24 February 2017

2016 profit in line with revised guidance, encouraging start to 2017

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 27 December 2016 (the period or full-year (FY) 2016).

	52 weeks to 27 Dec 16 £m	52 weeks to 29 Dec 15 £m	Change
Net revenue	1,603.8	1,590.9	+1%
Adjusted operating profit[1]	261.5	291.4	-10%
Profit before interest and tax	225.6	224.3	+1%
Adjusted earnings per share (p)[2]	22.3	24.7	-10%
Earnings per share (p)	18.9	21.6	-13%
Dividend per share (p)	12.5	12.5	0%

Financial results

- Group net revenue up 1% to £1,603.8m
- Adjusted operating profit[1] of £261.5m in line with revised guidance
- Adjusted EPS[2] of 22.3p, down 10%
- Strong cash generation with operating cash flow of £265.9m
- Balance sheet remains healthy with net debt for covenant purposes[3] at 1.8x EBITDA (2015: 1.3x)
- Full-year dividend maintained at 12.5p per share, reflecting the Group’s continued strong cash flow and the Board’s confidence in delivery of strategic priorities and future growth

Current trading (seven weeks to 14 Feb 17)

- Positive trends in amounts wagered in all four divisions, including encouraging improvement in Online with UK Sportsbook wagering up 10% and UK Gaming net revenue up 8%
- Sporting results favourable in the UK, behind in Australia and the US

Three strategic priorities going forward

- Grow UK market share with increased investment in product, marketing and omni-channel
- Continue international revenue growth and diversification with focused investment
- Deliver two key projects to support growth and reinvestment:
    - a transformation programme that, by increasing efficiencies, will provide c£40m of capital to reinvest in product, marketing and technology; and
    - a programme with OpenBet to build a global technology platform for the Group over three years.

Philip Bowcock, Interim Chief Executive Officer of William Hill, commented:

“2016 was a challenging year for William Hill, but one in which we made considerable operational progress, leaving us well-placed to drive the business forward in 2017. We have delivered extensive product, user experience and marketing improvements in Online, modernised our Retail management structure to focus more on the customer and continued to grow in our key international markets. There are now encouraging signs in all our divisions, in particular Online’s UK business, which is now delivering sustained growth.

“Looking forward, we want to keep improving the customer experience. This means making it both fast and easy, as well as enjoyable and personal, to bet with William Hill. To do this, we are expanding our product range, increasing our marketing investment and deploying our technology assets and expertise in key areas. At the same time, we expect our transformation programme to continue delivering important efficiency savings that we can reinvest to deliver an even better customer experience and faster growth.

“We have a clear strategy to take the business forward and grow market share in the UK, while expanding our revenues internationally.”

Notes:
1. Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as ‘Operating profit’ and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements.
2. Basic EPS is based on an average of 871.8 million shares for 2016 and an average of 880.9 million shares for 2015. Adjusted EPS is based upon adjusted profits after tax. Further detail on adjusted measures is provided in note 3 to the financial statements.
3. Net debt for covenant purposes and EBITDA for covenant purposes are as described in in note 23 to the financial statements.
4. Online numbers now also incorporate the Telephone division, which was previously presented as a separate segment.
5. Definitions are provided in the glossary at the back of the document.
6. Numbers are presented on an adjusted basis unless otherwise stated.

Enquiries

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Analyst and investor presentation

Meeting	Friday, 24 February 2017 at 9.00 am GMT The Lincoln Centre, 18 Lincoln’s Inn Fields, London WC2A 3ED
Live conference call	Tel: +44 (0) 20 3059 8125. Password: William Hill
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode: 5267827#. Available until 3 March 2017
Video webcast	www.williamhillplc.com

Debt investor conference call

Live conference call	11.00 am GMT. Tel: +44 (0) 20 3059 8125. Password: William Hill
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode 5268749#. Available until 3 March 2017

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing around 16,000 people. Founded in 1934, it is one of the UK's largest bookmakers with around 2,375 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group’s Online business (www.williamhill.com) is one of the world’s leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware’s sports lottery. William Hill Australia is one of the largest online betting businesses in Australia, established through the acquisition of two businesses in 2013. It offers sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange. The Group generates revenues of c£1.6bn a year.

Cautionary note regarding forward-looking statements

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These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, William Hill or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of William Hill and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond William Hill's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), William Hill does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

Performance summary: a difficult 2016

2016 was a challenging year for William Hill, with performance below the Board's expectations at the start of the year. However, we made a number of strategic and leadership changes to address this and ultimately delivered a full-year profit within the range of our revised expectations. These changes continue to bear fruit, with strong indications that Online is returning to sustained growth.

