**8.3**
Group effective interest in joint ventures	47%	47%
Group share of net assets of joint ventures	**-**	**3.9**
Income statement of US joint ventures		
Income	2.3	-
Expenses	(18.0)	(8.7)
Post tax loss of joint ventures	(15.7)	(8.7)
Expenses attributed to class B holders	(0.7)	-
Total post tax loss of joint ventures attributed to the Group	**(16.4)**	**(8.7)**
Group effective interest in joint ventures	47%	47%
Group share of post tax loss of joint ventures	**(7.7)**	**(4.1)**

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

On acquisition of the interest in AAPN, the difference of US$1.9 million between the consideration paid (of nil) and the share of net assets of the entity (of US$1.9 million) was accounted for during 2013 as a profit on acquisition in the consolidated income statement in line with IAS 31.

The Group's share of subsequent increases in the net assets of AAPN arising from equity injections by its joint venture partners, amounting to US$3.8 million (2013: US$6.1 million) has been accounted for through the consolidated statement of comprehensive income.

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

Investment in equity accounted joint ventures	**US joint ventures US $ million**
At 1 January 2013	-
Profit on acquisition of equity accounted joint venture	1.9
Group share of equity injections by joint venture partner in equity accounted joint venture	6.1
Share of post-tax loss of equity accounted joint ventures	(4.1)
At 31 December 2013	**3.9**
Group share of equity injections by joint venture partner in equity accounted joint venture	**3.8**
Share of post-tax loss of equity accounted joint ventures	**(7.7)**
At 31 December 2014	**-**

13 Deferred taxes

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

	2014 US $ million	**2013 US $ million**
Intangible assets	**(1.7)**	(1.3)
Property, plant and equipment	**0.9**	0.9
Accrued severance pay	**0.4**	0.4
Share benefit charges	**0.1**	0.1
Vacation pay accrual	**0.5**	0.7
Derivative financial instruments	**0.3**	0.4
	0.5	1.2

The Group has tax losses at 31 December 2014 of US$16.1 million (2013: US$6.4 million) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as there is insufficient certainty that there will be suitable taxable profits against which these losses can be offset.

14 Cash and cash equivalents

	2014 US $ million	**2013 US $ million**
Cash and cash equivalents	**158.2**	111.2
Restricted cash	**4.9**	4.6
	163.1	115.8

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

15 Short term investments

	31 December 2014 US $ million	**31 December 2013 US $ million**
Deposits	**-**	3.9

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

16 Trade and other receivables

	2014 US $ million	**2013 US $ million**
Trade receivables	**19.0**	20.9
Other receivables and prepayments	**11.0**	10.5
Current trade and other receivables	**30.0**	31.4
Non-current other receivables and prepayments	**0.7**	-
	30.7	31.4

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

17 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2014 Number	31 December 2013 Number	31 December 2014 US $ million	31 December 2013 US $ million
Ordinary Shares of £0.005 each	**426,387,500**	426,387,500	**3.9**	3.9

	Allotted, called up and fully paid			
	31 December 2014 Number	31 December 2013 Number	31 December 2014 US $ million	31 December 2013 US $ million
Ordinary Shares of £0.005 each at beginning of year	**351,977,275**	349,688,356	**3.2**	3.2
Issue of ordinary shares of £0.005 each	**2,459,333**	2,288,919	**-**	-
Ordinary Shares of £0.005 each at end of year	**354,436,608**	351,977,275	**3.2**	3.2

The following tables include details on issue of ordinary shares of £0.005 each as part of the Group's employee share option plan (see note 21) during 2014 and 2013:

During 2014, the Company issued 2,459,333 shares (2013: 2,289,919) out of which 239,693 shares (2013: 461,406) were issued in respect of employees' exercising market value options giving rise to an increase in share premium of US$0.4 million (2013: US$0.8 million).

Shares issued are converted into US$ at the exchange rate prevailing on the date of issue. The issued and fully paid share capital of the Group amounts to US$3.2 million (2013: US$3.2 million) and is split into 354,436,608 (2013: 351,977,275) ordinary shares. The share capital in UK sterling (GBP) is £1.8 million (2013: £1.8 million).

