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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

888 Holdings Plc

("888" or "the Group")

FY2022 Results and Q1 2023 Trading Update

FY22 pro forma revenue of £1.85 billion and Adjusted EBITDA of £311 million both in-line with expectations

Encouraging Q1 2023 performance; synergy delivery on track; FY23 Adjusted EBITDA and FY25 outlook unchanged

888 (LSE: 888), one of the world's leading betting and gaming companies with internationally renowned brands including William Hill, 888, Mr Green and SI Sportsbook, today announces its audited financial results for the year ended 31 December 2022 ("FY22" or the "Period"), together with a trading update for the three months ended 31 March 2023 ("Q1-23").

KEY HIGHLIGHTS

- FY22 Results[1] in line with previously announced expectations
  - Group revenue +74% to £1,238.8 million, and Adjusted EBITDA[2] +82% to £217.9m
  - Group pro forma[3] revenue -3% to £1,850.1 million, and Adjusted EBITDA of £310.6 million
- Q1-23 revenue of £446m with unchanged outlook for Adjusted EBITDA to be in line with market expectations
  - Pro forma revenue -5% year-over-year, with a strong performance in Retail
  - As at 31 March 2023, cash (net of customer balances) was approximately £170m, with undrawn committed facilities of £150 million, giving total liquidity of over £320 million
  - During Q1-23 the Group agreed the sale and leaseback of £10 million of freehold properties and is reviewing the potential monetisation of non-core assets
  - The Board continues to expect FY23 adjusted EBITDA to be significantly higher year on year with an adjusted EBITDA margin of at least 20% as the Group focuses on building sustainable revenues
- The Board is making good progress with its search for a new CEO with Lord Mendelsohn acting as Executive Chair on an interim basis. As previously announced, Chief Financial Officer and Executive Director Yariv Dafna will remain in his posts until the end of 2023, providing continuity to the Board and executive team
- Conclusion of internal investigation into certain shortfalls in best practices in relation to Middle East VIP customers announced in January 2023 with robust policies and procedures implemented to reopen accounts and onboard new customers in the region. No further impacts expected and the Board currently expects to recover 40-50% of revenue from the cohort, resulting in a £25-30m revenue headwind for FY23
- No further expected impact on our UK operations or revenue expectations arising from the settlement between the Gambling Commission and William Hill announced on 28 March 2023 in relation to historic player safety failings that occurred prior to the Group's acquisition of William Hill. Significant remedial actions have put the Group in a far stronger position from a compliance perspective

Lord Mendelsohn, Executive Chair of 888, commented:

"The combination with William Hill transformed the Group and brought together two exceptional and complementary businesses to create one of the world's leading betting and gaming businesses.

The Group's financial performance in the period primarily reflected the extensive actions being taken to drive higher standards of player protection. While recent compliance issues in the Middle East were very disappointing, they have underlined the importance of our enhanced and proactive risk management framework.

We have made positive progress with the integration enabling us to upgrade our synergy target from £100m to £150m. In 2023 we remain on track to deliver higher profitability as we deliver against our clear strategic priorities. Our clear priorities of integration, market focus, and deleveraging give us confidence in our 2025 targets, as we build a stronger and more sustainable business for the future."

FY22 RESULTS

The acquisition of the international (non-US) business of William Hill completed on 1 July 2022, and as such, to aid comparability, the financial results and associated commentary presented in this statement, unless otherwise stated, reflect the pro forma results as if 888 had owned William Hill for each of the periods below. The pro forma financial results, which are unaudited, also exclude the 888 Bingo business, the sale of which completed on 7 July 2022.

	Reported[1,2,4]			Pro forma[1,2,3,4]		
£ millions	**2022**	**2021**	**YoY%**	**2022**	**2021**	**YoY%**
Revenue	1,238.8	712.3	+74%	1,850.1	1,907.0	-3%
Adjusted EBITDA	217.9	119.7	+82%	310.6	269.9	+15%
(Loss)/profit before tax	(115.7)	59.0	nmf			
Adjusted profit before tax	80.5	89.1	-10%			
Earnings per share	(28.3)	13.4	nmf			
Adjusted earnings per share (p)	15.1	22.2	-32%			

Reported financial highlights

- Group revenue +74% to £1,238.8 million, and Adjusted EBITDA +82% to £217.9m, both principally driven by the addition of William Hill results following completion of the acquisition on 1 July 2022
- Adjusted profit before tax[2] -10% to £80.5m, reflecting the increased interest costs following the acquisition of William Hill
- Reported loss before tax of £115.7m, impacted by exceptional costs and adjusting items of £184.8m primarily related to amortisation of acquired intangibles, impairment of historic US goodwill and William Hill technology no longer under development, together with transaction fees for the acquisition of William Hill, and integration and restructuring costs post completion as we began to realise synergies
- Adjusted basic earnings per share[2] of 15.1p (2021: 22.2p), basic earnings per share (28.3p) (2021: 13.4p) with the year-on-year decline on an adjusted basis mainly reflecting additional interest costs, together with an increased share count following the capital raise in April 2022 to part fund the acquisition of William Hill
- Several successful debt issuances through the year, with the proceeds used to repay the acquisition financing package for the acquisition of William Hill. The Group ended the year with £1.8 billion equivalent nominal debt, with 43% of effective debt in Sterling, 50% in Euros and 7% in USD, and approximately 70% of interest costs fixed for at least three years, increased from 35% in October 2022
- Net debt of £1.73 billion at 31 December 2022, equivalent to 5.6x pro forma adjusted EBITDA leverage ratio

Pro forma financial highlights

- Group revenue -3% to £1,850.1 million, with the normalisation of retail revenues substantially offsetting a -15% decline in online, which was driven by proactive investment in enhanced player safety measures in the UK Online segment, and the closure of the Netherlands from Q4 2021. Online revenue outside of the UK and the Netherlands was -4%, principally reflecting the strong comparative period and refined market focus under our evolved strategic framework
- Adjusted EBITDA of £310.6 million (2021: £269.9 million), in line with guidance from the Capital Markets Day, and +15% year-on-year, driven by a positive retail performance since reopening following the pandemic
- Adjusted EBITDA margin of 16.8% (2021: 14.2%)

Operational and strategic highlights

- *Priority 1: Integrate businesses and realise synergies*
  - Upgraded target of £150m of pre-tax cost synergies by 2025; increased 2023 target of £111 million (of which £87m relates to operating expenses and £24m relates to capex)
  - Synergy delivery on track, with £25m (£17m opex, £7m capex) of synergies in 2022, slightly ahead of initial plans
  - Accelerated decision to adopt 888's technology as the basis for the Group's platform of the future, with good progress made on the Mr Green migration in Sweden, the first major milestone for the integration, which is on track to launch in the coming months
- *Priority 2: Focus on select markets and key growth opportunities*
  - Implemented new operating model with country level focus in *core* and *growth* markets, to drive improvements in localisation and support market share gains
  - Launched 888 on a locally regulated basis in Ontario, Canada and SI Sportsbook in Virginia and Michigan during the year, supporting our growth market agenda
  - Strategic investment in 888AFRICA joint venture creating a long-term growth platform for regulated African markets, with rapid progress made and very encouraging performance since launch, now over 500k customers

- *Priority 3: Invest in our sources of sustainable competitive advantage*
  - Launched several exciting new products in parallel with integration work, to deliver a best-in-class product and content experience, including betslip tracking and cash out for #BuildYourOdds and improved personalisation within gaming for all brands
  - Continued to cement world class brand positioning, with William Hill launching a new UK brand campaign focused on providing EPIC value and 888 aligning its sub-brands under a single *Made to Play* master-brand proposition
  - Focused on customer excellence through our "brilliant basics" programme, with improvements to core customer journeys supporting increased player engagement and satisfaction
  - Continued investment in retail store technology and training to provide best in class retail experience, with encouraging early signs from a trial of new gaming cabinets that are planned to roll out over the entire estate over the next 18 months
- *Priority 4: Support sustainable growth through Players People Planet ESG framework*
  - Appointment of Harinder Gill to newly created Chief Risk Officer role, driving higher standards in compliance and safer gambling
  - Significant focus on safer gambling, with over 500,000 third-party financial vulnerability checks carried out in the UK, over 2.7 million safer gambling customer interactions globally (+19% on 2021), and 45% of global customers now having deposit limits in place (up from 37% in 2021)
  - Focused on colleague experience through integration with rollout of improved employee engagement tracking Group wide, achieving an initial employee NPS score of +8 across the combined business
  - 44% reduction in Scope 1 and 2 emissions from 888 vs 2019 baseline; the UK retail business became certified carbon neutral across Scope 1 and 2 emissions, one of the first large UK retail businesses to achieve this
- *Priority 5: Prioritise debt reduction through focus on capital efficiency*
  - Strong long-term debt structure put in place, with currency profile better aligned to operating cashflows
  - Clear focus on deleveraging, with EBITDA growth the main driver into 2023 given integration costs, and free cash flow generation expected to pick up from 2024 onwards
  - The Group continually reviews its asset base, and considers opportunities to monetise assets over time that do not contribute to its long-term strategy, including the potential sale of non-core assets. These activities enable the Group to strengthen its balance sheet and to focus on the Group's strategic growth opportunities. During the first quarter of 2023, the Group has agreed the sale and leaseback of £10 million freehold properties. The Group also owns a 19.5% stake in Sports Information Services (Holdings) Limited ("SIS") and SIS is reviewing strategic options for the business

Q1 2023 TRADING UPDATE

Revenue of £446 million (pro forma revenue for Q1 2022: £469 million), with continued momentum in Spain and Italy and a strong performance in Retail partially offsetting online revenue declines due to the ongoing impact of safer gambling changes in the UK, and refined market focus in International together with the impact of compliance changes in the Middle East.

£ millions	**Q1-23**	**Q1-22[1]**	**YoY**		**Q4-22[1]**	**QoQ**
UK&I	**306**	312	-2%		304	1%
- Online	***167***	*183*	*-9%*		*172*	*-3%*
- Retail	***140***	*129*	*8%*		*131*	*6%*
International	**140**	157	-11%		154	-9%
Total revenue	**446**	**469**	**-5%**		**457**	**-2%**

Pro forma financial highlights

- UK Online -9% and beginning to stabilise sequentially with growth in low-spending recreational cohorts, offset by reduced revenues from higher-spending players. Strong growth in active players, with a particularly strong Cheltenham Festival where active players were +15% with new all-time-highs for bets per minute
- International revenue down -11%, reflecting the impact of our refined focus on the most attractive Core and Growth markets, together with the impact of lower revenues from the Middle East
- Retail performing strongly, with revenue up +8% with both sports and gaming growing

Operational and strategic highlights

- Customer activity remains strong with average monthly actives +6% YoY in Q1-23
- Launch of Mr Green in Germany on the 888 platform in March, following receipt of new German gaming licence
- SI Casino went live in Michigan in February 2023, with an encouraging early performance, validating our refined strategic focus on gaming-driven US market opportunities

OUTLOOK

- The Board expects 2023 revenues to be lower than 2022 by a low to mid single digit percentage, but Adjusted EBITDA to be significantly higher as we focus on building sustainable revenues, with an Adjusted EBITDA margin of at least 20%
- With strong progress in the realisation of synergies and effective implementation of the new market focus plan post acquisition of William Hill, the Board remains confident in its 2025 targets of at least £2 billion of revenue, an Adjusted EBITDA margin of at least 23% and more than 35p of Adjusted EPS, with adjusted net debt to EBITDA of below 3.5x

Sell side analyst and investor presentation
Lord Mendelsohn (Executive Chair), Yariv Dafna (Chief Financial Officer), and Vaughan Lewis (Chief Strategy Officer) will host a presentation for sell-side analysts and investors today at 09.00am (BST).

Live audio webcast link: https://brrmedia.news/888_FY22

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

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

Debtholder call
Yariv Dafna (Chief Financial Officer) and Vaughan Lewis (Chief Strategy Officer) will also host a Q&A session for lenders today at 13.00pm (BST). There will be an opportunity to submit questions via the webcast.

Live audio webcast link: https://brrmedia.news/888_FY22debt

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

Notes

[1] William Hill financials were previously reported on a 52 week basis opposed to calendar year. For the year ended 31 December 2022 and to align to calendar year reporting an adjustment has been made to include the additional four days from 28 to 31 December 2022. This increases Q4 and FY 2022 revenue by approximately £9m and Adjusted EBITDA by £nil. No adjustment has been made in respect of the prior periods.

[2] Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, and excluding share based payment charges, foreign exchange losses and exceptional items and other defined adjustments. Adjusted measures, including Adjusted EBITDA, are alternative performance measures ("APMs"). These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs. The Directors believe these APMs provide additional useful information for understanding performance of the Group. They are used to enhance the comparability of information between reporting periods and are used by management for performance analysis and planning. An explanation of our adjusted results, including a reconciliation to the statutory results is provided in note 3 to the financial statements.

[3] Pro forma information, which is unaudited, reflects the results as if the Group had owned William Hill for all periods, and excludes the Bingo business in all periods.

[4] Subtotals, totals, and percentage changes shown throughout this document have been calculated based on the underlying numbers and therefore may not sum directly when using the rounded numbers presented.

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About 888 Holdings Plc:

888 Holdings plc (and together with its subsidiaries, "888" or the "Group") is one of the world's leading betting and gaming companies. The Group owns and operates internationally renowned brands including William Hill, 888, and Mr Green. In addition, the Group operates the SI Sportsbook and SI Casino brands in the US in partnership with Authentic Brands Group.

Incorporated in Gibraltar, and headquartered and listed in London, the Group operates from offices around the world and employs over 11,000 people globally.

The Group's mission is to lead the gambling world in creating the best betting and gaming experiences, bringing unrivalled moments of excitement to people's day-to-day lives. It achieves this by developing state-of-the-art technology and content-rich products that provide fun, fair, and safe betting and gaming entertainment to customers worldwide.

Find out more at:
http://corporate.888.com/

Important Notices

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

EXECUTIVE CHAIR'S STATEMENT

INTRODUCTION

2022 was a landmark year for the Group. The transformational acquisition of William Hill, which completed in July for a revised total consideration of £1.95bn, was a bold step that sets the Group on a clear course to becoming a global leader in our industry. The enlarged Group will benefit from significantly increased scale, greater revenue diversification, and an increased proportion of regulated and taxed revenues underpinned by stronger positions across our core markets of the UK, Italy, and Spain.

For more than 25 years, 888 has grown and developed as a technology-led gaming business. It has built a world-class and scalable global technology platform alongside outstanding digital marketing and data capabilities. Additionally, 888 is one of the leading online casino brands in the world. On the other hand, William Hill is a bookmaker by DNA, with an iconic brand that is instantly recognised across the UK, supported by a top-class retail estate. The highly complementary nature of these two businesses was reinforced by the materially increased synergy target of £150m we disclosed towards the end of the year. Throughout our Annual Report we outline in detail the significant benefits and value creation opportunities that will be delivered through the combination of these two highly complementary businesses, as well as update on the positive early progress made in the integration process.

As well as completing the acquisition of William Hill, we also completed the sale of our bingo business in July 2022. The bingo business operated on a separate platform and added operational and technical complexity to the Group, so the strategic disposal came at the right time for us to renew our focus on our core B2C betting and gaming products, and direct investment toward our goal of a building a scalable single global platform. We thank our valued bingo colleagues for their contributions to the 888 business over several years, and wish them well for the future.

Whilst 2022 was a year of significant strategic progress, the trading backdrop undoubtedly presented several challenges for the Group and indeed our wider industry. Global macroeconomic conditions – in particular following Russia's invasion of Ukraine in February 2022 – shifted considerably. As a result, both the Group and its customers faced high rates of inflation and higher interest rates. As an entertainment business, we are mindful of the potential impact of these cost-of-living pressures on our players.