To summarise the 2016 results, Group net revenue and profit before interest and tax were both up 1%. However, adjusted operating profit[1], which gives a clearer picture of underlying performance, declined 10% in 2016 to £261.5m (2015: £291.4m) and basic, adjusted earnings per share declined 10% to 22.3p (2015: 24.7p).

Although we benefited in both wagering and margin terms from the EURO 2016 football tournament, other sporting results were unfavourable, including Cheltenham in March and significant losses in football in the final weeks of the year.

Excluding the sporting results, our Retail, Australia and US divisions all performed well. Retail progressed our omni-channel strategy by rolling out 2,000 proprietary self-service betting terminals (SSBTs) and also successfully implemented its modernisation programme. This revised the management and staffing model throughout the business to increase customer focus and will also help mitigate the cost of National Living Wage increases in future years. It is encouraging to see the Australian business deliver top-line growth following extensive work to improve the product, user experience and marketing. In the US, we continue to expand, adding new sports books in Nevada, launching a new mobile app and signing an agreement that takes us into Iowa.

Online's performance was the focus of much attention during the year. After several years of sustained outperformance and market leadership, growth stalled. Overall, Online's net revenue was down 3% in 2016 and adjusted operating profit[1] was down 20%. However, during the year the team has delivered numerous improvements to the product range, user experience and marketing, and we started to see early benefits from this in H2 2016 which are improving further in 2017.

The Board has approved a full-year dividend of 12.5p per share. Although EPS declined for the reasons described above, the Board believes the Group's continued strong cash generation and our confidence in delivery of strategic priorities and future growth prospects warrant maintaining the current dividend level at this time.

Our target balance sheet is 1-2x net debt to EBITDA for covenant purposes[3]. During the year, we returned £95m to shareholders and invested £104m in the NYX / OpenBet and Grand Parade transactions to improve our technology capability. This left us with net debt to EBITDA of 1.8x at the year-end.

Encouraging start to 2017 as actions start to pay back

In August 2016, we outlined four focus areas to drive improved performance. Since then, we have made positive progress in all four areas.

(a) Maintaining the pace of Online's turnaround

In January 2016, we changed Online's leadership. We recognised that new customers were generating lower-than-expected revenue levels, indicating that our marketing was not sufficiently effective, and that our product range had become less competitive while we focused on delivering our front-end platform. In March 2016, we highlighted that performance was also being impacted by responsible gambling measures implemented in November 2015.

With a rigorous focus on the customer experience, we have delivered meaningful improvements to William Hill's digital offering to address these issues. We are making further improvements in 2017 and are investing to keep building Online's momentum.

Our changes are delivering tangible benefits. With the redesigned app launched in June, Sportsbook amounts wagered in the UK improved from -1% in H1 to +5% in H2. Gaming upgrades were started in H2 and led to increases in the number of actives and the level of cross-sell as we progressed through the half. In February 2017, we successfully launched a single wallet to create a seamless customer experience between the products that sit on the OpenBet and Playtech wallets.

By optimising the user experience in high-traffic customer journeys, we improved registration conversion by 17% and deposit conversion by 13% between H1 and H2. The scale of our business and the volume of transactions we handle daily mean that even small changes here translate into significant net revenue benefit.

We have enhanced customer acquisition and addressed marketing inefficiencies. While this is negatively affecting key performance indicators such as new accounts, actives and cost per acquisition in the near term, the value of new accounts in Q4 2016 was more than 29% higher than in Q4 2015.

Finally, it is particularly encouraging to see we are once again attracting talented experts into the business, including new leaders for our Gaming, technology and digital marketing teams who have joined Online's Executive Committee in recent weeks.

(b) Driving increased efficiencies across the Group

We have made good progress in reviewing the Online business and Group functions to identify ways to increase efficiency. Initially, we identified c£30m of operating efficiencies from a top-down assessment. Following detailed bottom-up analysis conducted in recent weeks, we have raised this target to at least £40m of annualised cost efficiencies that we can deliver before the end of 2017. These will be reinvested in product, marketing and technology to further accelerate growth in the business.

(c) Delivering the technology roadmap

In technology terms, our proprietary front-end platform proved its value in 2016 by enabling the rapid delivery of Online's product and user experience improvements, and also the creation of our proprietary SSBT for the betting shops.

We implemented a new data warehouse in Q2, which is giving us a detailed 'single customer' view that supports ever more targeted and personalised interactions with our customers.

We welcomed the Grand Parade team to the business following that acquisition in August and they have substantially expanded our product development capability and capacity. The team has integrated well and is already delivering high-quality output, including our new Vegas iOS app.