18 Trade and other payables

	2014 US $ million	2013 US $ million
Trade payables	**29.9**	31.3
Other payables, accrued expenses and deferred income	**74.2**	61.2
	104.1	92.5

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

19 Liabilities to customers and progressive prize pools

	2014 US $ million	2013 US $ million
Liabilities to customers	**58.0**	51.1
Progressive prize pools	**9.5**	4.3
	67.5	55.4

20 Investments in significant subsidiaries

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

Name	Country of incorporation	Percentage of equity interest 2014 %	Percentage of equity interest 2013 %	Nature of business
Cassava Enterprises (Gibraltar) Limited	Gibraltar	100	100	Holder of gaming licences in Gibraltar and main trading company
Virtual Marketing Services (UK) Limited	UK	100	100	Advertising services
Virtual Marketing Services (Gibraltar) Limited	Gibraltar	100	100	Marketing acquisition
Dixie Operation Limited	Antigua	100	100	Customer call center operator
Random Logic Limited	Israel	100	100	Research, development and marketing support
Brigend Limited	Gibraltar	100	100	Bingo business operator
Fordart Limited	Gibraltar	100	100	B2B business operator (except Bingo)
New Wave Virtual Ventures Limited	Gibraltar	100	100	Development of social games – Mytopia.
Virtual Internet Services Limited	Gibraltar	100	100	Data hosting and development services
Virtual Marketing Services Italia SRL	Italy	100	100	Holder of Italian online gaming licence
888 Spain Public Limited Company	Gibraltar	100	100	Holder of Spanish online gaming licence
Virtual IP Assets Limited	BVI	100	100	Holder of group IP assets
Sparkware Technologies SRL	Romania	100	100	Software development
888 US Limited	Gibraltar	100	100	Holder of Interactive Gaming Service Provider and Manufacturer licence in the state of Nevada
888 Atlantic Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of New Jersey
888 US Inc.	Delaware, USA	100	100	Holder of US Joint Venture
888 US Services Inc.	New Jersey, USA	100	100	Provider of US-based services for US operations
888 Liberty Limited	Gibraltar	100	100	Holder of Transactional Waiver pending application for full licensing in the state of Delaware
888 UK Limited	Gibraltar	100	-	Holder of UK remote gaming licence

21 Share benefit charges

Equity-settled share benefit charges

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

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

Share options granted

	2014 Weighted average exercise price	2014 Number	2013 Weighted average exercise price	2013 Number
Outstanding at the beginning of the year	£ 1.44	**2,560,600**	£ 1.41	3,141,422
Market value options lapsed during the year	£ 1.51	**(184,274)**	£ 1.47	(112,399)
Market value options exercised during the year	£ 1.10	**(239,693)**	£ 1.21	(468,423)
Outstanding at the end of the year[1,2,3]	£ 1.48	**2,136,633**	£ 1.44	2,560,600

[1] Of the total number of options outstanding at 31 December 2014 2,136,633 had vested and were exercisable (2013: 2,560,600).
[2] The range of exercise prices for options outstanding at 31 December 2014 is £1.02-£1.80 (2013: £1.02-£1.80).
[3] The weighted average remaining contractual life at the year-end was 2.44 years (2013: 3.59 years)

Ordinary Shares granted (without performance conditions)

	2014 Number	2013 Number
Outstanding at the beginning of the year	**1,495,484**	2,654,091
Shares granted during the year	**-**	405,843
Lapsed future vesting shares	**-**	(24,462)
Shares issued during the year	**(756,738)**	(1,539,988)
Outstanding at the end of the year	**738,746**	1,495,484
Averaged remaining life until vesting	**0.40 years**	0.89 years

Shares are granted at a nominal exercise price.