Notably, since the acquisition of William Hill, the Group is now more exposed to the effect of higher interest rates due to its current high levels of debt. The ultimate structure of the William Hill acquisition resulted in the Group's net debt being higher than had been anticipated when the acquisition was initially announced in 2021. As a result, the Group was more exposed to material changes in interest rates in the year, which in turn impacted its ability to reinvest excess cash flow into accelerating growth in the short term.

Meanwhile, overall market growth rates across the Group's key online markets moderated during the year. At the outset of the global COVID-19 pandemic in 2020, consumers around the world pivoted quickly towards e-commerce and digital forms of entertainment. This in turn drove significantly higher growth rates for the Group over the course of 2020 and 2021 compared to what had been previously achieved. As pandemic- related social restrictions have eased, growth rates in our online business have moderated, albeit with customer activity remaining higher than pre- pandemic levels.

Against this dynamic and testing backdrop, I would like to thank everyone across the enlarged business for their continued commitment during the year. The Group has made very positive early progress with the integration process, including raising its synergy targets materially and setting out a clear strategic roadmap towards ambitious financial targets for 2025. The Group has a clear plan to maximise the value creation opportunity from combining these two world-class businesses and the Board remains highly confident that this will underpin sustained growth and shareholder value creation over the medium and long term.

BOARD FOCUS AREAS

As a Board, our role is to represent our shareholders and broader stakeholders, and to ensure that we are holding management to account to deliver long-term, sustainable, shareholder value creation. To this end, the Board has three key priorities. The first is to ensure that the Group executes a successful integration, and the Board is confident that the Group is taking the right actions to create a more streamlined, more profitable, and more nimble business going forward.

The Board's second key focus is on building and reinforcing the teams across the Group. We significantly strengthened the operational management team during the year with a broad and diverse range of talent from the William Hill team, as well as several important external hires.

The Board's third focus is to ensure that management is always thinking about the long-term direction of the business. As part of this, the Board builds ESG and sustainability into all its planning, whether that is by ensuring that the Group does the right thing by its players by maintaining strong safer gambling standards, or by providing a great workplace for its people, or by

doing its bit to support the environment and fight the climate emergency. Led by the Board's ESG Committee, the Board has full oversight of the Group's ESG strategy, targets, and progress.

BOARD CHANGES

Following the completion of the acquisition of William Hill, in July 2022 we were pleased to strengthen the Board of Directors with the appointments of Andrea Gisle Joosen and Andria Vidler as Independent Non-Executive Directors, and Ori Shaked as a Non-Executive Director. Each new Board member has brought extensive and highly relevant skills and experience to the business that I know will continue to be of significant benefit to the Group as it delivers its long-term strategic objectives.

Following the year end the Group announced further directorate changes with regard to executive directors, which are discussed in more detail in the post year end developments later in this statement.

CLEAR STRATEGIC ROADMAP: POSITION-PLAN-POTENTIAL

The Group's strategic roadmap over the coming years is firmly focused on unlocking the significant potential from the combination of 888 and William Hill. However, to do this we must first acknowledge and address the key challenges that come with our current position as a newly combined Group.

Firstly, we recognise that our debt levels are high, and furthermore the cost of our debt is higher than we had anticipated due to material changes in interest rates and debt market conditions since the initial announcement of the deal in 2021. As a result, we are currently restricted when it comes to reinvesting excess cash flow into accelerating near term growth. Accordingly, we know that deleveraging must be a key priority for the Group, and we have set ourselves a clear target of reducing our net debt to EBITDA ratio from 5.6x at the end of the Period to below 3.5x by the end of 2025.

We also have a combination of three main platforms across 888, William Hill and Mr Green and in some markets, our brands are directly competing against each other. This fragmented approach and duplicate operating and technology structure means our margins are lower than peers and that's something that we must change.

We have a clear plan to address these challenges and to achieve our potential as a more profitable business that is sustainably positioned for the next decade of growth. Central to this plan is our refined strategic framework with two clear strategic priorities: integration and market focus.

These priorities are underpinned by our focus on continually developing our three key strategic enablers: product and content leadership, world-class brands, and customer excellence.

Strategic priority 1: Integration

The first of our strategic priorities is to deliver a successful integration programme.

During the second half of the year, following completion of the acquisition, we immediately began working hard on our technology migration programme. We analysed every aspect of the enlarged Group's different product platforms and took the swift decision to use 888's technology as the Group's core platform going forward. We also identified certain market-leading components from William Hill's technology that we will incorporate into the core platform. These include William Hill's global trading and retail technology platforms.

I am pleased to report that we are making good progress with our technology integration, with Mr Green launched in Germany on our core platform. The next stage is migrating Mr Green in Sweden onto the 888 platform in the coming months, which will be the first major milestone for the technology integration program as we aim to deliver our platform of the future over the next few years.

Not only will our platform of the future deliver a significant cost advantage to the Group, but we also believe there is an important revenue upside opportunity as we bring together our best-in-class product and content from across betting and gaming. One example of this is within our sports offering, where William Hill currently provides over 50,000 more in-play football markets each year than 888sport. We are confident that by expanding the range of betting options at 888sport and SI Sportsbook we will drive higher customer engagement and revenue. Similarly, 888 has a world-class games development studio, Section8, which creates some of the most successful 888casino content. We are on track to be able to offer this content to both William Hill and Mr Green customers across various markets in 2023.

Strategic priority 2: Market focus

The second of our strategic priorities is ensuring that we have a very clear focus on the key market opportunities for the Group that will deliver superior returns on investment.

This process categorises each of the Group's geographic markets into one of four market archetypes. Firstly, our core markets of the UK, Italy, and Spain. Cumulatively these countries represented around 70% of the Group's online revenue in 2022 and offer a total addressable market of more than £10 billion. These are all markets with tightening regulations and rising barriers to entry, and where we believe the Group can further build market share by strengthening our key competitive advantages. During the year the Group made significant investments in proactive safer gambling measures in the UK, which we believe positions us well ahead of the anticipated white paper on UK gambling regulation. Coupled with the tough comparative period that was aided by COVID related digital migration, these factors led to a 20% year-over-year decline in UK online revenues across the Group. We look forward to the white paper and subsequent level playing field that it should bring to the UK market, and are confident that our leading brands and sustainable recreational customer base will see us succeed in this market.

Our second market archetype is our growth markets, which includes Denmark, Germany, Ireland, Ontario in Canada, and the USA. These are regulated but less mature markets for the Group where we believe we can grow significantly through disrupting and building on the strong initial positions we have developed, or by taking advantage of our unique customer propositions. Across this group of markets our focus is on rapid growth, which will be achieved by reinvesting all underlying profitability generated across this cohort of markets back into the most attractive growth opportunities. Over time, as we grow our share in these markets, our intention is that some of these will become additional core markets for the Group where we will then aim to consolidate market-leading positions and drive profitability. During the year we launched the SI Sportsbook brand in Virginia and Michigan in the US and launched 888 under a local licence in Ontario, Canada, further successfully bolstering the Group's growth market portfolio. Early in 2023 we launched newly licensed offerings with SI casino in Michigan and Mr Green in Germany as we further support our growth markets.

Thirdly, we have our optimise markets. The Group currently offers its products across a huge range of global markets and, as we have a global and scalable platform, we can do this profitably and successfully in both regulated and offshore markets. Our optimise markets are ones where either the market opportunity is not compelling, or where we do not currently see an opportunity to be one of the dominant players in that market. As a result, our focus is on providing our products to customers in the most cost-efficient, profitable manner.

Finally, we have our pipeline markets. These are regions or countries where there is an attractive growth opportunity, but where we need a different model to unlock the potential opportunity. A great example of this is in Africa, where during the year we launched a joint venture, 888AFRICA, to operate 888 brands in online betting and gaming markets across selected regulated markets in Africa. We were pleased to report that Tanzania, Zambia, Mozambique and Kenya all successfully launched during the second half of the year, in time for the FIFA World Cup, and we have seen some very positive early momentum. The Group has a minority stake in 888AFRICA, with the option to increase this to take control and ultimately own up to 100% of the venture in the future.

KEY STRATEGIC ENABLERS

The Group's market share gains will be underpinned by our sources of sustainable competitive advantage, which act as strategic enablers. These are product and content leadership, world-class brands and customer excellence.

Product and content leadership

888's proprietary technology across all products provides a clear strategic advantage against our competitors and enables complete flexibility over the user experience. Our focus on clear product development principles allows us to offer best-in-class products, differentiated content and AI-powered personalisation.

World-class brands

The Group owns and operates some of the most recognised betting and gaming brands in our core and growth markets, including William Hill, 888, and Mr Green. We harness the power of our world-renowned brands, together with our highly effective, automated, and flexible data-driven marketing machine, to acquire, retain and engage customers in a unique way.

Customer excellence

Understanding customer needs and building our product, marketing, and offers to create the best experiences possible is critical to our growth plans. A key part of our relentless focus on customer experience is delivering quick and effective customer service. We are investing in this area all the time and through integration will be able to improve customer experience even more.

CRITICAL STRATEGIC FOUNDATIONS

We know that without getting the following three critical strategic foundations right, we will not be able to succeed in executing on our vision for the combined Group.

People and culture

Nurturing the right corporate culture and building the right team will be central to our future success. This starts with our strong executive team, which comprises the best leadership talent from across 888 and William Hill as well as some important new hires who joined the business during the Period. These include Harinder Gill, the Group's new Chief Risk Officer, and Anna Barsby, our new Chief Product and Technology Officer.

As we progress further through the integration process, we are focused on building a strong team culture that brings together the best attributes of both businesses and ensures that the sum of these great, historic businesses creates a combination that is stronger together. A powerful, agile, engaged, and unified team culture is critical to this.

Player safety

The second of our critical strategic foundations is player safety. We strive to build seamless customer journeys that enable players to easily track and limit their spending, while also enabling us as the operator to intervene when there is a risk of harm. By doing this, we will create an even more trusted relationship with our players, who in turn know that they can enjoy their betting and gaming with us in a safe and sustainable manner.

Over recent years, we have made important progress in the critical area of safer gambling. This includes making significant investments in our team and technology, which are central to our plans to continue to reduce the risks related to player safety. The Group's risk and compliance team, led by Harinder Gill, has more than doubled in size in the last three years to almost 400 employees and is now one of our largest departments.

One of our key goals is to make safer gambling a normal part of the customer experience. This is why we are pleased to report an 8.5 percentage point year on year increase in the number of the Group's players with safer gambling limits in place, with over 45% of our global customers now utilising limits to help ensure both a safer and more entertaining betting and gaming environment.

When it comes to safer gambling, we know that we are on a journey of continual improvement, and we acknowledge that the Group has not always got this right. We know that we must strive to do better and, in the year ahead, we are focused on enhancing the Group's overall approach to risk management, improving core processes, integrating teams, and aligning the slightly different safer gambling approaches that exist across our different platforms.

Planet

The Group acknowledges that the urgency and importance of the climate crisis requires everyone to play their part, and we continue to build on the progress we have made in this area. 2022 has been a year of transition for the group, as we work to combine the 888 and William Hill businesses. Our carbon footprint has expanded following the William Hill acquisition, but we have continued to evolve both in understanding our climate impact and working to address our carbon footprint. We have continued to make progress in delivering on our climate goals and have been rewarded with improved ratings from various key ESG ratings bodies. In 2022 we retained membership of the FTSE4Good Index as well as achieved much improved scores in the CDP rating, achieving a B- rating up from a previous rating of F. In early 2023 we achieved a CSA rating of 34, up from our prior year score of 26, an above average score for our sector. I am pleased with progress in this area but there is more to do in order for us to continue to ensure we are supporting the global fight against climate change.

POST YEAR-END DEVELOPMENTS

Directorate Changes

After the year-end the Group announced that Itai Pazner, Chief Executive Officer and Executive Director, was leaving office as CEO and as a Director with immediate effect on 30th January 2023. On behalf of the Board, I would like to thank Itai for his significant contributions to the business over more than 20 years, including the last four as CEO. Itai has played a very important role in building a business with powerful proprietary technology and has overseen successful early stages to the William Hill integration process. We wish him well in his future endeavours.

Since that date, I have assumed the role of Interim Executive Chairman while the Board searches for a permanent CEO. In this role I have assumed the responsibilities of the CEO and am fully focused on actively driving the business forward and leading our team to deliver our clear strategic plans. Across the leadership team we have completely clear focus across on what we must deliver in terms of our integration, deleveraging, and ensuring we are relentless in our pursuit of driving market share gains in our key markets.

Also in January 2023 we announced that Yariv Dafna, the Group's CFO would leave the business at the end of 2023. On behalf of the Board, I would like to thank Yariv for his significant input to 888's progress in recent years and we look forward to his continued contributions to the Board during the remainder of the year.

We have a very strong operational management team in place, and a Board priority right now is the appointment of a permanent CEO. We have been pleased with the depth and calibre of the candidates that we are engaging with and are making good progress with our search.

We are absolutely committed to appointing a CEO that will lead the team to deliver the potential of this business. The focus of the Board is therefore on making the right selection, rather than just making a quick selection.

Compliance and safer gambling

Over recent periods we have invested significantly in our compliance team, with the drive for higher standards headed by our new Chief Risk Officer, Harinder Gill, who joined the Group last summer. Harinder's team is on a mission to drive higher standards across all areas of risk and safer gambling and, as a Board and leadership team, we are all fully committed to this.

In late January, our internal team identified failures where our safer gambling policies were not being effectively applied. Further investigations identified similar accounts which were later confirmed to be a broader issue within a specific cohort of players, namely our VIPs in the Middle East. The Board once fully briefed took the prudent decision to suspend all of these accounts while the compliance team investigated the situation further.

Whilst this was a very disappointing development, I am pleased with how the business responded and that we have been able to quickly remedy the failings. Furthermore, I am highly confident that our policies and procedures are robust, and this failure was isolated to a very specific cohort of players. We have found no further issues and do not anticipate any further actions here. I am also pleased to say that we have successfully started reopening accounts and revenues in the region are beginning to recover.

On the 28th March 2023 the GB Gambling Commission ("GBGC") announced that a £19m regulatory settlement in lieu of a financial penalty had been reached with William Hill in relation to historic player safety failings.

The failings occurred before we owned William Hill, so we could have had no bearing on the areas that were investigated. However, the team had already taken significant remedial action, and we have further reinforced this following the acquisition. As a result, the business is now in a far stronger position from a compliance perspective, and with the improvement actions having already been taken, the announcement of the settlement has no further impact on our operations or revenue expectations in the UK.

These historic failings are not acceptable to me or the Board, and the entire Group shares the GBGC's commitment to improve compliance standards across the industry. We will continue to work collaboratively with the regulator and other stakeholders to achieve this.

UK Gambling Act Review

We continue to await the outcome of a review of the Gambling Act, which could potentially lead to major changes in UK regulation, albeit the extent and timing of any potential changes remains unclear. We have continued to take proactive steps during 2022 to increase the level of safer gambling interventions, including lowering thresholds for intervention and stepping up affordability checks, as well as lowering the max stake limits on our slots. We believe all of this positions the business well for any future changes through the white paper and any associated consultations that will likely follow.

OUTLOOK

Whilst – as outlined above – the Group faces some near-term challenges with our debt position and cost of debt,
I am confident in our clear strategic plan to create shareholder value and achieve our exciting potential. Over the coming years the Group's absolute focus will be on delivering our synergy targets, deleveraging, and delivering a successful integration process that creates a highly efficient, unified business model.

At our Capital Markets Day towards the end of 2022, the Group outlined four key financial targets for FY25 which the Board is confident will underpin strong shareholder returns. These are as follows:

- Revenue of more than £2bn reflecting our refined strategic focus on a smaller number of key markets;
- Adjusted EBITDA margin of more than 23%, up from 17% in the Period, which will be driven by a successful integration programme;
- Leverage of less than 3.5x, down from 5.6x at the end of the Period, which will be driven by an extremely disciplined approach to capital allocation, with a focus on deleveraging; and
- Adjusted earnings per share of more than 35p, reflecting the strength and benefits of the combined Group.