During the year, we put in place the foundations for our long-term back-end platform strategy by investing c£90m in NYX to fund its acquisition of OpenBet, the provider of our current UK Online back-end platform. We have been working with OpenBet to define our platform strategy and are updating on plans for that today (see '*Strategic priorities going forward'* below).

(d) Refocusing the international growth and expansion

Our international operations have all performed well during the year and it is good to see Australia's results start to improve after two years of substantial changes to the product range, technology and marketing. In 2016 we migrated customers from tomwaterhouse.com and Centrebet to William Hill. Having ensured our product set was competitive by mid-year, we are now regularly delivering market-leading innovations to customers. Our product-led strategy aims to differentiate our brand in a crowded and competitive marketplace. Australia grew amounts wagered by 18% in 2016 in local currency terms, though customer-friendly horseracing results across the industry and sustained investment in marketing mean this is not yet translating into meaningful profit growth. Adjusted operating profit[1] was up 1% in local currency terms, though beneficial exchange rate movements meant this translated into a 15% improvement in reported profits.

In the US, we continue to grow market share, to expand our Nevada footprint and mobile revenues, and to increase the prominence of the William Hill brand. In Italy and Spain, net revenue continues to grow, benefiting from strong industry growth as well as further product enhancements. These markets generated a combined adjusted operating profit[1] of £1.8m in the year.

Positive trends in current trading

In the seven weeks to 14 February 2017, sporting results have been favourable in the UK but behind expectation in Australia and the US. Trends in amounts wagered are positive in all four divisions. As highlighted above, Online has seen encouraging improvements, with Sportsbook amounts wagered up 8% and Gaming net revenue up 5%; within this, UK wagering is up 10% and UK Gaming net revenue is up 8%.

Strategic priorities going forward

Looking ahead, we want to accelerate the momentum we are starting to see in the business and are focused on further improving the customer experience by making it both fast and easy as well as enjoyable and personal to bet with William Hill. To do this, we are expanding our product range, increasing our marketing investment and using our technology for continuous improvement.

We have three clear strategic priorities in the medium term:

- to grow UK market share;
- to drive continued international revenue growth; and
- to deliver two key projects to support growth and reinvestment:
    - a transformation programme that, by increasing efficiencies, will release c£40m of capital to reinvest in product, marketing and technology; and
    - a programme with OpenBet to build a global technology platform for the Group over three years.

(a) Grow UK market share

The UK remains our near-term priority. It is not only our largest market, it is also the world's largest regulated online gambling market, four times bigger than Italy or Australia. Our brand, extensive high-street footprint, product range, user experience and large-scale marketing investment remain powerful drivers in this market and we are confident that we can further grow market share.

To achieve this, we aim to:

- continue to deliver an extensive product pipeline to make William Hill an exciting destination for customers;
- establish a compelling omni-channel offering to improve brand loyalty and broaden the customer experience for Retail customers; and
- reassert William Hill's position as a leading brand by targeted increases in marketing spend.

In product terms, in 2017 we have already launched #YourOdds, a social media-based personalised odds offering and we have extended our High 5 horseracing promotion, which is our first ever omni-channel offer, given its popularity.

For omni-channel, we are extending the product range on our proprietary SSBTs and also trialling a new smaller version of our SSBT. We have developed an app that enhances the post-bet experience for customers without an account and will launch an omni-wallet to enable customers to use the funds in their Online account in shops. Our goal is not only to incentivise existing customers to stay with the William Hill brand whether using Online or Retail but also to enable Retail customers who do not want to have an online account to enjoy the exciting product range built by Online.

We have extensively reviewed our marketing effectiveness as part of our transformation programme (see below) and have already implemented a number of changes to digital marketing. Having improved effectiveness and with a clear pipeline of product innovations ahead, we are increasing our marketing investment in the UK by c20%.

(b) Continued international revenue growth

We will continue to grow internationally, capitalising on good growth in digital markets and diversifying our sources of revenues.

In Australia, recent improvement in performance has given us the confidence to consolidate our position as a challenger brand with more marketing investment. This will increase our marketing to net revenue in Australia from c26% in 2016 to c28% in 2017. This investment will be supported by a continued pipeline of product innovations, in which we benefit from owning our technology platform and being able to release new products faster than competitors. As one of the largest digital gambling markets outside the UK, this remains an attractive market but it is intensely competitive and we want to capitalise on our position as one of the leading operators.
In the US, we are building optionality ahead of potential regulatory change. We are extending our footprint – digital and physical – wherever we can, including adding sports books in Nevada, mobile in Delaware and a

new race book in Iowa. We are also actively engaged in efforts either to challenge the legality of the PASPA federal ban on sports betting or to achieve legislative change.