Ordinary shares granted (subject to performance conditions)

	2014 Number	2013 Number
Outstanding at the beginning of the year	**3,949,488**	3,205,587
Shares granted during the year	**1,039,223**	1,049,059
Lapsed future vesting shares	**(29,604)**	(17,629)
Shares issued during the year	**(1,462,902)**	(287,529)
Outstanding at the end of the year	**3,496,205**	3,949,488
Averaged remaining life until vesting	**1.16 years**	1.22 years

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

Valuation information – shares granted under TSR condition:

Shares granted during the year:	**2014**	**2013**
Share pricing model used	Monte Carlo	Monte Carlo
Determined fair value	**£0.92**	£1.14
Number of shares granted	**519,612**	524,530
Average risk-free interest rate	**1.18%**	0.73%
Average standard deviation	**45%**	53%
Average standard deviation of peer group	**32%**	34%

Valuation information – shares granted

	2014		**2013**	
	Without performance conditions	**With performance conditions**	**Without performance conditions**	**With performance conditions**
Weighted average share price at grant date	**-**	£1.54	£1.54	£1.63
Weighted average share price at issue of shares	£1.32	£1.31	£1.60	£1.71

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

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

Cash-settled share-based payment

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

The amount payable is calculated on an incremental basis, based on the average share price of the Company over a period of 20 dealing days prior to the scheduled vesting date for the award. The minimum amount payable is £0.25 million (US$ 0.4 million) and the maximum amount payable is £5.5 million (US$8.5 million) if the share price is above £2.00.

Valuation information

	2014	**2013**
Option pricing model used	**Monte Carlo**	Monte Carlo
Share price at 31 December	**£1.39**	£1.73
Remaining life until vesting	**0.24 years**	1.24 years
Risk-free interest rate	**0.14%**	0.46%
Standard deviation	**27.30%**	43.10%

The cash settled share based payment charge for the year amounts to US$0.4 million (2013: US$2.2 million) and the liability recognised at 31 December 2014 amounts to US$3.4 million (2013: US$3.1 million).

Share benefit charges

	2014 US $ million	2013 US $ million
Equity-settled		
Equity-settled charge for the year	**1.3**	3.3
Cash-settled		
Charges in respect of the Phantom Award	**0.4**	2.2
Total share benefit charges	**1.7**	5.5

22 Related party transactions

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

	2014 US $ million	2013 US $ million
Short-term benefits	**3.4**	3.1
Post-employment benefits	**0.1**	0.1
Share benefit charges – equity-settled	**0.4**	1.0
Share benefit charges – cash-settled	**0.4**	2.2
	4.3	6.4

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

During 2014 the Group charged the US joint ventures for reimbursement of costs of US$6.1 million (2013: US$5.2 million), of which the outstanding balance at 31 December 2014 is US$0.3 million (2013: US$1.9 million).

23 Commitments

Lease commitments

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

Leases expiring	2014 US $ million	2013 US $ million
Within one year	**3.7**	4.0
Between two and five years	**4.7**	8.3
	8.4	12.3

The expense relating to operating leases recorded in the consolidated income statement in the year was US$4.3 million (2013: US$3.6 million).

24 Financial risk management

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

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

- Cash and cash equivalents;
- Restricted cash;
- Short term investments;

- Trade and other receivables;
- Trade and other payables;
- Liabilities to customers;
- Available for sale financial investments

Detailed analysis of these financial instruments is as follows:

Financial assets	2014 US $ million	2013 US $ million
Trade and other receivables	**26.3**	27.1
Cash and cash equivalents	**163.1**	115.8
Short term investments	**-**	3.9
Available for sale investment	**0.2**	0.2
	189.6	147.0

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

Financial liabilities	31 December 2014 US $ million	31 December 2013 US $ million
Trade and other payables	**92.5**	82.9
Derivative financial instruments	**2.5**	4.2
Contingent consideration	**-**	0.4
Customer deposits	**67.5**	55.4
	162.5	142.9

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

Capital

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

The main financial risk areas are as follows:

Credit risk

Trade receivables

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

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

- Monitoring balances with PSPs on a regular basis.
- Arranging for the shortest possible cash settlement intervals.
- Replacing rolling reserve requirements, where they exist, with a Letter of Credit by a reputable financial institution.

- Ensuring a new PSP is only contracted following various due diligence and 'Know Your Customer' procedures.
- Ensuring policies are in place to reduce dependency on any specific PSP and as a limit any concentration of risk.

The Group considers that based on the factors above and on extensive past experience, the PSP receivables are of good credit quality and there is a low level of potential bad debt amounting to US$0.5 million arising from a PSP failing to discharge its obligation (2013: nil). This has been charged to the consolidated income statement.