The management team continues to make very good progress with the integration and synergy programme. Whilst there is still much work to be done, we are pleased with what has been achieved so far, from critical early decisions taken around the technology platform and migration plan, to defining our market focus and bringing the teams together to execute on this. Our new operating model has been rolled out and the Board is pleased with how all our colleagues are now working together to achieve our common goals. The Board is confident that this progress will support a superior EBITDA margin for the Group in 2023 compared to 2022.

Whilst there remain several well-known macroeconomic and industry challenges as outlined above, the Board is confident that the combination with William Hill will unlock significant potential for the enlarged Group and all its stakeholders. This will be underpinned by its superior technology, talent, brands, scale, and more diversified revenue streams. Your Board and executive leadership team will continue to ensure that the Group remains resolutely focused on enhancing long-term value creation for shareholders and we look forward making further progress in the year ahead.

CHIEF FINANCIAL OFFICER'S REPORT - BUSINESS & FINANCIAL REVIEW

FINANCIAL SUMMARY

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

	Adjusted results		Exceptional items and adjustments		Statutory results	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Revenue	1,238.8	712.3	0.0	0.0	1,238.8	712.3
Cost of sales	(440.4)	(242.3)	(0.1)	(10.9)	(440.5)	(253.2)
Gross profit	**798.4**	**470.0**	**(0.1)**	**(10.9)**	**798.3**	**459.1**
Marketing expenses	(257.8)	(222.6)	0.0	0.0	(257.8)	(222.6)
Operating expenses	(323.0)	(127.7)	(102.3)	(19.2)	(425.3)	(146.9)
Share of post-tax profit of equity accounted associate	0.3	0.0	0.0	0.0	0.3	0.0
EBITDA	**217.9**	**119.7**	**(102.4)**	**(30.1)**	**115.5**	**89.6**
Depreciation and amortisation	(63.6)	(26.4)	(56.7)	0.0	(120.3)	(26.4)
(Loss)/Profit before interest and tax	**154.3**	**93.3**	**(159.1)**	**(30.1)**	**(4.8)**	**63.2**
Finance income and expenses	(73.8)	(4.2)	(37.1)	0.0	(110.9)	(4.2)
(Loss)/Profit before tax	**80.5**	**89.1**	**(196.2)**	**(30.1)**	**(115.7)**	**59.0**
Taxation	(16.3)	(6.5)	11.4	(2.5)	(4.9)	(9.0)
(Loss)/Profit after tax	**64.2**	**82.6**	**(184.8)**	**(32.6)**	**(120.6)**	**50.0**
Basic earnings per share	15.1	22.2			(28.3)	13.4

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

Adjusted EBITDA is defined as EBITDA excluding share based payment charges, foreign exchange losses and exceptional items and other defined adjustments. Foreign exchange losses and share benefit charges were excluded to allow for further understanding of the underlying financial performance of the Group. Further detail on exceptional items and adjusted measures is provided in note 3 to financial statements.

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

	Pro forma		
	2022 £'m	2021 £'m	Change
Revenue	**1,850.1**	**1,907.0**	**(3.0%)**
Adjusted Cost of sales	(599.2)	(646.4)	
Gross profit	**1,250.9**	**1,260.6**	**(0.8%)**
Marketing expenses	(331.8)	(433.0)	
Adjusted operating expenses	(608.7)	(558.5)	
Share of post-tax profit of equity accounted associate	0.2	0.8	
Adjusted EBITDA	**310.6**	**269.9**	**15.1%**

* Pro forma information presented in the financial summary (including the associated narrative) is not part of the audit of financial information performed by the Independent Auditor. These are defined on page 2 and 3.

SUMMARY

Reported revenue for the year was £1,239m (+74%) with the main driver being the completion of the acquisition of William Hill on 1 July 2022. On a pro forma basis revenue of £1,850m and Adjusted EBITDA of £311m were both in line with the guidance given at our capital markets day in November 2022.

Alongside the transformation in our revenue and earnings, our balance sheet has significantly changed following the acquisition, with the predominantly debt-funded deal leading to a highly leveraged balance sheet with debt of £1.7bn and a net debt to Adjusted EBITDA ratio of 5.6x at 31 December 2022. Given the deterioration in debt capital market conditions between signing and completing the acquisition, the ultimate structure of the William Hill acquisition left the Group more exposed to changes in interest rates, which continued to increase through the second half of 2022 following completion. We were pleased to successfully issue £347m equivalent of new debt in December 2022 to repay some of the initial deal financing, and increase the level of hedging we have in place such that approximately 70% of interest is fixed for at least the next three years.

Increased interest costs, the current macroeconomic climate and the impact of high inflation on the cost base, is putting pressure on the profit margins and cash generation of the Group. This restricts our ability to reinvest excess cash flow to accelerate near term growth and means our focus in the short term is on improving profitability through synergies and other cost savings generated from the transformation and integration programme. This will allow us to enhance cash generation and deleverage which is the key priority of the Group.

The integration and transformation programmes encompass both the programme to integrate the William Hill business into the 888 Group, unlocking approximately £150m cash synergies per annum, and wider transformation initiatives across the combined Group to drive efficiencies in operations. The programme is expected to continue until 2025, albeit many of the initiatives are expected to complete in 2023. There is an expected £100m of cash costs to achieve synergies expected to be incurred across the integration programme; with the expense expected to be greater than this due to non-cash items, such as impairments of software assets not required as the technology stack of the two businesses are integrated, and costs associated with the wider transformation programme.

As the Group executes these plans to improve profitability margins and deleverage, this will enable further investment in the growth opportunities available to the Group, in order to achieve the key financial targets for FY 2025 as outlined within the Capital Markets Day in November 2022 and which the Board remain confident in achieving:

- Revenue of more than £2bn
- Adjusted EBITDA margin above 23%
- Leverage of less than 3.5x
- Adjusted earnings per share of more than 35p

In FY23 specifically, we currently expect revenue to decline by low to mid single digits but EBITDA margin, on an adjusted basis, to improve to greater than 20%. This is a significant increase compared to the pro forma adjusted EBITDA margin of 16.8% in FY 2022, reflecting the realisation of a large proportion of the synergies from the acquisition.

In the UK market, we look forward to the Gambling Act white paper and subsequent level playing field that it should bring, and are confident that our leading brands and sustainable recreational customer base will see us succeed in this market. The acquisition of William Hill has also meant the Group is more diversified with a Retail business and an improved position internationally, in particular in our core markets of Italy and Spain. This creates a more sustainable business in a changing regulatory environment.

Revenue for the first quarter of 2023 was £446m, representing an increase of 168% on a reported basis and decrease of 5% on a pro forma basis. The reduction on a pro forma basis reflects strong growth in retail of +8%, more than offset by UK&I Online being down 9% with the continued impact of safer gambling changes, and International Online being down 11% as a result of our refined market focus and compliance changes in the Middle East.

Pro-forma results

Given the significance of the acquisition of William Hill midway through the year, the statutory results do not provide a clear comparison of performance to the previous period as they consolidate results of the William Hill business for the second half of the year in FY 2022. As such, in the analysis below, focus is given to the pro forma results showing a clearer performance of the Group in FY 2022 compared to FY 2021.

Within these pro forma unaudited results which do not form part of the audited financial statements, the FY 2021 financials cover the 52 week period from the 30 December 2020 to the 28 December 2021 for William Hill. Since the acquisition, the William Hill business has aligned to the monthly financial calendar of the Group and, therefore, the FY 2022 financials cover the period from 29 December 2021 to 31 December 2022.

Change in presentation currency

The Group has changed the currency in which it presents its financial results from US Dollar to UK pound sterling (GBP) with effect from 1 January 2022, in consideration of the William Hill acquisition and current business mix which has now significantly higher GBP exposure and with 888 US Dollar denominated earnings a relatively lower proportion of overall earnings.

The opening balance sheet and comparatives have all been translated and re-presented to GBP following this change in presentational currency.

Segmental change

The Group has changed its operating segments within the year to reflect geographic divisions as opposed to segments by product as disclosed in previous years. This reflects the way in which results are monitored and reported in the enlarged Group.

Following the acquisition of William Hill, the business has been restructured to be managed as a UK business, comprising UK Retail and UK&I Online segments, and an International business with both supported by a Corporate centre. The US business is disclosed within the International segment and the Irish business is managed within the UK&I Online segment.

The results of the Bingo business that was sold during the year are presented within 'Other'.

The comparatives have been re-presented to display the results in these new reportable segments.

CONSOLIDATED INCOME STATEMENT

Revenue

Revenue for the Group was £1,238.8m for FY 2022 on a statutory basis; an increase of 74% to FY 2021 of £712.3m with the consolidation of William Hill revenues across H2 2022.

On a pro forma basis, revenue was £1,850.1m; a decrease of 3% compared to £1,907.0m in FY 2021.
The decline in revenue primarily reflects the additional player safety checks implemented in the UK&I Online business across both brands over the previous two years with a 20% reduction in UK&I Online revenue in FY 2022 compared to FY 2021.

On a pro forma basis, the International business declined by 9%, mainly due to regulatory changes across a range of markets, most notably the impact of the Netherlands business closing at the end of Q3 2021.
This is partly offset by a 54% increase in Retail revenues driven by a full year with a full Retail estate trading compared to lockdowns and other restrictions particularly across H1 2021.

Online sports betting revenue of £363.1m reflected a decline of 24%, and online gaming revenue of £968.0m reflected a decline of 11%. Performance across both products was principally driven by the same factors as above, with the decline larger in sports due to country mix, with more of the sports business being in the UK. Alongside this FY 2022 had a tough comparator from a sporting fixture perspective, with 2021 containing additional fixtures as major football leagues caught up post COVID-19 disruption.

Cost of sales

Cost of sales mainly comprise gaming taxes and levies, commissions and royalties payable to third parties, chargebacks, payment service provider ("PSP") commissions and costs related to operational risk management and customer due diligence services. Cost of sales has increased on a statutory basis to £440.5m from £253.2m due to the acquisition of William Hill. On a pro forma basis, cost of sales has decreased by 7.3% to £599.2m reflecting the reduction in revenue, with cost of sales representing 32.4% of revenues (FY 2021: 33.9%).

Gross profit

On a statutory basis, gross profit has increased to £798.3m from £459.1m with the consolidation of the results of William Hill for the second half of FY 2022.

On a pro forma basis, gross profit has decreased by 0.8% from £1,260.6m to £1,250.9m but with an increase in the gross margin from 66.1% to 67.6%.

Marketing expenses

Marketing is a significant investment for our Group to drive growth through investing in our leading brands, as well as customer acquisition and retention activities. On a statutory basis marketing increased to £257.8m compared to £222.6m in FY 2021 with a marketing ratio of 20.8%, which decreased from 31.3%, driven by the inclusion of the retail business, which has significantly lower marketing ratio.

On a pro forma basis, marketing decreased by 23.4% from £433.0m to £331.8m. Certain marketing is demand driven and flexible so part of the reduction is as a result of the reduced revenue noted above, with further marketing savings being

achieved following the acquisition with a refined brand marketing strategy to focus marketing on specific brands in specific countries. The marketing to revenue ratio has decreased from 22.7% in FY 2021 to 17.9% in FY 2022. This partly reflects the mix of revenue with more generated from the Retail business where the marketing investment is lower. Excluding the Retail segment, the marketing ratio decreased from 27.1% to 24.4% reflecting the refined brand marketing strategy.

Operating expenses

Operating expenses mainly comprise employment costs, property costs, technology services and maintenance and legal and professional fees. On a statutory level, operating expenses increased to £448.5m from £160.2m in FY 2021. This increase is due to the acquisition of William Hill with the Retail business having a much higher proportion of operating expenses to revenue given the employment and property costs required to operate.

On a pro forma basis, operating expenses excluding depreciation and amortisation have increased by 9.0% from £558.5m in FY 2021 to £608.7m in FY 2022. The main reason for this increase is due to inflationary pressures, in particular the impact of utility cost inflation in the Retail business.

Adjusted EBITDA

Reported EBITDA increased by 28.9% from £89.6m to £115.5m. On an adjusted basis, the increase was 82.0% to £217.9m from £119.7m, with an increased margin of 17.6% compared to 16.8% in FY 2021.

On a pro forma basis, adjusted EBITDA increased by 15.1% to £310.6m in FY 2022 compared to £269.9m in FY 2021. The adjusted EBITDA margin increased from 14.2% in FY 2021 to 16.8% in FY 2022 driven by the focus on cost efficiency alongside the early benefits of synergy delivery, particularly marketing savings from the optimised brand marketing strategy across different markets.

INCOME STATEMENT BY SEGMENT

The below table shows the Group's performance by segment:

	Statutory							
	Revenue				**Adjusted EBITDA**			
	2022 £'m	**2021 £'m**	**Change from previous year**	**% of reported Revenue (2022)**	**2022 £'m**	**2021 £'m**	**Change from previous year**	**% of Adjusted EBITDA (2022)**
Retail	**255.5**	-		*20.6%*	**41.2**	-		*18.9%*
UK&I Online	**455.5**	255.2	*78.5%*	*36.8%*	**61.6**	7.7	*700.0%*	*28.3%*
Total UK	***711.0***	**255.2**	***178.6%***	***57.4%***	***102.8***	**7.7**	***>1,000%***	***47.2%***
International	**508.3**	410.4	*23.9%*	*41.0%*	**118.3**	114.1	*3.7%*	*54.3%*
Other	**19.5**	46.7	*(58.2%)*	*1.6%*	**1.7**	7.3	*(76.7%)*	*0.8%*
Corporate	**-**	-			**(4.9)**	(9.4)	*(47.9%)*	*(2.2)%*
Total	**1,238.8**	**712.3**	***73.9%***	***100.0%***	**217.9**	**119.7**	***82.0%***	***100.0%***

	Pro forma							
	Revenue				**Adjusted EBITDA**			
	2022 £'m	**2021 £'m**	**Change from previous year**	**% of reported Revenue (2022)**	**2022 £'m**	**2021 £'m**	**Change from previous year**	**% of Adjusted EBITDA (2022)**
Retail	**519.0**	336.8	*54.1%*	*28.1%*	**90.7**	0.3	*>1,000%*	*29.2%*
UK&I Online	**717.4**	898.9	*(20.2)%*	*38.8%*	**111.9**	165.2	*(32.2)%*	*36.0%*
Total UK	***1,236.3***	**1,235.6**	***0.1%***	***66.8%***	***202.6***	**165.4**	***22.5%***	***65.2%***
International	**613.7**	671.4	*(8.6)%*	*33.2%*	**136.0**	147.5	*(7.8)%*	*43.8%*
Other	**-**	-			**-**	-		
Corporate	**-**	-			**(28.1)**	(43.0)	*(34.7)%*	*(9.0)%*
Total	**1850.1**	**1,907.0**	***(3.0)%***	***100.0%***	**310.6**	**269.9**	***15.1%***	***100.0%***

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

UK

UK&I Online

On a statutory basis, revenue increased by 78.5% to £455.5m and Adjusted EBITDA increased by £53.9m compared to the previous period.

On a pro forma basis, revenue declined by 20.2% to £717.4m mainly due to the additional player safety measures implemented across 888 and William Hill brands across the previous two years. In addition to this there was a positive substitution impact from Retail in the UK&I Online business in the first months of 2021 during the lockdown in the UK. Pro forma adjusted EBITDA has declined by £53.3m or 32.2% with the Adjusted EBITDA margin declining as a result of a high fixed cost base, which is being addressed through the integration programme.

Retail

On a statutory basis, Retail generated revenue of £255.5m and Adjusted EBITDA of £41.2m as the Retail business continued to deliver robust financial performance and strong cash generation following its re-opening.

On a pro forma basis, revenue increased by 54.1% to £519.0m as 2022 was a return to a full year of trading with a lockdown until April 2021 in the prior year.