In Italy and Spain we will continue to invest in marketing to capitalise on continued market growth. In other markets, the global technology platform we are developing will provide an efficient market entry in due course. Ahead of that, we will be opportunistic as key markets open up, using existing and / or third-party systems to make it economic to enter new markets.

(c) Transformation and technology projects

Enabling these strategic priorities are two key projects: a transformation programme to increase efficiencies and deliver at least £40m of annualised savings to support our higher investment; and a three-year programme to deliver a global technology platform for the whole William Hill Group.

The transformation programme is now moving into the implementation phase. We have already made substantial progress on optimising our digital marketing, which is now expected to deliver £18m of annualised efficiencies by the end of 2017. The review is focused primarily on Online and Group functions. Other areas to be addressed include: external spend; IT; customer service; and organisation.

The transformation programme will incur one-off operating costs and additional capital expenditure over 2017, 2018 and 2019 to achieve the targeted efficiencies. This is currently expected to cost c£40m.

For the UK, we now have in place the major technology components we need to deliver our current product pipeline. Having benefited from the increased capacity added by the Grand Parade team, we are investing to further expand our product development team by increasing headcount in the coming months.

We are also investing in our next-generation technology platform alongside OpenBet. This will enable us to improve the customer experience even further in the UK. It will also support lower cost entry into new markets and increase the Group's efficiency by moving all divisions onto a single platform, enabling sharing of innovations in all markets. The expected capitalised cost of the programme is c£10m per annum over three years.

Our total capital expenditure will increase from £90m in 2016 to £90-110m per annum between 2017 and 2019 to support these two programmes.

Outlook

While it may take up to 12 months to realise the full benefit of some of the changes we have made in Online, we expect performance to continue to improve during 2017. As described above, we are already seeing encouraging signs of that in current trading.

We await the outcome of the UK Government's Triennial Review, which is focused on advertising and gaming machines. The Government has committed to evidence-based decision-making and there is strong evidence to show that stake cuts would not reduce gambling-related harm as well as showing that loss rates on low stakes machines can be higher than on B2 content. We have made great strides in improving responsible gambling measures and continue to evolve our approach based on research data in line with the National Responsible Gambling Strategy.

With a clear strategy in place and strong indications that Online is returning to sustained growth, we are confident of William Hill's ability to deliver a stronger performance in 2017, subject to normalised gross win margins in the period.

OPERATING REVIEW

Online (34% of Group revenue)[4]

	FY 2016 £m	FY 2015 £m	Change
Sportsbook amounts wagered	**4,293.0**	**4,190.3**	**+2%**
Gross win margin	7.2%	7.7%	-0.5 ppts
Core markets net revenue	476.8	496.1	-4%
Other markets net revenue	68.0	67.0	+1%
Sportsbook net revenue	270.1	276.3	-2%
Gaming net revenue	274.7	286.8	-4%
Online net revenue	**544.8**	**563.1**	**-3%**
Cost of sales	(120.1)	(128.2)	-6%
Operating costs	(324.2)	(309.6)	+5%
Adjusted operating profit[1]	**100.5**	**125.3**	**-20%**

Note: the Online division now includes Telephone, which was previously reported separately. 2015 numbers are re-presented to include Telephone.

Improving performance in our core UK market, which accounted for 71% of Sportsbook amounts wagered and 76% of Online's total net revenue, was a key priority in 2016. We launched a substantially improved Sportsbook app ahead of EURO 2016 and saw UK Sportsbook amounts wagered grow 5% in the second half. We refreshed many aspects of the Gaming verticals in H2, launching new web and mobile versions of Casino, Games and Live Casino, followed by a new Vegas iOS app in January.

Italy and Spain continued to perform well, with Spain benefiting from an expanded gaming product range. The two markets together made an adjusted operating profit[1] of £1.8m in the period (2015: loss of £0.4m).

Within the amounts wagered increase, core markets grew 5% with the UK up 2% and Italy and Spain up 29% (up 15% on a local currency basis); non-core markets declined 11%. Wagering benefited from the UEFA EURO 2016 football tournament, during which Online's wagering was 85% higher than for EURO 2012. Sportsbook fair value adjustments in the period were 0.9% of amounts wagered (2015: 1.0%), lower than the 1.1% reported in H1 2016 following actions taken to address bonus abuse.

Gaming net revenue was 4% lower, with core markets down 5% and non-core markets up 2%. This was impacted by the time-out/automatic self-exclusion uptake in the first half of the year and less new content being released while we implemented the 'reality checks' responsible gambling measures in Q2. We have now returned to our normal content release cycle.