An additional credit risk the Group faces relates to customers disputing charges made to their credit cards ('chargebacks') or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the PSPs from any amount due to the Group. As such the Group provides for these eventualities by way of an impairment provision based on analysis of past transactions. This provision is set off against trade receivables and at 31 December 2014 was US$1.2 million (2013: US$1.2 million).

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

Cash and cash equivalents

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

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

Restricted cash

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

Short term investments

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

The Group’s maximum exposure to credit risk is the amount of financial assets presented above, totaling US$189.6 million (2013: US$147.0 million).

Liquidity risk

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

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

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

[1] Excludes deferred income

	2013				
	On demand US $ million	In 3 months US $ million	Between 3 months and 1 year US $ million	More than 1 year US $ million	Total US $ million
Trade and other payables[1]	9.4	61.8	8.6	3.1	82.9
Derivative financial instruments	-	0.7	3.5	-	4.2
Contingent consideration	-	0.1	0.3	-	0.4
Customer deposits	55.4	-	-	-	55.4
	64.8	62.6	12.4	3.1	142.9

[1] Excludes deferred income.

Market risk

Currency risk

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

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

The Group continually monitors the foreign currency risk and takes steps, where practical, to ensure that the net exposure is kept to an acceptable level. This includes the use of foreign exchange forward contracts designed to fix the economic impact of known liabilities. At 31 December 2014 the Group had open foreign exchange forward contracts between New Israeli Shekels and US Dollars with a principal amount of US$91 million, in respect of 2015 operational costs incurred in New Israeli Shekels. The fair value of these forward contracts was a liability of US$2.5 million, to be settled on a monthly basis throughout 2015.

At 31 December 2013 the Group had foreign exchange forward contracts between US Dollars and Pounds Sterling and between US Dollars and Euros with a principal amount of US$146 million, in respect of expected excess Pounds Sterling and Euros through 2014. The fair value of these forward contracts was a liability of US$4.2 million, which was settled during 2014.

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

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

24 Financial risk management (continued)

	2013					
	GBP US $ million	EUR US $ million	ILS US $ million	USD US $ million	Other US $ million	Total US $ million
Cash and cash equivalents	16.5	12.0	15.9	68.9	2.5	115.8
Trade and other receivables	9.0	7.3	0.4	5.7	4.7	27.1
Short term investments	-	2.9	1.0	-	-	3.9
Available for sale investments	-	-	-	0.2	-	0.2
Monetary assets	25.5	22.2	17.3	74.8	7.2	147.0
Trade and other payables	(23.1)	(10.4)	(24.3)	(23.7)	(1.4)	(82.9)
Derivative financial instruments	(3.2)	(1.0)	-	-	-	(4.2)
Contingent consideration	-	-	-	(0.4)	-	(0.4)
Customer deposits	(10.4)	(5.1)	-	(39.9)	-	(55.4)
Monetary liabilities	(36.7)	(16.5)	(24.3)	(64.0)	(1.4)	(142.9)
Net financial position	(11.2)	5.7	(7.0)	10.8	5.8	4.1

Interest rate risk

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

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

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

Sensitivity analysis

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

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

	Year ended 31 December 2013		
	GBP US $ million	EUR US $ million	ILS US $ million
10% strengthening	1.0	(0.6)	0.7
10% weakening	(1.0)	0.6	(0.7)

25 Fair value measurements

At 31 December 2014 and 2013, the Group's derivative financial instruments and available for sale investment are measured at fair value. For the remaining financial assets and liabilities, the Group considers that the book value approximates to fair value.

At 31 December 2014, the Group's derivative financial instruments are measured at fair value under IAS 39 and are designated as level 2 in the fair value hierarchy. The fair value of derivative financial instruments was a liability of US$2.5 million at 31 December 2014 (2013: a liability of US$4.2 million), determined using forward exchange rates that are quoted in an active market.

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

26 Contingent liabilities and regulatory matters

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

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

(c) The Group operates in numerous jurisdictions. Accordingly, the Group is filing tax returns, providing for and paying all taxes and duties it believes are due based on local tax laws, transfer pricing agreements and tax advice obtained. The Group is periodically subject to audits and assessments by local taxing authorities. The Board is unable to quantify reliably any exposure for additional taxes, if any, that may arise from the final settlement of such assessments. Accordingly, no additional provisions have been made.