Pro forma adjusted EBITDA increased by £90.4m to £90.7m in FY 2022, again reflecting the increased profitability from a full year of an open trading Retail estate. At the same time the Retail estate had a particularly large impact from the inflationary pressures and specifically rising utilities costs in FY 2022.

There were 1,386 shops open at the end of FY 2022 compared to 1,407 at the end of FY 2021. The small reduction to the already well optimised estate largely reflects the impact of inflationary cost increases making certain shops no longer commercially viable.

International

On a statutory basis, the International business revenue increased by 23.9% to £508.3m and Adjusted EBITDA increased by £4.2m compared to the previous period.

On a pro forma basis revenue declined by 8.6% to £613.7m, in part due to the closure of the Netherlands market in September 2021, as well as additional regulatory impacts and other smaller market closures. The two core markets, Italy and Spain, within the International business both were flat compared to 2021.

Pro forma adjusted EBITDA declined by £11.5m to £136.0m with the Adjusted EBITDA margin declining as a result of a high fixed cost base, which is being addressed through the integration programme.

Within the International business, the US business revenue was £20.4m, an increase of 27% compared to the previous period. Adjusted EBITDA was a loss of £12.3m in the period compared to a loss of £12.1m in the previous period with the continued investment in marketing and other costs to grow the business.

Corporate costs

On a statutory basis, corporate costs were £4.9m in FY 2022 compared to £9.4m expense in FY 2021. This is due to the timing of the release of staff incentive accruals across the Group including those accrued prior to acquisition within William Hill.

On a pro forma basis, there was a reduction in corporate costs of £14.9m to £28.1m due to the removal of staff incentive accruals for FY 2022 compared to FY 2021 and certain synergies being generated through the integration programme.

EXCEPTIONAL ITEMS AND ADJUSTMENTS

Operating Exceptional items	**2022 £'m**	**2021 £'m**
Retroactive duties and associated charges	**(3.9)**	4.2
Transaction related costs	**24.5**	10.9
Transformation costs	**14.4**	2.2
Disposal of 888 Bingo	**11.7**	0.0
Impairment of US Goodwill and other assets	**55.7**	0.0
Revaluation of deferred consideration	**(9.2)**	0.0
Total exceptional items before interest and tax	**93.2**	17.3
Bond early redemption fees	**14.1**	0.0
Gain on settlement of bonds	**(7.1)**	0.0
Total exceptional items before tax	**100.2**	**17.3**
Tax on exceptional items	**2.8**	2.5
Total exceptional items	**103.0**	**19.8**
Adjustments:		
Amortisation of Finance Fees	**7.4**	0.0
Amortisation of acquired intangibles	**56.7**	0.0
Foreign exchange	**26.7**	6.7
Share benefit charge	**5.2**	6.1
Total Adjustments before tax	**96.0**	**12.8**
Tax on adjustments	(14.2)	0.0
Total Adjustments	**81.8**	**12.8**
Total exceptional items and adjustments	**184.8**	**32.6**

Total exceptional items in the year were £103.0m in FY 2022 compared to £19.8m in FY 2021.

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

There were £24.5m of costs incurred to complete the acquisition of the William Hill business, predominantly comprising advisor fees.

Furthermore, £14.4m of costs were incurred relating to the on-going transformation and integration of the William Hill business. This includes £12.5m of cash costs incurred to achieve synergies, which is still expected to total £100m across the integration. There were also £1.9m of additional transformation costs relating to a restructure of the Retail operating model to drive further efficiencies, albeit these efficiencies are not classified as synergies.

The transformation and integration programme is expected to take three years until 2025 and is currently expected to generate synergies of approximately £150m, an increase of £50m over our initial target.

During the year, as part of the annual impairment review, the Group has impaired the goodwill of its US business. As such, the goodwill of the US business has been impaired in full, totalling £25.7m. In addition to this there were non-cash impairment costs of £30.0m relating predominantly to the write off of software acquired with the William Hill business that is not planned to be used by the Group following the decision to use the existing 888 platform as the Group's platform going forward.

We completed the sale of the Bingo business to Saphalata Holdings Ltd., a member of the Broadway Gaming Group, for a total cash consideration of £37.4m with the loss on disposal of £11.7m recognised as an exceptional item.

As a part of the transaction agreement with Caesars for the purchase of William Hill, an amount of up to £100m consideration was deferred subject to the enlarged group hitting specific EBITDA metrics. This was fair valued on acquisition at £9.6m and revalued at the year-end date to £0.4m, leading to a release in this contingent consideration of £9.2m.

The final operating exceptional item was a credit of £3.9m relating to the reversal of previous regulatory provisions after a settlement of a specific liability relating to Spain; with the credit recognised as an exceptional item to ensure a consistent accounting treatment to the recognition of the original provision.

There were also £7.0m of non-operating exceptional items within finance costs. £14.1m of costs associated with the early settlement of the William Hill Senior Unsecured Notes representing early redemption fees and the accelerated write off of unamortised finance fees. This is offset by a credit of £7.1m representing the reduction in value on settlement of the William Hill Senior Unsecured Notes compared to the fair value recognised on acquisition.

Adjustments were those items that are recurring items that are excluded from internal measures of underlying performance in order to provide clear visibility of the underlying performance across the Group. They are items that are therefore excluded from Adjusted EBITDA, Adjusted PAT and Adjusted EPS.

The amortisation of the specific intangibles assets recognised on acquisitions has been presented as an adjusted item, totalling £56.7m relating to the William Hill acquisition. This amortisation is a recurring item that will be recognised over its useful life.

The other items that have been presented as adjusted items are foreign exchange losses of £26.7m (£6.7m in FY 2021), share based payment charges of £5.2m (£6.1m in FY 2021), and amortisation of finance fees of £7.4m (£nil in FY 2021).

Finance income and expenses

Net finance expenses of £110.9m (2021: £4.2m) related predominantly on the interest expense from the debt on acquisition of William Hill (£75.0m). There were also exceptional net finance charges of £7.0m related to the bond early redemption fee and gain on settlement of bonds as explained within Exceptional items and Adjustments section above. The finance expense resulting from operating leases was £3.0m (2021: £0.9m) with the increase due to the acquired Retail business within William Hill and the finance expense from hedging activities was £3.3m.

Profit before tax

The net loss before tax for 2022 was £115.7m (2021: net profit before tax of £59.0m). On an adjusted basis, profits decreased by 10% to £80.5m (2021: net profit before tax of £89.1m) with the increased financing costs from the debt on acquisition of William Hill offsetting the increased earnings from the enlarged Group.

Taxation

On a statutory basis, the Group recognised a tax charge of £4.9m on a loss before tax of £115.7m, giving an effective tax rate of 4.2% (2021: tax charge of £9.0m and an effective tax rate of 15%). The tax charge and therefore the tax rate is higher than the expected tax credit arising on the loss of 19% primarily due to lack of tax relief on exceptional costs associated with the acquisition of William Hill and which is offset by prior years credits in respect of additional tax relief obtained on interest costs.

On an adjusted basis, the Group recognised a tax charge of £16.3m on a profit before tax of £80.5m, giving an effective tax rate of 20.2%. (2021: tax charge of £6.5m and an effective tax rate of 7%). The tax charge and therefore the tax rate is broadly in line with the expected tax rate of 19%.

The Group's adjusted effective tax rate for 2023 is now expected to be c8%.

Net (Loss)/Profit and adjusted net profit

The net loss for 2022 was £120.6m (2021: net profit of £50.0m). On an adjusted basis, profits decreased to £64.2m from £82.6m in 2021.

Earnings per share

Basic earnings per share decreased to a loss of 28.3p (2021: profit of 13.4p) as a result of the reduction in net profits in 2022 predominantly due to the exceptional items surrounding transaction and transformation related costs.

On an adjusted basis, basic earnings per share decreased by 32% to 15.1p (2021: 22.2p). Further information on the reconciliation of earnings per share is given in note 10 to 2022 financial statements.

Dividend

The Board of Directors is not recommending a dividend to be paid in respect of the year ended 31 December 2022 (2021: 3.2p per share), in light of the Board's decision to suspend payments of dividends until leverage is at or below 3x, as previously announced following the acquisition.

Accounting for the acquisition of the William Hill business

As part of the accounting for the £1.95bn acquisition of the William Hill business, it is necessary to allocate the acquisition value between acquired assets and liabilities. As such the Group have valued the acquired assets and liabilities of William Hill to fair value as at the 1 July 2022 acquisition date.

This has led to the recognition of certain separately identifiable intangible assets on the consolidated statement of financial position of the Group in addition to other fair value adjustments on other recognised assets and liabilities.

The separately identifiable intangible assets include the value of the William Hill brand of £574.4m, the value of customer relationships of £595.1m and £8.5m in respect of licences. These assets are amortised, with the amortisation recognised as an Adjusting item within Exceptional items and Adjustments to aid further understanding of the underlying financial performance of the Group.

The remaining value of the transaction after recognising the fair value of all identifiable assets and liabilities has been allocated to goodwill, with the value of £785.6m recognised. This goodwill value represents a number of factors such as the future growth of the William Hill business, potential to achieve buyer specific synergies and the value of the workforce.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position consolidated the acquired William Hill business from 1 July 2022 and as such there are significant differences in the 31 December 2022 position compared to the 31 December 2021. Note 16 to the financial statements shows the assets and liabilities acquired which explain a majority of the differences.

Non-current assets increased by £2,297.2m to £2,457.1m compared to £159.9m at FY 2021, predominantly due to assets recognised on the acquisition of the William Hill business of £2,614.8m including goodwill (£785.6m); brand (£574.4m); customer relationships (£595.1m); licences (£8.5m); software and technology (£226.2m); property, plant and equipment (£109.5m); right of use lease assets (£72.3m) and investments and associates (£40.0m).

Within the period there were material impairments relating to the US B2C business of £25.7m, due to changing market and economic conditions leading to a revised strategy in the US business and an increased discount rate driving an impairment. In addition to this there were non-cash impairment costs of £30.0m relating predominantly to the write off of software acquired with the William Hill business that is not planned to be used by the Group following the decision to use the existing 888 platform as the Group's platform going forward. Within this £28.1m specifically related to the impairment of the Unity platform that had been under development within William Hill.

Current assets are £494.4m, an increase of £254.2m compared to £240.2m at FY 2021. Within this cash and cash equivalents has increased to £317.6m from £189.4m, although this includes £141.3m of client funds held compared to £60.1m at FY 21 due to the additional client liabilities in the William Hill business. Excluding client funds, cash and cash equivalents have increased by £47.0m from £129.3m in FY 21 to £176.3m in FY 2022.

Total current liabilities have increased by £451.5m from £251.9m at FY 2021 to £703.4m at FY 2022. This includes the increase of client funds held and the trade and other payables acquired on acquisition of the William Hill business of £382.3m. Provisions have increased to £111.5m from £19.0m. This includes the current portion of the provision for customer claims, as well as a provision of £19.2m for the regulatory settlement agreed between William Hill and the GB Gambling Commission. There are then additional provisions of £61.7m for gaming tax in Austria; £2.0m of provisions relating to shop closure costs and £3.7m of restructuring costs.

Non-current liabilities are £2,088.9m, an increase of £2,065.2m to the balance of £23.7m in FY 2021. This increase is predominantly due to funding the acquisition of William Hill of £1,697.5m. In addition, the deferred tax liability has increased by £218.5m mainly driven from the acquisition accounting and the lease liabilities have increased by £46.9m with the acquisition of the Retail estate in William Hill. This includes the non-current portion of the provision for customer claims of £86.2m, predominantly in Austria and predominantly recognised on acquisition of William Hill as part of acquisition accounting where previously held contingent liabilities were recognised on the statement of financial position in line with the business combinations accounting standards.

Net assets of £159.2m is an increase of £34.7m compared to £124.5m at FY 2021. The equity includes the net proceeds of £158.5m from the share issue in April 2022 to partly fund the acquisition of the William Hill business.

Cash flows

	2022 £'m	2021 £'m
Cash generated from operating actvities before working capital	139.6	98.0
Working capital movements	(169.8)	(1.4)
Net cash (used in) / generated from operating activities	**(30.2)**	**96.6**
Acquisitions	(386.8)	-
Disposals	33.0	-
Capital expenditure	(76.8)	(23.0)
Net movement in borrowings incl loan transaction fees	527.6	-
Proceeds from equity placing	158.5	-
Interest paid	(75.6)	(0.5)
Dividends paid	-	(43.8)
Other movements in cash incl FX	(21.5)	(2.9)
Net cash inflow	**128.2**	**26.4**
Cash balance at 31 December	**317.6**	**189.4**
Gross Debt	**(1,815.0)**	**0.0**
Net Debt	**(1,727.7)**	**106.4**

Overall the Group had a cash inflow of £128.2m in the year, compared to an inflow of £26.4m in FY 2021. This resulted in a cash balance of £317.6m as at 31 December 2022 (£189.4m at 31 December 2021) although this included client funds and other restricted cash of £141.3m such that unrestricted cash available to the Group was £176.3m compared to £129.3m in FY 2021.

The cash inflow in the year predominantly reflected the financing for and acquisition of the William Hill business. The inflows from the net borrowings after payment of loan transaction fees and the refinancing of the debt within the William Hill business was £527.6m coupled with the proceeds from the equity issue in April 2022 of £163m, before fees with net proceeds of £158.5m. The acquisition of William Hill was for a cash equity value of £386.8m, net of cash acquired, which nets to an inflow of £299.3m. Cash interest payments on the borrowings were £75.6m.

The disposal of the Bingo business to Saphalata Holdings Ltd., a member of the Broadway Gaming Group, generated cash of £37.4m with £0.5m generated from the sale of property, plant and equipment in the Retail business.

Cash flow from operations was a £30.2m outflow compared to an inflow of £96.6m in FY 2021. This reduction was partly due to significant working capital outflows in the period coming from the acquired balance sheet from William Hill and the exceptional items in the year causing a statutory loss before tax as well as a reduction of staff incentive accruals and reduced marketing spend driven from the brand marketing synergies.

Debt

	2022 £'m
Borrowings	(1,702.3)
Loan transaction fees	(112.7)
Gross Borrowings	**(1,815.0)**
Lease liability	(89.0)
Cash (excluding customer balances)	176.3
Net Debt	**(1,727.7)**
Pro forma Adjusted EBITDA	310.6
Leverage	5.6x

The gross borrowings balance as at 31 December 2022 was £1,815.0m. The earliest maturity of this debt is in 2026, which is £11m, with the vast majority of the debt maturing across 2027 and 2028. In addition to this, the Group has access to a £150m Revolving Credit Facility maturing in January 2028, which is currently undrawn.

The debt is across GBP sterling; Euro and US Dollar with 50% of the debt in Euro; 43% in GBP and 7% in USD. The Group have undertaken hedging activities such that 70% of the interest costs is at fixed costs and 30% at floating rates with the hedging relationships in place for three years.

The net debt balance at 31 December 2022 was £1,727.7m with a net debt to EBITDA ratio of 5.6x. The Group has the target to bring this down to less than 3.5x by FY 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Reputational

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

There continues to be a trend in a number of jurisdictions where the business operates to strengthen regulations over safer gambling and customer protection, particularly in regard to those underage and players who are vulnerable or at an increased risk of harm. There is also an emphasis on enhancing controls over anti money laundering and anti-terrorist funding activities across the industry.

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

ESG

The Group is committed to the policies, procedures, and controls over the delivery of its Environmental, Social and Governance (ESG) objectives.

ESG issues include risks such as climate change, player protection, diversity & inclusion, cybersecurity concerns and social responsibility not just to employees and customers but also to the communities where the business bases its operations and retail outlets. Unlike most other risk types, certain aspects of ESG risks are often emerging with unique characteristics. Climate-related risks for example tend to have little relevant historical data associated with them and tend to be non-linear in nature.