Mobile continues to grow as a proportion of the business, increasing to 70% of Sportsbook net revenue (2015: 64%) and to 53% of Gaming net revenue (2015: 41%).

Operating costs were 5% higher, driven by higher staff costs. Amortisation also continued to increase reflecting higher capital expenditure in recent years. Marketing costs were £121.7m (2015: £122.5m), equating to 22% of net revenue.

As a result of the lower revenues and higher costs, adjusted operating profit[1] was 20% lower.

Retail (56% of Group revenue)

	FY 2016 £m	FY 2015 £m	Change
Sportsbook amounts wagered	**2,325.8**	**2,416.5**	**-4%**
Gross win margin	17.6%	17.8%	-0.2 ppts
Sportsbook net revenue	409.3	430.9	-5%
Gaming net revenue	484.6	458.6	+6%
Retail net revenue	**893.9**	**889.5**	**+0%**
Cost of sales	(227.0)	(222.8)	+2%
Operating costs	(504.9)	(495.3)	+2%
Adjusted operating profit[1]	**162.0**	**171.4**	**-5%**

Retail's net revenue was flat year-on-year. Overall performance has benefited from net revenue growth in Gaming while Sportsbook (comprising transactions over-the-counter (OTC) and on SSBTs) was down, with gross win margin down 0.2 percentage points and amounts wagered down 4%.

Sporting results were volatile during the year, with one of our poorest Cheltenham festivals on record and unusually weak football results in Q4 but a very positive EURO 2016 football tournament and a sustained period of good margins from Tier 3 horseracing. Overall, this resulted in Sportsbook gross win margin being below expectations in H2 but still within our normalised range of 17-18% for the year as a whole. The Tier 3 horseracing results were a key contributor to lower amounts wagered as this product is particularly influenced by recycling levels.

Gaming has seen good growth rates following the restructuring of the Gaming Operations team over the last year, with regular releases of new slots and casino games content. Within the 6% net revenue growth, the slots content (B3) grew 16%. Gaming benefited from higher footfall in the shops during the EURO 2016 period and rolling over the implementation of the '£50 journey' in April 2015. Gross win per machine per week (net of free bets) was 5% higher at £998 (2015: £949).

We completed installation of our initial 2,000 proprietary SSBTs in the period. Through the back end of the year, we started releasing further content onto the SSBTs, which will continue through 2017.

The average number of shops was slightly higher at 2,372 (2015: 2,363), with 16 new licences opened and 11 shops closed in the period.

Cost of sales was 2% higher due to a greater proportion of net revenue coming from machines in the period, which attracts a higher rate of gambling duty. Operating costs were 2% higher, primarily reflecting increases in employee costs, including National Living Wage increases. As a result, adjusted operating profit[1] decreased 5%.

William Hill Australia (7% of Group revenue)

	On a statutory reporting basis			On a local currency basis		
	FY 2016 £m	**FY 2015 £m**	**Change**	**FY 2016 A$m**	**FY 2015 A$m**	**Change**
Amounts wagered	**1,336.0**	**1,007.3**	**+33%**	**2,415.4**	**2,045.9**	**+18%**
Gross win margin	9.9%	11.0%	-1.1 ppts	9.9%	11.0%	-1.1 ppts
Net revenue	**113.8**	**97.9**	**+16%**	**205.0**	**198.4**	**+3%**
Cost of sales	(30.3)	(23.2)	+31%	(54.4)	(47.1)	+15%
Operating costs	(68.1)	(61.3)	+11%	(123.7)	(124.7)	-1%
Adjusted operating profit[1]	**15.4**	**13.4**	**+15%**	**26.9**	**26.6**	**+1%**

Numbers referenced in the following narrative are presented on a local currency basis.

Our Australian business is now delivering good top-line growth, with amounts wagered up 18%. This has followed a period of substantial improvements to our product, marketing and operations.

We successfully migrated the tomwaterhouse.com customers and Centrebet customers to the William Hill brand during the year. While this is detrimental to the number of active accounts in the short term, the average revenue per user is improving as retained customers enjoy a better product range and user experience. New accounts have grown strongly, up 19%, and recognition of the William Hill brand has risen following effective advertising campaigns and our unique betting partnership with the Australian Open.

Gross win margins were weaker than expected as horseracing results impacted the industry.

During the year, we invested in expanding the teams that support our product development. However, we also reduced our costs by offshoring back-office activities to our lower-cost centre in Manila, which enabled us to offset this investment. Therefore, operating costs were down 1% overall.

As the weaker-than-expected gross win margin meant wagering growth did not translate into revenue growth, adjusted operating profit[1] grew just 1%.

William Hill US (3% of Group revenue)

William Hill US continues to perform strongly with growth from amounts wagered up 37% (local currency: +21%). Net revenue was 31% higher (local currency: +16%) at £43.7m (2015: £33.3m), with the gross win margin 0.3 percentage points lower at 6.2%. Operating costs were 20% higher (local currency: +5%) and adjusted operating profit[1] was 55% higher (local currency: +39%) at £14.3m (2015: £9.2m).

During the year, we launched a new mobile app and another mechanism for customers to deposit funds into their mobile accounts. We expanded our Nevada footprint by opening a further five sports books and now have 108 of the 192 books in the State of Nevada. Our market share has grown in revenue terms, up from 21% of sports gross win in 2015 to 26% in 2016. We have also partnered with Caesars Entertainment to run a race book in Iowa.

Corporate costs

Net corporate costs were £2.7m higher at £30.6m (2015: £27.9m). Within this, associate income decreased to £1.5m (2015: £2.7m) with losses for NeoGames offsetting profits from SIS.

FINANCIAL REVIEW

In 2016 the Group delivered a 1% increase in both revenues and profit before interest and tax. However, adjusted operating profit[1] fell 10% to £261.5m. The fall mainly reflects that revenue growth was insufficient to offset operational investment to support growth, including the investment needed to strengthen our Online business after the difficult first half of the year.

There were also adverse effects from higher finance costs in 2016, due to a period of overlap through the refinancing of one of our bonds, and higher tax costs as 2016 did not benefit from the same level of tax credits as the prior year. Overall this led to a year-on-year fall in profit after tax of 13%, to £164.5m, and a fall in EPS of 13% to 18.9p.

Net operating cash flows remained strong at £265.9m, the £35.0m reduction over the prior year being broadly in line with the reduction in adjusted operating profit[1]. Together with an increase in cash from financing activities, this allowed us to fund significant investment as well as cash returns to shareholders while remaining within our target net debt to EBITDA ratio of one to two times. Net debt for covenant purposes[3] rose to £618.1m from £488.2m, increasing the ratio from 1.3x to 1.8x.

The commentary below on divisional performance reflects adjusted results, since that is the basis on which they 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.

Revenue was £1,603.8m, an increase of 1% on 2015, with adjusted operating profit[1] falling £29.9m to £261.5m. Online revenues fell by £18.3m or 3%, reflecting both weaker sports betting margins in the final quarter and a fall in Gaming of £12.1m in part due to the regulatory impacts of self-exclusions and timeouts. Poker and Bingo also saw further declines. Retail revenues grew £4.4m. Within this, Sportsbook saw a £21.6m decline, driven predominantly by lower wagering levels and the impact of results on margins in Q4, while revenue from gaming machines rose by £26.0m as frequent content releases led to higher gross win per machine. Australia revenues increased by 16% to £113.8m, although this comparison is flattered by the weak pound and growth was 3% in local currency terms. US revenues grew 31% to £43.7m, a rise of 16% in local currency.

Costs of sales grew 1% or £4.3m. In most divisions this was generally in line with changes in revenue, although in Australia the relative burden of wagering taxes and integrity fees continues to increase.

Adjusted net expenses were 4% or £38.5m higher at £960.1m. Retail expenses grew 2% to £504.9m, driven primarily by employee cost increases that reflect the introduction of the National Living Wage. Costs in Online grew £14.6m or 5%, as higher amortisation, content costs and employee costs from ongoing investment offset smaller reductions in marketing and banking fees. Net expenses in Australia grew £6.8m to £68.1m, although in local currency terms these declined 1%. Elsewhere, the Group's costs grew by £7.5m reflecting the currency impact on expenses in the US and higher costs in corporate functions.

Exceptional items and adjustments

Adjustments and exceptional items amounted to £32.7m before tax, a fall of 51% from the prior year following the £60.6m accelerated brand amortisation in 2015. Within this, exceptional items amounted to £19.6m, principally £9.8m of corporate transaction costs and £10.2m of costs relating to corporate restructurings.

Adjustments included a slightly lower charge of £6.4m (2015: £8.1m) for amortisation of intangibles recognised on acquisitions, along with a net £6.7m charge from finance income and the revaluation of our NYX investments.

Taxation

The Group's effective tax rate was 9.3% (2015: credit of 2.8%, due to an exceptional release in that year). The rate in 2016 benefits from a deferred tax credit resulting from the enacted change in the rate of UK corporation tax, a lower rate of tax on overseas profits and adjustments in respect of prior years. The forecast effective tax rate for 2017 is c14%.

Earnings per share

Basic EPS declined 13% to 18.9p, reflecting primarily the 13% fall in profit after tax to £164.5m. Adjusted EPS declined 10% to 22.3p.