Nevertheless, The Group has identified several ESG objectives and has developed sustainability metrics and targets to monitor progress against these. The ESG framework is called 'Players, People, Planet,' and the Group's strategic focus is on protecting our players from gambling related harm, creating an engaging and inclusive environment where colleagues can thrive and protecting the environment by achieving net zero carbon emissions by 2030.

Market risk

The acquisition of William Hill was financed using a combination of sources, including significant debt facilities. The Group has entered into a range of hedging arrangements such that approximately 70% of interest costs are fixed for the next three years, and the currency profile of the debt was more closely aligned to the currency profile of the Group. However, the Group is still exposed to risks related to interest rate changes and currency fluctuations, which could increase the cost of the Group's borrowings, and this could divert resources from investing in growth, marketing and delivery of new products and projects.

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

Taxation

The Group is subject to a range of taxes, duties, and levies in many of the countries where we have operations or in which our customers are located. These taxes have changed over time and continue to be subject to change. In addition to tax rate changes, the Group's international footprint brings added complexity to its tax and duty positions, which requires careful management to ensure the business fulfils its obligations.

The nature of tax affairs can be complicated with differing legal interpretation regarding the scope and scale of taxation, which alongside potential rate changes mean the levels of taxation to which the Group is exposed may change in the future, creating a risk of additional costs. There is also a risk of audits of the Group's tax filings and/or challenges to the filing/non-filing positions the Group is taking in certain locations. Any adjustments made by tax authorities to the Group's filed positions may also lead to opportunities for governments to apply financial penalties and interest – this action may impact the

company's reputation with customers, the capital markets, and key stakeholders such as compliance and regulatory bodies who issue and monitor its operating licences.

People

Our colleagues across all our business functions are vital to ensuring our day-to-day operations are undertaken efficiently and effectively and to the successful delivery of our strategic business objectives.

Competition for highly qualified personnel is intense in many of the locations in which the Group is based. Ensuring our colleagues are well remunerated, managed and supported is fundamental to the success of the business.

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

Integration

The Group is in the process of integrating the William Hill business into its corporate structure, with the strategy to integrate operations and technology and deliver cost synergies whilst retaining its customer base and experienced and qualified personnel.

The integration is supported by strong governance, oversight and dedicated management teams. However, risks inherently remain to the delivery and timing of all or substantially all the expected benefits and to the timely delivery of these benefits. The delivery of these synergies involves complexity, and associated costs to revising current systems and organisational structures. As such there is a risk that these costs could exceed our current cost estimates, impacting on anticipated integration benefits.

Consolidating multiple technology systems can be complex and challenging, and may lead to potential disruptions in our operations and require us to take on higher levels of risk in the short term.

Integration risks also include the unexpected loss of key personnel, the erosion of our existing customer base and issues in integrating financial and operational policies, processes, procedures and controls. There are challenges in managing the increased scope, geographic diversity and complexity of the Group's operations. Third-party partners and suppliers may look to terminate or alter their existing contracts with the Group.

There are also risks associated with the management of conflicting interests within the Group and failure to mitigate contingent or assumed liabilities, as well as diversion of management and resources from the Group's core business activity due to personnel being required to assist in the integration process.

Cyber and technology

There is a continual risk that our technology systems and as a result our operations may be impacted by cyber-attacks such as Distributed Denial of Service (DDoS) by malicious third parties, the theft or misuse of customer and business data by internal or external agents or natural or manmade disasters affecting our offices and operational locations or those of our key suppliers.

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

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

Partnership

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

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

Data protection and e-privacy

The integrity of the Group's data protection framework including the holding, processing, and protection of customer's, third party and sensitive business data is crucial to the supply of its services to customers and the Group's compliance with regulatory and legal obligations.

The Group is exposed to the risk that data breaches could result in financial loss, reputational damage, and potential regulatory enforcement including financial penalties.

The betting and gaming sector is under increased scrutiny from data protection regulators globally and particularly in the UK where the ICO specifically called out the betting and gaming industry's use of adtech, social media and general use of personal data as an area of focus for the next three-years in the ICO25 strategy document.

Regulatory and compliance

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

Regulatory requirements in key markets are subject to change, sometimes at short notice, which could benefit or have an adverse impact on the Group and additional costs may be incurred in order to comply with any new laws or regulations. During the year the Group was subject to additional regulatory requirements across a number of its markets, including newly regulated markets in which it launched its products for the first time such as Ontario in Canada and certain US states.

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 £ million	2021 £ million
Revenue	2	**1,238.8**	712.3
Gaming duties		(256.3)	(133.7)
Other cost of sales		(188.1)	(115.3)
Exceptional items – cost of sales	3	3.9	(4.2)
Cost of sales		**(440.5)**	**(253.2)**
Gross profit		**798.3**	**459.1**
Marketing expenses		(257.8)	(222.6)
Operating expenses		(448.5)	(160.2)
Share of post-tax profit of equity accounted associate		0.3	-
Exceptional items – operating expenses	3	(97.1)	(13.1)
Operating (loss)/profit		**(4.8)**	**63.2**
Adjusted EBITDA[1]		**217.9**	**119.7**
Exceptional items – cost of sales and operating expenses	3	(93.2)	(17.3)
Foreign exchange		(4.0)	(6.7)
Share benefit charge		(5.2)	(6.1)
Depreciation and amortisation		(120.3)	(26.4)
Operating (loss)/profit		**(4.8)**	63.2
Finance income	4	0.8	-
Finance expenses	5	(111.7)	(4.2)
(Loss)/profit before tax		**(115.7)**	59.0
Taxation	6	(4.9)	(9.0)
(Loss)/profit after tax		**(120.6)**	50.0
Adjusted profit after tax[1]		**64.2**	82.6
Exceptional items – cost of sales and operating expenses	3	(93.2)	(17.3)
Exceptional items - finance expenses	3,5	(7.0)	-
Amortisation of finance fees		(7.4)	-
Amortisation of acquired intangibles		(56.7)	-
Tax on exceptional items		11.4	(2.5)
Foreign exchange		(26.7)	(6.7)
Share benefit charge		(5.2)	(6.1)
(Loss)/profit after tax		**(120.6)**	50.0
Attributable to equity holders of the parent		**(120.5)**	49.9
Attributable to non-controlling interests		**(0.1)**	0.1
(Loss)/earnings per share			
Basic (pence)	7	**(28.3)**	13.4
Diluted (pence)	7	**(28.3)**	13.2

[1] Adjusted EBITDA and adjusted profit after tax are Alternative Performance Measures ("APMs") which do not have an IFRS standardised meaning. The Group presents these two measures since they are the main measures the analyst community uses to evaluate the Company and compare it to its peers. The Group presents adjusted measures because it allows for a further understanding of the underlying financial performance of the Group.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £ million	2021 £ million
(Loss)/profit for the year		**(120.6)**	**50.0**
Items that may be reclassified subsequently to profit or loss (net of tax)			
Exchange differences on translation of foreign operations		2.5	1.3
Items that will not be reclassified to profit or loss (net of tax)			
Remeasurement of severance pay liability		1.7	2.2
Actuarial remeasurement in defined benefit pension scheme		(0.8)	-
Tax on severance pay liability		0.6	-
Movement in cash flow hedging position	13	(14.4)	-
Movement in cost of hedging reserve	13	1.0	-
Movement in equity investment designated at fair value through OCI		(1.0)	-
Total other comprehensive (loss)/income for the year		(10.4)	3.5
Total comprehensive (loss)/income for the year attributable to equity holders of the parent		**(130.9)**	**53.4**
Total comprehensive (loss)/income for the year attributable to non-controlling interests		**(0.1)**	**0.1**

Consolidated Statement of Financial Position

At 31 December 2022

	Note	2022 £ million	2021 £ million
Assets			
Non-current assets			
Goodwill and other intangible assets	9	2,197.0	123.9
Right-of-use assets		81.9	18.7
Property, plant and equipment		110.4	9.3
Investment in sublease		1.4	-
Investments in associates		38.4	-
Non-current prepayments		6.2	5.8
Derivative financial instruments	13	16.6	-
Deferred tax assets		5.2	2.2
		2,457.1	**159.9**
Current assets			
Cash and cash equivalents[1]		317.6	189.4
Trade and other receivables		132.7	50.8
Income tax receivable		35.2	-
Derivative financial instruments	13	2.0	-
Assets held for sale		6.9	-
		494.4	**240.2**
Total assets		**2,951.5**	**400.1**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	2.2	1.9
Share premium		160.7	2.5
Treasury shares		(0.9)	(0.9)
Foreign currency translation reserve		24.6	22.1
Hedging reserves	13	(13.4)	-
Retained earnings		(14.0)	98.8
Total equity attributable to equity holders of the parent		**159.2**	**124.4**
Non-controlling interests		-	0.1
Total equity		**159.2**	**124.5**
Liabilities			
Non-current liabilities			
Borrowings	12	1,697.5	-
Severance pay liability		1.2	3.7
Retirement benefit liability		1.2	-
Provisions	11	86.2	-
Deferred tax liability		220.4	1.9
Derivative financial instruments	13	17.4	-
Lease liabilities		65.0	18.1
		2,088.9	**23.7**
Current liabilities			
Borrowings	12	4.8	-
Trade and other payables		368.0	145.3
Provisions	11	111.5	19.0
Derivative financial instruments	13	20.8	-
Income tax payable		33.0	22.7
Lease liabilities		24.0	4.8
Customer deposits		141.3	60.1
		703.4	**251.9**
Total equity and liabilities		**2,951.5**	**400.1**

[1] Cash and cash equivalents includes customer funds which represent bank deposits matched by customer liabilities of an equal value. Cash and cash equivalents excludes restricted short-term deposits of £21.6 million which are presented in Trade and other receivables (31 December 2021: £7.0 million).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £ million	Share premium £ million	Treasury shares £ million	Foreign currency translation reserve £ million	Hedging reserve £ million	Cost of hedging reserve £ million	Retained earnings £ million	Non-controlling interests £ million	Total £ million
Balance at 1 January 2021	1.9	2.5	(0.4)	20.8	-	-	85.5	-	110.3
Profit after tax for the year	-	-	-	-	-	-	49.9	0.1	50.0
Other comprehensive expense for the year	-	-	-	1.3	-	-	2.2	-	3.5
Total comprehensive income	**-**	**-**	**-**	**1.3**	**-**	**-**	**52.1**	**0.1**	**53.5**
Dividend paid (note 8)	-	-	-	-	-	-	(43.8)	-	(43.8)
Equity settled share benefit charges	-	-	-	-	-	-	5.2	-	5.2
Acquisition of treasury shares	-	-	(0.7)	-	-	-	-	-	(0.7)
Exercise of deferred share bonus plan	-	-	0.2	-	-	-	(0.2)	-	-
Balance at 31 December 2021	**1.9**	**2.5**	**(0.9)**	**22.1**	**-**	**-**	**98.8**	**0.1**	**124.5**
Loss after tax for the year	-	-	-	-	-	-	(120.5)	(0.1)	(120.6)
Other comprehensive income/(expense) for the year	-	-	-	2.5	(14.4)	1.0	0.5	-	(10.4)
Total comprehensive income/(expense)	**-**	**-**	**-**	**2.5**	**(14.4)**	**1.0**	**(120.0)**	**(0.1)**	**(131.0)**
Issue of shares (equity placing)	0.3	158.2	-	-	-	-	-	-	158.5
Equity settled share benefit charges	-	-	-	-	-	-	7.9	-	7.9
Acquisition of treasury shares	-	-	(0.7)	-	-	-	-	-	(0.7)
Exercise of deferred share bonus plan	-	-	0.7	-	-	-	(0.7)	-	-
Balance at 31 December 2022	2.2	160.7	(0.9)	24.6	(14.4)	1.0	(14.0)	-	159.2

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £ million	2021 £ million
Cash flows from operating activities			
(Loss)/profit before income tax		(115.7)	59.0
Adjustments for:			
Depreciation of property plant and equipment and right-of-use assets		30.8	10.3
Amortisation	9	89.5	16.1
Interest income	4	(0.8)	-
Interest expenses	5	111.7	4.2
Income tax paid		(35.1)	(5.1)
Share of post- tax loss of equity accounted associate		(0.3)	-
Non-cash exceptional items		52.3	7.4
Movement on Ante-post and other financial derivatives		2.3	-
Loss on disposal of property, plant and equipment		(0.3)	-
Share benefit charges		5.2	6.1
Cash generated from operating activities before working capital movement		**139.6**	98.0
Increase in receivables		(50.3)	(16.9)
(Decrease)/increase in customer deposits		(9.2)	4.7
(Decrease)/increase in trade and other payables		(100.3)	6.1
(Decrease)/increase in provisions		(10.0)	4.7
Net cash (used in)/generated from operating activities		**(30.2)**	96.6
Cash flows from investing activities			
Acquisition of property, plant and equipment		(8.9)	(4.2)
Acquisition of William Hill (net of cash acquired)	10	(386.8)	-
Proceeds from sale of investment in Bingo	10	32.5	-
Proceeds from sale of property, plant and equipment		0.5	-
Interest received	4	0.8	-
Acquisition of intangible assets		(2.4)	(1.7)
Internally generated intangible assets		(65.5)	(17.1)
Dividend received from associate		0.9	-
Net cash used in investing activities		**(428.9)**	(23.0)
Cash flows from financing activities			
Issue of shares – equity placing	14	158.5	-
Payment of lease liabilities		(21.5)	(5.2)
Interest paid		(75.6)	(0.5)
Proceeds from loans	12	2,163.1	-
Loan transaction fees	12	(132.3)	-
Repayment of loans	12	(1,503.2)	-
Acquisition of treasury shares		(0.7)	(0.8)
Dividends paid	8	-	(43.8)
Net cash generated/(used in) financing activities		**588.3**	(50.3)
Net Increase in cash and cash equivalents		**129.2**	23.3
Net foreign exchange difference		(1.0)	3.1
Cash and cash equivalents at the beginning of the year		**189.4**	163.0
Cash and cash equivalents at the end of the year		**317.6**	189.4

Notes to the Consolidated Financial Statements

General information

Company description

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

Definitions

In these financial statements:

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

1. Accounting policies

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

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

The significant accounting policies applied in the consolidated financial statements in the prior year have been applied consistently in these consolidated financial statements, except for the amendments to accounting standards effective for the annual periods beginning on 1 January 2022 and representation of expenses analysis in the income statement. These are described in more detail below.

The financial information does not constitute the Group's statutory accounts for the year ended 31 December 2022 or the year ended 31 December 2021 but is derived from those accounts.

Statutory accounts for the year ended 31 December 2021 have been delivered to the Registrar of Companies in Gibraltar. Statutory accounts for the year ended 31 December 2022 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2022 and 2021 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under sections 257(1), 258(2) and 258(2A) of the Gibraltar Companies Act 2014.

Change in presentation currency of the Group

The Group has changed the currency in which it presents its financial results from US Dollar to Pound sterling (GBP) with effect from 1 January 2022, in consideration of the William Hill acquisition and current business mix which now has significantly higher GBP exposure. 888 US dollar denominated earnings are a relatively lower proportion of overall earnings.

Given the current composition of the Group's activities, this change is expected to reduce the impact of currency movements on reported results. Accordingly, to satisfy the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates', the reported results for the year ended 31 December 2022 have been translated from US Dollar to GBP using the following procedures:

- Assets and liabilities denominated in non-GBP currencies were translated into GBP at the relevant closing rates of exchange;
- The trading results of subsidiaries whose functional currency was other than GBP were translated into GBP at the relevant average rates of exchange;
- Movements in other reserves were translated into GBP at the relevant average rates of exchange;

• Share capital, share premium, treasury shares/own shares and dividends were translated at the historic rates prevailing on the date of each transaction; and
• The cumulative translation reserve was set to nil at 1 January 2004, being the earliest practicable date and the date of transition to IFRS, and has been restated on the basis that the Group had reported in GBP since that date.

The opening balance sheet and all comparatives have been re-presented in GBP following the change in presentation currency.