Cash flows and net debt

Operating cash flows were £265.9m or £35.0m lower than in 2015, reflecting the similar fall in adjusted operating profit[1]. Of this we invested £161.9m in technology, including investments in NYX (£92.0m) and Grand Parade (£12.0m), and developing intangible assets (£57.9m).

The Group returned £203.4m to shareholders through dividends and share purchases and received a net £50m in refinancing bonds in issue, leading to a closing net debt for covenant purposes[3] of £618.1m. This reflects a 1.8x multiple of EBITDA for covenant purposes (2015: 1.3x).

The Board continues to believe that an appropriate capital structure for the Group ranges between 1x and 2x net debt to EBITDA for covenant purposes[3]. In light of this, the Board does not currently intend to commence any additional returns of capital.

In considering the Group's capital structure, the Board continues to take into account the ability to deliver strong cash generation, its organic investment strategy and the ability to accelerate that through strategic acquisitions, as well as the wider competitive environment and the potential for disruptive regulatory changes.

FISCAL AND REGULATORY UPDATE

Triennial Review of Stakes and Prizes

The Triennial Review is ongoing with recommendations from the UK Government anticipated in the spring. Any resulting changes would follow further consultation and any implementation will likely be during 2018. The focus of the review is on harm-minimisation and William Hill is working alongside the Association of British Bookmakers (ABB) to promote an evidence based approach to the regulation of gaming machines. Extensive research by GambleAware highlights the limitations of an approach based on stake reductions. Loss rates per minute on low stakes slot machines (Category B1 and C) are actually higher on average than those experienced when playing a gaming machine in a betting shop at £50 stakes. This is due to the slower spin speeds and higher payouts of B2 gaming machine content. The focus for William Hill continues to be to work to progress a number of harm minimisation initiatives that focus on awareness, tools to help customers gamble responsibly and targeted interventions for those that display signs of problem gambling. These initiatives are continually evaluated and findings acted upon. This process is in line with the National Responsible Gambling Strategy outlined by the Government's Responsible Gambling Strategy Board and William Hill is committed to this approach.

Responsible Gambling Roadmap

William Hill is committed to responsible gambling and together with the ABB we are working on an evidence based roadmap. Retail teams carry out over 4,500 responsible gambling interactions per month with 9,000 emails per month sent to targeted individuals by our Online teams. Shops include significant levels of responsible gambling messaging via audio, the TV screens and on gaming machines. All machine sessions now begin with an option for the customer to set limits on their play and if they choose not to they will still receive mandatory warnings when play exceeds 20 minutes or £150. Through The Senet Group, we have also funded responsible gambling advertising campaigns.

Moving forward we are committed to utilising research to improve our understanding of problem gambling and to inform our actions. One example of this has been in identifying harmful play and William Hill has been using algorithms to monitor the behaviour of registered customers and to target those that may be at risk with tailored messages via the gaming machine. This approach is now being extended to the wider betting industry. Moving forward this approach will use technology to extend these indicators and interventions to unregistered players and the player messaging is being informed further by evaluation being carried out by PWC. This work will inform common standards for 'player awareness systems' using best practice across the industry.

4th Anti-Money Laundering Directive

We anticipate the UK Government will issue its recommendations for implementation of the 4th Anti-Money Laundering Directive before the Directive is expected to be transposed into law in 2017. These will be subject to consultation and will require an implementation period.

Changes to the Horserace Betting Levy

The Government has confirmed its plans to extend the Levy to online operators and to charge a rate of 10% of UK horseracing gross win, with an intention for the new scheme to begin in April. This is subject to EU State Aid clearance and we await the outcome of that stage of the process.

BOARD AND EXECUTIVE CHANGES

To support the Group's digital and international expansion strategy, a number of key Board changes were made during the course of the year. In July 2016, James Henderson stood down as CEO after two years in the role and Philip Bowcock was appointed Interim CEO. The Board thanks James for his contribution over more than 30 years with William Hill.

We are also pleased to welcome John O'Reilly, Robin Terrell and, from April 2017, Mark Brooker as Non-executive Directors, who together bring additional digital, multi-channel and gambling industry experience to the Board.