Going concern
Background
The financial statements have been prepared using the going concern basis of accounting. As at the year end the Group had net assets of £159.2m (31 December 2021: £124.5m) and incurred a statutory loss before tax of £115.7m during the year (31 December 2021: £59.0m profit). The Group also had net current liabilities of £209.0m (31 December 2021: £11.7m).

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, and in notes 23 to 25 to the Group financial statements within the Annual Report.

Business planning and performance management
Following the acquisition of William Hill, the Group has developed its 's forecasting and monitoring processes to reflect the combined group and the new reporting structure. These consists of weekly monitoring and careful management of liquidity, an annual budget and a long-term plan, which generates income statement and cash flow projections for assessment by management and the Board. Forecasts are regularly compared with prior forecasts and current trading to identify variances and understand their future impact so management can take action where appropriate. Analysis is undertaken to review and sense check the key assumptions, including the integration and transformation programmes, underpinning the forecasts.

Whilst there are risks to the Group's trading performance (as summarised in the Risks section of the Strategic Report within the Annual Report), the Group has established risk management processes to identify and mitigate risks, and such risks have been considered when undertaking the going concern evaluation for the period to 30 June 2024.

The Group's future prospects
As highlighted in note 24 to the Group financial statements within the Annual Report, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. The Group holds cash and cash equivalents excluding customer balances and restricted cash of £176.3m as at 31 December 2022 (31 December 2021: £129.3m). In addition to this the Group has access, until January 2028, to a £150m Revolving Credit Facility which is currently undrawn.

The Group entered into significant debt arrangements within the year to fund the acquisition of the William Hill business (also described in note 23 to the Group financial statements within the Annual Report). Other than an annual £4.8m repayment on the TLB facility, no borrowings are due within the period of the going concern evaluation or in the period soon after it. The next due date on the Group's debt is in 2026 and the majority is repayable in 2027-28. The Group's Revolving Credit Facility contains a Net Leverage covenant which is not restrictive in the base case, downside or reverse stress test scenarios. The remainder of the Group's debt does not contain any financial covenants.

The Group's forecasts, for the going concern evaluation period to 30 June 2024, based on reasonable assumptions including, in the base case, a 3% decline in 2023 revenue on a pro forma basis and lower than expected EBITDA synergies in 2023, indicate that the Group will be able to operate within the level of its currently available and expected future facilities for this period to 30 June 2024. Under the base case forecast, the Group has sufficient cash reserves and available facilities to enable it to meet its obligations as they fall due, for this going concern evaluation period to 30 June 2024.

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

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

- The adverse impact of suspension of 888 VIP customers in the Middle East region;
- Reductions in profitability for the whole Group of 10% to reflect potential regulatory, macroeconomic or competitive pressures;
- An increase in interest expense as a result of higher interest rates on the Group's remaining floating rate debt;
- The phasing of cash outflows relating to regulatory and other provisions and accrual settlements; and

- The adverse impact of potential measures that may be imposed following the UK Gambling Act review.

Management has performed a separate reverse stress test to identify the conditions that would be required to compromise the Group's liquidity. Having done so, management has identified further actions to conserve or generate cash to mitigate any impact of such a scenario occurring. Management has calculated mitigating cost savings that can be implemented by reducing variable operating expenditure to offset a reduction in cash generation resulting from lower profitability. Following these actions, the Group could withstand a decrease in forecast EBITDA of 31%. The Board considers the likelihood of a decline of this magnitude to be remote. Other initiatives, not directly in the Group's control at the date of approval of these financial statements, could be considered including the disposal of non-core assets and investments.
Should a more extreme downside scenario occur, or mitigations and initiatives not be achieved, further mitigating actions that can be executed in the necessary timeframe could be taken, such as a temporary reduction of marketing expenditures.

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

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

IAS 16 (amended)	Property, plant and equipment: proceeds before intended use
IAS 37 (amended)	Onerous contracts: cost of fulfilling a contract
IAS 39 (amended)	Interest rate benchmark reform – Phase 2
IFRS 1 (amended)	Annual improvements to IFRS Standards 2018-2020
IFRS 3 (amended)	Reference to the conceptual framework
IFRS 7 (amended)	Interest rate benchmark reform – Phase 2
IFRS 9 (amended)	Derecognition of financial liabilities Annual improvements to IFRS standards 2018-2020
IFRS 16 (amended)	Annual improvements to IFRS standards 2018-2020 Interest rate benchmark reform – Phase 2

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

New Standards	
IFRS 17	Insurance Contracts (effective 1 January 2023)

Amendments and interpretations	
IAS 1 (amended)	Disclosure of accounting policies (effective 1 January 2023) Classification of liabilities as current or non-current (effective 1 January 2024)
IAS 8 (amended)	Definition of accounting estimates (effective 1 January 2023)
IAS 12 (amended)	Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)
IFRS 16 (amended)	Lease liabilities in a sale and leaseback (effective 1 January 2024)

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

Impact of climate change

The business continues to consider the impact of climate change in the consolidated and company financial statements and recognise that the most impactful risks are around the cancellation of sporting events due to extreme weather and the longer-term cost of energy. These costs have been factored into future forecasts and the carrying value of assets in these financial statements. The Directors do not believe these risks represent a material risk to managements forecasts this year.
Further the group has assessed the impact of climate change in the work on going concern, viability statement and impairment reviews and considers that the above risk of longer-term cost of energy has been factored into these future forecasts. The Group constantly monitors the latest government legislation in relation to climate related matters. At the current time, no legislation has been passed that will impact the Group. The Group will adjust key assumptions in value in use calculations and sensitise these calculations should a change been required.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

IFRS 16
Management addresses the key judgements, including the assessment of the lease term at the point where the lessee can be reasonably certain of its right to use the underlying asset.

Given the continued uncertainty surrounding the Retail estate, management determined the lease term under IFRS 16 across the Retail estate as the next available break date, as this means the Group is not 'reasonably certain' that any lease break will not be exercised. The Group has recognised a lease liability of £89.0m at 31 December 2022.

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

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

Key accounting estimates

Identification and valuation of William Hill intangible assets
The Group acquired the International (non-US) business of William Hill on 1 July 2022 for an enterprise value of £1.73 billion. As part of the purchase price allocation the Group recognised separately identifiable acquired intangibles comprising brands (£574.4m); customer relationships (£595.1m) and gambling licences (£8.5m). Goodwill of £785.6m was recognised on acquisition. The estimate of the value of each class of asset described above is based on recognised valuation methodologies

such as the "relief from royalty" method for brands, recognised industry comparative data and the Group's industry experience and specialist knowledge, and is therefore a key accounting estimate. A 5% increase/decrease in estimated customer churn rates would (decrease)/increase the fair value of customer relationships by £(123.0)m/£176.0m respectively. Note that consideration of provisions and contingent liabilities identification and valuation on acquisition are considered in the provision, contingent liabilities and regulatory matters section below. This has been an area where the Group has made significant accounting estimates during the year. However, the Group recognises that it is not an accounting estimate where there are major sources of estimation uncertainty at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Impairment of goodwill and other long-life intangible assets
For the purposes of impairment testing under IAS 36 Impairment of Assets, CGUs are grouped to reflect the level at which goodwill is monitored by management. The key judgement is the level at which the impairment tests are performed. Management have allocated Goodwill to Retail on a group of CGUs basis, International on a group of CGUs basis and UK Online as its own CGU as this is the lowest level at which it is practical to monitor goodwill. These are the levels at which goodwill is assessed for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Cash flows are typically forecast for periods up to five years. For some cash-generating units it is appropriate to use forecasts extending beyond five years where future investment in the business is expected to result in a long-term growth being achieved outside of five years. For further information see note 9.

Taxation
The Group holds a number of provisions for uncertain tax positions on the basis of amounts expected to be paid to the tax authorities. If for example, the tax authorities in the relevant jurisdictions do not regard the arrangements between any of the group companies as being made at arm's length or insofar as changes occur in transfer pricing regulations or in the interpretation of existing transfer pricing regulations, including through changes to the OECD's guidelines and/or recommendations, the amount of tax payable by the Group may increase. The Group's current tax liabilities reflect management's best estimate of the future amounts of corporation tax that would be settled. However, the actual outcome could be different to the estimate made, as the ultimate tax liability cannot be known until a resolution has been reached with the relevant tax authority, or the issue becomes time barred.

Provisions, contingent liabilities and regulatory matters
The Group makes a number of estimates in respect of the accounting for, and disclosure of, expenses and contingent liabilities for customer claims. Provisions are described in further detail in note 11 and contingent liabilities in note 16.

In common with other businesses in the gambling sector the Group receives claims from customers relating to the provision of gambling services. Claims have been received from customers in a number of (principally European) jurisdictions and allege either failure to follow responsible gambling procedures, breach of licence conditions or that underlying contracts in question are null and void given local licencing regimes. The Group expenses customer claims as they are resolved or finally determined in customers' favour and provides for such claims where an outcome in favour of the customers in question is probable.

Specifically, the Group has recognised a provision and contingent liability for customer claims in Austria where the Business has been subject to a particular acceleration of claims since 2020 following marketing campaigns by litigation funders in that jurisdiction. Claims have continued to be received throughout 2021 and 2022 at a broadly consistent rate with a slight acceleration across 2021 and 2022. Customers who have obtained judgement against the Business' entities in the Austrian courts have sought to enforce those judgements in Malta and Gibraltar. These are being defended on the basis of a public policy argument. The provisions held for the Group relating to these claims is £86.2m, mostly related to the Mr Green brand.
The value of the provision and contingent liability are both estimates based on the number and individual size of claims received to date and assumptions based on such observations as can be derived from those claims and include an estimate of claims the Group assess it probable, for the provision, and possible, for the contingent liability, that it will receive in the future. If these rate of receipt of claims were to increase by 25% compared to our expectation the value across the provision recognised and contingent liability disclosed would increase by £7.0m before consideration of potential gaming tax reclaim.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries are companies controlled by 888 Holdings PLC. Control exists where the Company has power over an entity; exposure, or rights, to variable

returns from its involvement with an entity; and the ability to use its power over an entity to affect the amount of its returns. Subsidiaries are consolidated from the date the Parent gained control until such time as control ceases.

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

Intercompany transactions and balances are eliminated on consolidation.

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

Revenue

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

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

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

Revenue from B2B is mainly comprised of services provided to business partners. B2B also includes fees from the provision of certain gaming related services to partners. Customer advances received are treated as deferred income within current liabilities and released as they are earned.

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

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

2 Segment information

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

During the year ended 31 December 2022, subsequent to the acquisition of William Hill, the Group changed its segments to be Retail, UK Online and International. As such, the comparative information below has been re-presented from the prior year to display results under the new reported segments.

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

Segment performance is shown on an adjusted EBITDA basis, with a reconciliation from adjusted EBITDA to statutory results for clarity. Information for the year ended 31 December 2022 is as follows:

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

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

	Retail £ million	UK Online £ million	International £ million	Other £ million	Corporate £ million	Total £ million
Total segment assets	542.6	1,395.5	961.3	-	11.7	2,911.1
Total segment liabilities	176.3	341.6	562.3	-	1,458.7	2,538.9
Included within total assets:						
Goodwill	99.4	360.4	326.2	-	-	786.0
Interests in associates	-	-	-	-	38.4	38.4
Capital additions	13.4	24.6	68.3	-	1.1	107.4

2021	Retail £ million	UK Online £ million	International £ million	Other[2] £ million	Corporate £ million	Total £ million
Revenue[1]	**-**	**255.2**	**410.4**	**46.7**	**-**	**712.3**
Gaming duties and other cost of sales	-	(88.7)	(129.2)	(24.4)	-	(242.3)
Adjusted Gross Profit	**-**	**166.5**	**281.2**	**22.3**	**-**	**470.0**
Marketing	-	(118.9)	(97.4)	(6.2)	-	(222.5)
Contribution	**-**	**47.6**	**183.8**	**16.1**	**-**	**247.5**
Operating expenses	-	(39.9)	(69.7)	(8.8)	(9.4)	(127.8)
Associate income	-	-	-	-	-	-
Adjusted EBITDA		**7.7**	**114.1**	**7.3**	**(9.4)**	**119.7**
Depreciation						(10.3)
Amortisation (excluding acquired intangibles)						(16.1)
Exceptional items – cost of sales and operating expenses						(17.3)
Share benefit charges						(6.1)
Foreign exchange						(6.7)
Finance income						-
Finance expenses						(4.2)
Profit before tax						**59.0**

1 Revenue recognised under IFRS 9 is £nil in Retail, £255.2m in UK Online, £410.4m in International and £28.6m in Other. Revenue recognised under IFRS 15 is £nil in Retail, £nil in UK Online, £nil in International and £18.1m in Other.
2 'Other' represents the Bingo business that was disposed of during 2022. See note 10 for further information.

	Retail £ million	UK Online £ million	International £ million	Other £ million	Corporate £ million	Total £ million
Total segment assets	-	79.4	304.6	-	13.9	397.9
Total segment liabilities	-	132.2	100.7	-	18.1	251.0
Included within total assets:						
Goodwill	-	36.9	23.2	-	-	60.1
Interests in associates	-	-	-	-	-	-
Capital additions	-	0.6	22.1	-	-	22.7

3 Exceptional items and adjustments

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

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

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

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

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

Adjusted results

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

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

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

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

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

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

Exceptional items

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

Exceptional items are as follows:

	2022 £ million	2021 £ million
Cost of sales		
Retroactive duties and associated charges	**(3.9)**	4.2
Exceptional items - cost of sales	**(3.9)**	4.2
Operating expenses		
Acquisition related costs	**24.5**	10.9
Integration and transformation costs	**14.4**	2.2
Disposal of 888 Bingo	**11.7**	-
Impairment of US Goodwill and other assets	**55.7**	-
Revaluation of contingent consideration	**(9.2)**	-
Exceptional items - operating expenses	**97.1**	13.1
Finance expenses		
Senior Unsecured Notes early redemption fees	**14.1**	-
Gain on settlement of Senior Unsecured Notes	**(7.1)**	-
Exceptional items - finance expenses	**7.0**	-
Total exceptional items before tax	**100.2**	17.3
Tax on exceptional items	**2.8**	2.5
Total exceptional items	**103.0**	19.8

Total tax on exceptional items and adjustments is a credit of £11.4m, £14.2m of which relates to adjustments.

Retroactive gaming duties and associated charges

The industry in which the Group operates is subject to continuing scrutiny by regulators and other governmental authorities, which may, in certain circumstances, lead to enforcement actions, sanctions, fines and penalties or the assertion of private litigations, claims and damages. In 2021, a provision was recognised in 888 relating to a liability in Spain of £4.2m. In the year £0.3m was settled, leading to a release of £3.9m.

Acquisition related costs

The Group has incurred legal and M&A costs associated with the acquisition of William Hill of £24.5m (2021: £10.9m).

Integration and transformation costs

Following the acquisition of the William Hill International (non-US) business, the integration and transformation program began and is expected to take three years until 2025. The cash costs to achieve the targeted integration synergies are expected to cost approximately £100m over the lifetime of the programme. In 2022, there were a total of £8.8m of costs relating to the integration programme, namely redundancy costs of £5.8m and legal and consultancy fees of £3.0m and a further £3.7m of platform separation and other integration costs.

Alongside this, the transformation of the Retail operating model has led to a £1.9m charge, albeit the savings from this are not classified as synergies. In the prior year, the Group incurred £2.0m of redundancy costs related to the decision to close the Antigua office, as well as £0.2m relating to the disposal of property, plant and equipment.

Disposal of 888 Bingo

On 7 July 2022, the Group announced that it had completed the sale of its entire Bingo business to Saphalata Holdings Ltd., a member of the Broadway Gaming group, for a total cash consideration of £37.4m (US$45.25m), out of which £35.7m was paid on completion and a further £1.7m will unconditionally be paid in one year. As a result, the Group reclassified Bingo assets and liabilities as 'Held for sale' and recognised an impairment loss of £11.2m. An additional £0.5m loss was recorded on the disposal of the business. Refer to note 10.

Impairment of US Goodwill and other assets

During the year, as a part of the annual impairment review, management performed a value in use calculation to assess the recoverable amount of the Group's US business, using that business's underlying cash flow forecasts. The recoverable amount was lower than the book value of its assets and, as such, the Group impaired the goodwill on the US business in full, totalling £25.7m.

Additionally as part of the integration, the business intends to use the existing 888 technology platform as the basis for the future platform of the Group, leading to a write off of the Unity platform, a proprietary technology system William Hill was building that is no longer needed, at a cost of £28.1m. A further £1.4m of smaller technology assets were written off. £0.5m of

freehold assets were written off when reclassified to held for sale at the year end, due to the assets being tested for impairment as a result of the transfer.

Revaluation of contingent consideration

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

Senior Unsecured Notes early redemption fees

As part of the William Hill acquisition, the Group acquired certain Senior Unsecured Notes, £350.0m 4.875% due May 2023 and £350.0m 4.75% due May 2026. Subsequent to the acquisition, the £350.0m Note due May 2023 was fully redeemed as well as a partial redemption amounting to £339.5m of the Note due May 2026.

The total cost to the Group of settling the Notes consisted of £12.2m in early redemption fees together with a combined £1.9m of unamortised finance fees, which were written off to profit and loss immediately on redemption of each note. All of the costs were considered as exceptional due to their one-off nature.

Gain on settlement of Senior Unsecured Notes

The Senior Unsecured Notes acquired in the acquisition of William Hill were accounted for at fair value. Subsequently these Notes have been settled and as such the gain on settlement of these Notes of £7.1m has been recognised.

Adjusted items

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

4 Finance income

	2022 £ million	2021 £ million
Interest income	**0.8**	-
Total finance income	**0.8**	-

5 Finance expenses

	Note	2022 £ million	2021 £ million
Interest expenses related to lease liabilities		**3.0**	0.9
Bank loans and bonds		**74.9**	**-**
Amortisation of finance fees		**0.1**	**-**
Hedging activities		**3.3**	**-**
Interest expenses related to settlement of tax liability		-	2.8
Interest expenses related to severance pay liability, net		**-**	0.1
Foreign exchange on financing activities		**22.7**	-
Other finance charges and fees		**0.7**	0.4
Finance expenses - underlying		**104.7**	4.2
Senior Unsecured Notes early redemption fees	3	**14.1**	-
Gain on settlement of Senior Unsecured notes	3	**(7.1)**	-
Finance expenses – exceptional		**7.0**	-
Total finance expenses		**111.7**	4.2

6 Taxation

Corporate taxes

	2022 £ million
Current taxation	
UK corporation tax at 19%	**6.5**
Other jurisdictions taxation	**17.8**
Adjustments in respect of prior years	**1.3**
	25.6
Deferred taxation	
Origination and reversal of temporary differences	**(3.0)**
Adjustments in respect of prior years	**(17.7)**
	(20.7)
Taxation expense	**4.9**
Deferred taxation related to items recognised in OCI	
Remeasurement of severance pay liability	**0.6**

	2021 £ million
Current taxation	
Gibraltar corporation tax at 12.5%	**0.7**
Other jurisdictions taxation	**8.6**
Adjustments in respect of prior years	**(0.1)**
	9.2
Deferred taxation	
Origination and reversal of temporary differences	**(0.2)**
Adjustments in respect of prior years	**-**
	(0.2)
Taxation expense	**9.0**
Deferred taxation related to items recognised in OCI	
Remeasurement of severance pay liability	**0.2**

The Group previously reported its current tax with Gibraltar taxation as the headline tax and the Gibraltar tax rate as the rate to which the actual tax charge was reconciled. In 2022, 888 Holdings PLC became tax resident in the UK by virtue of its central management and control being situated in the UK and as a result the Group has changed its disclosures to refer to the UK tax as the headline tax and the UK tax rate for the reconciliations.

The effective tax rate in respect of ordinary activities before adjusting and exceptional items for the year ended 31 December 2022 is 20.0%. The effective tax rate in respect of ordinary activities after exceptional items is -4.2% (31 December 2021: 15%).

The Group monitors developments in respect of the global design, consultation and implementation of Pillar Two, which is the OECD term for a global minimum tax rate. Pillar Two is expected to lead to further corporation tax being payable by the Group in the future given its online operating model. The Group expects that the UK will substantively enact Pillar Two in the first half of 2023 and that Pillar Two will impact the Group's current tax starting in 2024.

The Group’s effective tax rate for 2023 is expected to be 7.7%.

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

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

	2021 **£ million**
(Loss)/profit before taxation	**59.0**
Standard tax rate in Gibraltar (12.5%)	**8.1**
Difference in effective tax rate in other jurisdictions	**4.1**
Expenses not allowed for taxation	**0.7**
Deferred tax not recognised	**(1.5)**
Losses utilised previously not recognised for deferred tax	**(0.2)**
Non-taxable income	**(2.1)**
Adjustments to prior years' tax charges	**(0.1)**
Total tax charge for the year	**9.0**

The expenses not allowed for tax purposes mainly relate to the acquisition of William Hill for which no tax relief is available. The difference in effective tax rates in other jurisdictions primarily reflect the lower effective tax rate in Gibraltar. The adjustments in respect of prior periods mainly relate to a higher than expected restriction on interest deductions in the UK in earlier periods.

7 Earnings per share

Basic earnings per share

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

Diluted earnings per share

The weighted average number of shares for diluted earnings per share takes into account all potentially dilutive equity instruments granted, which are not included in the number of shares for basic earnings per share. Potential ordinary shares are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive. The number of equity instruments included in the diluted EPS calculation consist of 6,235,340 Ordinary Shares (2021: 6,315,271) and no market-value options (2021: nil).
The number of equity instruments excluded from the diluted EPS calculation is 1,986,155 (2021: 577,979).

	2022	**2021**
Profit for the period attributable to equity holders of the parent (£ million)	**(120.5)**	49.9
Weighted average number of Ordinary Shares in issue and outstanding	**426,536,392**	371,383,109
Effect of dilutive Ordinary Shares and Share options	**6,235,340**	6,315,271
Weighted average number of dilutive Ordinary Shares	**432,771,732**	377,698,380
Basic earnings per share (pence)	**(28.3)**	13.4
Diluted earnings per share (pence)	**(28.3)**	13.2

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

Adjusted earnings per share

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

	2022	2021
Adjusted profit after tax (£ million)	**64.2**	82.6
Weighted average number of Ordinary Shares in issue	**426,536,392**	371,383,109
Weighted average number of dilutive Ordinary Shares	**432,771,732**	377,698,380
Adjusted basic earnings per share (pence)	**15.1**	22.2
Adjusted diluted earnings per share (pence)	**14.8**	21.9

8 Dividends

	2022 £ million	2021 £ million
Dividends paid	**-**	43.8

The Board of Directors does not recommend a final dividend to be paid in respect of the year ended 31 December 2022. No final dividend was recommended as at 31 December 2021.

The 2020 final dividend of 10.4¢ (7.4p) per share plus an additional one-off 1.6¢ (1.1p) per share was paid on 24 May 2021 totalling US$44.5 million (£31.8m) and the 2021 interim regular dividend of 4.5¢ (3.2p) per share in accordance with 888's dividend policy was paid on 13 October 2021 of US$16.8 million (£12.0m).

9 Goodwill and other intangibles

	Goodwill £ million	Brands, customer relationships and licences £ million	Software £ million	Total £ million
Cost or valuation				
At 31 December 2021	134.3	61.0	107.4	302.7
Additions via business combinations	785.6	1,178.0	226.2	2,189.8
Additions	-	2.3	65.1	67.4
Disposals	(124.2)	(17.4)	(6.4)	(148.0)
Effect of foreign exchange rates	16.0	6.9	11.0	33.9
At 31 December 2022	**811.7**	**1,230.8**	**403.3**	**2,445.8**
Amortisation and impairments:				
At 31 December 2021	74.2	34.0	70.6	178.8
Amortisation charge for the year	-	45.9	43.6	89.5
Impairment charge for the year	36.9	-	29.5	66.4
Disposals	(94.5)	(10.4)	(5.5)	(110.4)
Effect of foreign exchange rates	9.1	4.0	11.4	24.5
At 31 December 2022	**25.7**	**73.5**	**149.6**	**248.8**
Carrying amounts				
At 31 December 2022	**786.0**	**1,157.3**	**253.7**	**2,197.0**
At 31 December 2021	60.1	27.0	36.8	123.9

Goodwill

Goodwill recognised on the acquisition of William Hill was £785.6m as outlined in note 16. Based on the estimated synergies from the combination management has allocated this goodwill between Retail (£99.4m), UK Online (£360.4m) and International (£325.8m). This represents the lowest level at which goodwill is monitored for internal management purposes.

The Group previously had £25.7m goodwill related to its US B2C CGU which has been impaired at year end. See impairment reviews below for more detail. As part of the disposal of the Group's Bingo business, an £11.2m impairment charge was recognised at the half year against the goodwill in the Bingo business, representing the difference between the agreed sales price and the carrying value of the Bingo businesses net assets. Upon completion of the sale in the second half of the year, the remaining £29.7m of goodwill was disposed.

Brands, customer relationships and licences

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

Software

This category relates to the cost of both acquired software, through purchase or acquisition, as well as the capitalisation of internally developed software. On the acquisition of William Hill, the Group acquired software with a fair value of £226.2m. The software acquired primarily consisted of proprietary software platforms owned by William Hill. Subsequent to the acquisition, the decision was made to migrate a number of William Hill platforms onto the existing 888 platforms, resulting in an asset impairment of £29.5m.

Impairment reviews

The Group performs an annual impairment review for goodwill, by comparing the carrying amount of these assets with their recoverable amount. This is an area where the directors exercise judgement and estimation, see note 1 for further detail. Testing is carried out by allocating the carrying value of these assets to CGUs or group of CGUs and determining the recoverable amount of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired.

For the purposes of impairment testing under IAS 36, CGUs are grouped in order to reflect the level at which goodwill is monitored by management. In the previous period, the Group defined its groups of CGUs as Bingo B2C and US B2C. In the year, the Group completed the acquisition of William Hill and disposed of the Group's Bingo business, which changed the groups of CGUs to which goodwill is allocated and monitored. The goodwill generated from the acquisition of William Hill is monitored in line with the Group's segments, being Retail, UK Online and International. Prior to the impairment of the CGU, the pre-existing goodwill relating to the US B2C CGU continued to be monitored at the US B2C CGU level consistent with the previous period.

Value in use calculations are based upon estimates of future cash flows derived from the Group's profit forecasts by segments. Profit forecasts are derived from the Group's annual strategic planning or similarly scoped exercise.

The principal assumptions underlying our cash flow forecasts are as follows:

- management assume that the underlying business model will continue to operate on a comparable basis, as adjusted for known regulatory or tax changes and planned business initiatives;
- management's forecasts anticipate the continuation of recent growth or decline trends in staking, gaming net revenues and expenses, as adjusted for changes in our business model or expected changes in the wider industry or economy;
- management's forecasts include assumptions on synergy cost savings as a result of the William Hill acquisition, which have been removed to the extent they were not committed at 31 December 2022;
- management assume that the Group will achieve its target sports betting gross win margins as set for each territory, which management base upon its experience of the outturn of sports results over the long term, given the tendency for sports results to vary in the short term but revert to a norm over a longer term; and
- in management's annual forecasting process, expenses incorporate a bottom-up estimation of the Group's cost base. For employee remuneration, this takes into account staffing numbers and models by segment, while other costs are assessed separately by category, with principal assumptions including an extrapolation of recent cost inflation trends and the expectation that the Group will incur costs in line with agreed contractual rates.

The Board approved the 2023 budget for each segment in November 2022, as well as a further four-year strategic forecast covering years 2024 to 2027. These five years form the basis of the value in use calculation. Cash flows beyond that five-year period were extrapolated using long-term growth rates as estimated for each group of CGUs separately.

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

CGUs	**2022 Discount rate**	**2022 Long-term growth rate**
	%	**%**
Retail	13.3	0.0
UK Online	12.1	2.5
International	13.8	5.0
US B2C	18.0	2.0

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

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

Results of impairment reviews

The recoverable amount and headroom above carrying amount or impairment below carrying amount based on the impairment review performed at 31 December 2022 for each CGU or group of CGUs are as follows:

	2022	
CGUs	**Recoverable amount £ million**	**Headroom/ (impairment) £ million**
Retail	668.6	165.5
UK Online	1,534.5	359.3
International	1,725.2	996.2
US B2C	19.4	(25.7)

As a result of a revision in the growth projections for the US B2C CGU, the entire goodwill balance of £25.7m has been impaired, as the projected cash flows no longer support the carrying value of the CGU.

Sensitivity of impairment reviews

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

	20% fall in cash flows		**1% increase in discount rate**	
CGUs	**Reduction in recoverable amount £ million**	**Remaining headroom £ million**	**Reduction in recoverable amount £ million**	**Remaining headroom £ million**
Retail	(133.7)	31.8	(45.2)	120.3
UK Online	(306.9)	52.4	(149.2)	210.1

For the International group of CGUs, no impairment would occur under any reasonable possible changes in assumptions upon which the recoverable amount was estimated.

A 1% increase in the long-term growth rate in the US B2C CGU would have resulted in a reduction to the impairment of £4.0m. A 1% reduction in the discount rate used would have resulted in a reduction to the impairment of £7.0m.

10 Acquisitions & Disposals

Acquisitions

On 1 July 2022, the Group acquired all of the equity interests in William Hill. Total consideration for the transaction was £554.3m, consisting of £544.7m cash consideration and up to £100.0m of contingent consideration, fair valued on acquisition date at £9.6m. The contingent consideration is based on the enlarged Group hitting specific EBITDA metrics and is assessed at fair value using a probability weighting analysis. Based on the performance of the combined Group since the acquisition, the fair value of this contingent consideration at 31 December 2022 is £0.4m, with £9.2m being released to the Income Statement, see note 3 for further detail.

Identifiable assets acquired and liabilities assumed

	Provisional Fair Value[1]
Intangible assets	1,404.2
Property, plant and equipment	109.5
Right-of-use assets	72.3
Investment in sublease	1.4
Investments and investments in associates	40.0
Cash and cash equivalents	157.9
Trade and other receivables	32.9
Income tax asset	10.8
Assets held for sale	0.2
Trade and other payables	(399.3)
Provisions and contingent liabilities	(178.8)
Derivative financial instruments	(3.5)
Lease liabilities	(76.6)
Retirement benefit liability	(0.4)
Deferred tax liabilities	(236.2)
Long term debt	(1,165.7)
Total net identifiable liabilities	**(231.3)**
Goodwill	785.6
Consideration transferred	**554.3**

1 The Group has invested significant resources during the year in performing the purchase price allocation for the William Hill acquisition, including involving experts where appropriate. However, the Group acknowledges that, given the size and scale of the acquisition, the fair values of assets acquired and liabilities assumed remain provisional and may change within the measurement period.

In the period from 1 July 2022 to 31 December 2022, the acquired business contributed revenue of £614.3m and a loss after tax of £45.7m. If the acquisition had occurred on 1 January 2022, the contributed revenue and loss before tax would have been £1,225.1m and £56.7m respectively.

Intangible assets

Acquired identifiable intangible assets include £574.4m in respect of brands, £595.1m in respect of customer relationships and £8.5m in respect of licences. Software and technology of £226.2m, inclusive of a fair value uplift of £70.6m has also been recognised on acquisition. Management considers the residual goodwill of £785.6m to represent a number of factors including the future growth of the William Hill business and the potential to achieve buyer specific synergies and workforce.

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

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

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

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

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

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

Deferred tax liabilities of £216.9m have been recognised on the resultant fair value uplifts to assets.

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

Disposals

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

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

11 Provisions

	Indirect tax provision £ million	Legal and regulatory £ million	Shop closure provision £ million	Other restructuring costs £ million	Total £ million
At 31 December 2021	-	**19.0**	-	-	**19.0**
Acquired on acquisition 1 July 2022	57.0	111.5	5.8	4.5	178.8
Charged/(credited) to profit or loss					
Additional provisions recognised	12.7	12.3	0.8	-	25.8
Provisions released to profit and loss	(3.2)	(5.1)	-	-	(8.3)
Total charged to profit or loss					
Utilised during the year	(6.0)	(9.9)	(1.8)	(0.8)	(18.5)
Foreign exchange differences	1.2	(0.3)	-	-	0.9
At 31 December 2022	**61.7**	**127.5**	**4.8**	**3.7**	**197.7**

Customer claims provisions of £86.2m within legal and regulatory are classified as non-current. The remaining provisions are all classified as current.

Indirect tax provision

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

Legal and regulatory provisions

The Group has recorded a provision in respect of legal and regulatory matters, including customer claims, and updated it to reflect the Group's revised assessment of these risks in light of developments arising during 2022 such that this represents management's best estimate of probable cash outflows related to these matters.

The industry in which the Group operates is subject to continuing scrutiny by regulators and other governmental authorities, which may, in certain circumstances, lead to enforcement actions, sanctions, fines and penalties or the assertion of private litigations, claims and damages. Within this provision, there is a provision acquired relating to a periodic compliance assessment undertaken by the UK Gambling Commission ("UKGC") in July and August 2021 of the William Hill business. William Hill has been subject to an ongoing licence review and has addressed certain action points raised by the UKGC in relation to William Hill's social responsibility and anti-money laundering obligations. The Group has agreed a regulatory settlement of £19.2m, including divestments of £0.7m. This provision was acquired at 1 July 2022 and is expected to be settled in 2023.

In common with other businesses in the gambling sector, the Group receives claims from consumers relating to the provision of gambling services. Claims have been received from consumers in a number of (principally European) jurisdictions and allege either failure to follow responsible gambling procedures, breach of licence conditions or that underlying contracts in question are null and void given local licencing regimes. The Group expenses consumer claims as they are resolved or finally determined in consumers' favour and provides for such claims where an outcome in favour of the consumers in question is probable.

Within this provision, there is a provision for customer claims in Austria where the Business has been subject to a particular acceleration of claims since 2020 following marketing campaigns by litigation funders in that jurisdiction. Claims have continued to be received throughout 2021 and 2022 at a broadly consistent rate with a slight acceleration across 2021 and 2022. Consumers who have obtained judgement against the Business's entities in the Austrian courts have sought to enforce those judgements in Malta and Gibraltar. These are being defended on the basis of a public policy argument. The provisions held for the Group relating to these claims is £86.2m, which includes a provision of £80.6m relating to the William Hill and Mr Green brands and £5.6m relating to 888.

The £80.6m relating to the William Hill and Mr Green brands was recognised on acquisition representing the fair value of the contingent liability at that point in time, recognised on the basis that it was a possible future liability and in line with IFRS 3. Please refer to note 10 for further detail.

Since acquisition, there has been an alignment in strategy and accounting treatment with William Hill and Mr Green aligning to the 888 strategy. William Hill and Mr Green have therefore recognised a provision for probable legal claims they expect to receive and a contingent liability for possible legal claims they may receive. As at 31 December 2022, the provision is estimated at £67.0m and the contingent liability is estimated at £13.5m (note 16). Note that the provision is less than the liability

recognised on acquisition but the liability recognised on acquisition is not released to the income statement until the final outcome of the customer claims is resolved and as such the liability of £80.6m remains the balance provided.

The calculation of the customer claims liability includes provision for both legal fees and interest but is gross of gaming tax. Management have assessed that it is probable as opposed to virtually certain that the tax will be reclaimed and therefore a contingent asset of up to £24.3m has been disclosed for the tax reclaims, please refer to note 16 for further detail. The timing and amount of the outflows is ultimately determined by the settlement reached with the relevant authority.

There has also been a similar uptick in claims in Germany, but to a much lesser extent.

Shop closure provisions

As a result of the acquisition of William Hill, the Group holds provisions relating to the associated costs of closure of 713 shops in 2019, 119 shops in 2020, and certain shops that ceased to trade as part of normal trading activities

Other restructuring costs

The Group has recognised certain provisions for staff severance as a result of restructuring due to the acquisition of William Hill.

12 Borrowings

	Interest rate %	Maturity	31 December 2022 £m
Borrowings at amortised cost			
Bank facilities			
€473.5m term loan facility	EURIBOR + 5.5%	2028	392.6
$575.0m term loan facility	CME term SOFR + 5.35%	2028	420.7
£150.0m Equivalent Multi-Currency Revolving Credit Facility	-	2028	-
Loan Notes			
€582.0m Senior Secured Fixed Rate Notes	7.56	2027	498.6
€450.0m Senior Secured Floating Rate Notes	EURIBOR + 5.5%	2028	379.9
£350.0m Senior Unsecured Notes	4.75	2026	10.5
Total Borrowings			1,702.3
Less: Borrowings as due for settlement in 12 months			4.8
Total Borrowings as due for settlement after 12 months			1,697.5

The Group had no borrowings in 2021 and as such no comparative is presented in the above table.

Bank facilities

Term Loan Facilities

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

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

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

At 31 December 2022, the following amounts were outstanding under the term facilities made available to the Group under the Senior Facilities Agreement:

- €467.1m under the Group's 6-year euro-denominated term facility.
- $573.7m under the Group's 6-year US Dollar-denominated term facility.

Loan Notes

Senior Secured Notes
(i) €582m 7.558% Senior Secured Fixed Rate Notes due July 2027
In July 2022, as part of the William Hill Group acquisition funding, the Group issued €400m of guaranteed senior secured fixed rate notes and used the net proceeds to finance the William Hill Group acquisition. The notes, which are guaranteed by certain members of the Group and certain of the Group's operating subsidiaries, mature in July 2027.

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

(ii) €450m Senior Secured Floating Rate Notes due July 2028
In July 2022, the Group issued €300m of guaranteed senior secured floating rate notes and used the net proceeds to partially finance the William Hill Group acquisition. The notes, which are guaranteed by certain members of the Group and certain of the Group's operating subsidiaries, mature in July 2028.
In December 2022, a further €150m in principal amount was issued under the same terms as the initial €300m issuance to partially refinance the GBP Term Loan.

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

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

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

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

Undrawn credit facilities
At 31 December 2022, the Group had the following undrawn credit facilities:

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

Financial Covenant

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

The directors are satisfied that, at the year-end, the net leverage ratio has not exceeded the pre-agreed threshold and, as a consequence, the Financial Covenants have not been breached.

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

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

	31 December 2022 %
€473.5m term loan facility	7.25%
$575.0m term loan facility	11.47%
€582.0m Senior Secured Fixed Rate Notes	8.47%
€450.0m Senior Secured Floating Rate Notes	7.58%
£350.0m Senior Unsecured Fixed rate Notes	4.75%

The Group had no borrowings in 2021 and as such no comparative is presented in the above table.

Net debt reconciliation

Debt	**Opening £m**	**Inflows £m**	**Acquired £m**	**Outflows £m**	**Fees on debt £m**	**Non-cash £m**	**FV adjustment £m**	**FX £m**	**Total £m**
2023 Senior Unsecured Notes	-	-	352.3	(349.0)	-	-	(3.3)	-	-
2026 Senior Unsecured Notes	-	-	351.9	(339.0)	-	-	(2.4)	-	10.5
£351.8m term loan facility	-	347.0	-	(347.0)	-	-	-	-	-
£461.5m asset bridge loan	-	-	461.5	(461.5)	-	-	-	-	-
€473.5m term loan facility	-	420.4	-	(5.7)	(23.5)	1.7	-	(0.3)	392.6
$575.0m term loan facility	-	479.1	-	(1.0)	(57.4)	3.5	-	(3.6)	420.6
€582.0m Senior Secured Fixed Rate Notes	-	517.0	-	-	(18.9)	0.9	-	(0.3)	498.7
€450.0m Senior Secured Floating Rate Notes	-	399.6	-	-	(20.3)	0.9	-	(0.3)	379.9
	-	**2,163.1**	**1,165.7**	**(1,503.2)**	**(120.1)**	**7.0**	**(5.7)**	**(4.5)**	**1,702.3**

13 Financial instruments

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

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

	Contractual / notional amount	**Level 1**	**Level 2**	**Level 3**
	£m	**£m**	**£m**	**£m**
Financial assets				
Cross-currency swaps	397.1	-	17.7	-
Interest rate swaps	132.2	-	0.9	-
	529.3	**-**	**18.6**	**-**
Financial liabilities				
Cross-currency swaps	365.3	-	30.4	-
Interest rate swaps	-	-	-	-
Ante post bet liabilities	-	-	-	7.8
Contingent consideration (note 16)	100.0	-	-	0.4
	465.3	**-**	**30.4**	**8.2**

The Group did not have any financial instruments carried at fair value during the year ended 31 December 2021.

Ante post bets

Ante post bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Ante post bets at the period end totalled £7.8m and are classified as current liabilities.

Ante post bet liabilities are valued using methods and inputs that are not based upon observable market data and all fair value movements are recognised in revenue in the Income Statement. Although the final value will be determined by future betting outcomes, there are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined. The principal assumptions relate to the Group's historical gross win margins by betting markets and segments. Although these margins vary across markets and segments, they are expected to stay broadly consistent over time, only varying in the short term. The gross win margins are reviewed annually at period end. As at 31 December 2022, the gross win margins ranged from 2%-25%.

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

	Ante post bet liabilities	**Total**
	£m	**£m**
At 31 December 2021	-	-
Acquired via business combination	3.5	3.5
To profit or loss	4.3	4.3
At 31 December 2022	**7.8**	**7.8**

Hedging activities

The table below illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement by disclosing separately by risk category each type of hedge and the details of the associated hedging instrument and hedge item. These are for items designated as in a cash flow hedging relationship.

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

The Group did not have any hedge accounting during the year ended 31 December 2021.

Cash flow hedging reserve

The following table identifies the movements in the cash flow hedging reserve during the year for items designated as in a cash flow hedging relationship:

			Reclassifications during the period				
	Opening balance £m	Change in fair value recorded in OCI £m	Fixed assets £m	Interest expense £m	FX remeasurement £m	Missed forecast £m	Closing balance £m
Designated cash flow hedging relationships							
Interest rate swaps							
EUR trades	-	(0.8)	-	-	-	-	(0.8)
Total	**-**	**(0.8)**	**-**	**-**	**-**	**-**	**(0.8)**
Cross-currency swaps							
EUR trades	-	(3.3)	-	(1.4)	12.7	-	8.0
USD trades	-	22.2	-	(3.4)	(11.7)	-	7.2
Total	-	**18.9**	**-**	**(4.8)**	**1.0**	**-**	**15.2**

Cost of hedging reserve

The following table identifies the movements in the cash flow hedging reserve during the year for items designated as in a cash flow hedging relationship:

	Opening balance		Change in fair value recorded in OCI		Reclassifications during the period		Closing balance	
	Time value £m	Currency basis £m	Time value £m	Currency basis £m	Time value £m	Currency basis £m	Time value £m	Currency basis £m
Designated cash flow hedging relationships								
Cross-currency swaps								
EUR trades	-	-	-	(0.1)	-	-	-	(0.1)
USD trades	-	-	-	(1.2)	-	0.3	-	(0.9)
Total	-	-	-	**(1.3)**	-	**0.3**	-	**(1.0)**

Contractual maturity analysis

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

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

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

14 Share capital

Share capital comprises the following:

	Authorised			
	31 December 2022 Number	31 December 2021 Number	31 December 2022 £ million	31 December 2021 £ million
Ordinary Shares of £0.005 each	1,026,387,500[1]	1,026,387,500	**5.1**	5.1

[1] including 447,020 treasury shares held by the Group as at 31 December 2022 (2021: 307,422)

	Allotted, called up and fully paid			
	31 December 2022 Number	31 December 2021 Number	31 December 2022 £ million	31 December 2021 £ million
Ordinary Shares of £0.005 each at beginning of year	**372,759,202**	369,017,422	**1.9**	1.9
Issue of Ordinary Shares of £0.005 each	**73,572,454**	3,741,780	**0.3**	-
Ordinary Shares of £0.005 each at end of year	**446,331,656**	372,759,202	**2.2**	1.9

The narrative below includes details on issue of Ordinary Shares of £0.005 each as part of the Group's employee share option plan during 2022 and 2021.

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

15 Related party transactions

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

Trading transactions

Associates

As part of the William Hill acquisition, the Group acquired Sports Information Services (Holdings) Limited, an associate of the William Hill Group. From 1 July to the balance sheet date, the Group made purchases of £15.8m from Sports Information Services Limited, a subsidiary of Sports Information Services (Holdings) Limited. At 31 December 2022, the amount payable to Sports Information Services Limited by the Group was £nil.

16 Contingent assets and liabilities

Legal claims

In common with other businesses in the gambling sector the Group receives claims from consumers relating to the provision of gambling services. Claims have been received from consumers in a number of (principally European) jurisdictions and allege either failure to follow responsible gambling procedures, breach of licence conditions or that underlying contracts in question are null and void given local licencing regimes. The Group expenses consumer claims as they are resolved or finally determined in consumers' favour and provides for such claims where an outcome in favour of the consumers in question is probable.

The Business has been subject to a particular acceleration of claims in Austria since 2020 following marketing campaigns by litigation funders in that jurisdiction. Claims have continued to be received throughout 2021 and 2022 with a slight acceleration across 2021 and 2022. See note 11 for further detail.

Since acquisition, there has been an alignment in strategy and accounting treatment with William Hill and Mr Green aligning to the 888 methodology. William Hill and Mr Green have therefore recognised a provision for probable legal claims and a contingent liability for possible legal claims it expects to receive similar to 888. See note 11 for further detail on the provisions recognised with a contingent liability estimated at £13.5m for William Hill and Mr Green and the contingent liability for 888 estimated at £5.2m as at 31 December 2022.

The calculation of the customer claims liability includes provision for interest but is gross of gaming tax. Management have assessed that it is probable as opposed to virtually certain that the tax will be reclaimed and therefore a contingent asset has been disclosed for the tax reclaims. The contingent asset relating to the tax reclaim on the total liability (both provided for (note 11) and disclosed as a contingent liability) is a range in value of up to £24.5m.

Regulatory compliance

Given the nature of the legal and regulatory landscape of the industry, from time to time the Group has self-reported or received notices, communications and legal actions from regulatory authorities and other parties in respect of its activities. The Group is furthermore subject to regular compliance assessments of its licensed activities, from time to time. The Group's policy is to engage in dialogue with regulators and address any concerns raised in such assessments, to work cooperatively with the regulator and to take action to address any concerns raised as part of the assessment as soon as possible. The Group takes legal advice as to the manner in which it should respond and the likelihood of success of such actions. Based on this advice and the nature of the actions, for the majority of these matters the Board is unable to quantify reliably the outflow of funds that may result, if any.

For matters where an outflow of funds is probable and can be measured reliably, amounts have been recognised in the financial statements within Provisions. Except for the regulatory matters described in note 11, these amounts are not material at 31 December 2022.

17 Events after the reporting date

In January 2023, an internal compliance team self-identified failures where the Group's safer gambling policies were not being effectively applied. Further investigations identified similar accounts which were later confirmed to be a broader issue within

a specific cohort of players, namely 888 VIPs in the Middle East. The Board, once fully briefed, took the prudent decision to suspend all of these accounts while the compliance team investigated the situation further. The investigation has concluded and the Group has remedied the failings and is confident that its policies and procedures are robust, and this failure was isolated to a very specific cohort of players. It has successfully started reopening accounts and currently expects to recover 40-50% of this revenue.