PRINCIPAL RISKS

We have reviewed our risk profile as set out in the Annual Report and Accounts and considered the risks facing the Group in the coming year. The key risks for 2017 are currently identified as:

- Regulatory compliance and change;
- Cyber crime and IT security;
- Transformation programme;
- Competitive landscape;
- Delivery of IT strategy;
- Talent;
- Business continuity management; and
- IT disaster recovery.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE FINAL RESULTS ANNOUNCEMENT

The directors confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report (which includes the management report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement is approved by the Board of directors and is signed on its behalf by:

P. Bowcock
Interim Chief Executive Officer
24 February 2017

Consolidated Income Statement

For the 52 weeks ended 27 December 2016

		52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
	Notes	**Adjusted £m**	**Exceptional items and adjustments (note 3) £m**	**Statutory total £m**	Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m
Continuing operations							
Revenue	2	**1,603.8**	**–**	**1,603.8**	1,590.9	–	1,590.9
Cost of sales	2	**(382.2)**	**–**	**(382.2)**	(377.9)	–	(377.9)
Gross profit	2	**1,221.6**	**–**	**1,221.6**	1,213.0	–	1,213.0
Other operating income		**14.8**	**–**	**14.8**	8.9	–	8.9
Other operating expenses	3	**(976.4)**	**(35.9)**	**(1,012.3)**	(933.2)	(67.1)	(1,000.3)
Share of results of associates		**1.5**	**-**	**1.5**	2.7	–	2.7
Profit before interest and tax	2	**261.5**	**(35.9)**	**225.6**	291.4	(67.1)	224.3
Investment income	3	**1.7**	**3.2**	**4.9**	1.4	–	1.4
Finance costs	4	**(49.2)**	**–**	**(49.2)**	(41.0)	–	(41.0)
Profit before tax	2	**214.0**	**(32.7)**	**181.3**	251.8	(67.1)	184.7
Tax	3,5	**(19.8)**	**3.0**	**(16.8)**	(34.3)	39.5	5.2
Profit for the period (attributable to equity holders of the parent)		**194.2**	**(29.7)**	**164.5**	217.5	(27.6)	189.9
Earnings per share (pence)							
Basic	7	**22.3**		**18.9**	24.7		21.6
Diluted	7	**22.2**		**18.8**	24.6		21.5

The Group previously presented its Consolidated Income Statement with a column showing pre-exceptional results. This presentation has been changed to reflect adjusted results (as described in note 3) in order to better represent the key metrics used by the directors to monitor and evaluate its performance. Results for prior periods are re-presented accordingly. There is no change to the reported totals for any period.

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 27 December 2016

	Notes	**52 weeks ended 27 December 2016 £m**	52 weeks ended 29 December 2015 £m
Profit for the period		**164.5**	189.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme		**(17.8)**	(14.9)
Tax on remeasurements in defined benefit pension scheme		**2.3**	1.7
		(15.5)	(13.2)
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain on cash flow hedges		**(0.1)**	0.3
Exchange differences on translation of foreign operations		**63.3**	(21.8)
Changes in fair value of available-for-sale financial assets	8	**(4.4)**	–
		58.8	(21.5)
Other comprehensive income/(loss) for the period		**43.3**	(34.7)
Total comprehensive income for the period (attributable to equity holders of the parent)		**207.8**	155.2

Consolidated Statement of Changes in Equity

For the 52 weeks ended 27 December 2016

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 29 December 2015	**88.4**	**686.6**	**6.8**	**(26.1)**	**(4.1)**	**(126.8)**	**591.0**	**1,215.8**
Profit for the financial period	–	–	–	–	–	–	164.5	164.5
Other comprehensive income for the period	–	–	–	–	–	63.2	(19.9)	43.3
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**63.2**	**144.6**	**207.8**
Purchase and issue of own shares (note 10)	–	–	–	–	(95.0)	–	(0.4)	(95.4)
Transfer of own shares to recipients (note 10)	–	–	–	–	0.6	–	(0.6)	–
Other shares issued during the period	0.3	2.7	–	–	–	–	(0.2)	2.8
Credit recognised in respect of share remuneration	–	–	–	–	–	–	6.1	6.1
Tax charge in respect of share remuneration	–	–	–	–	–	–	(2.6)	(2.6)
Dividends paid (note 6)	–	–	–	–	–	–	(109.0)	(109.0)
At 27 December 2016	**88.7**	**689.3**	**6.8**	**(26.1)**	**(98.5)**	**(63.6)**	**628.9**	**1,225.5**

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 31 December 2014	**87.7**	**683.2**	**6.8**	**(26.1)**	**(1.1)**	**(105.3)**	**515.1**	**1,160.3**
Profit for the financial period	–	–	–	–	–	–	189.9	189.9
Other comprehensive loss for the period	–	–	–	–	–	(21.5)	(13.2)	(34.7)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(21.5)**	**176.7**	**155.2**
Purchase and issue of own shares	–	–	–	–	(3.7)	–	0.7	(3.0)
Transfer of own shares to recipients	–	–	–	–	0.7	–	(0.7)	–
Other shares issued during the period	0.7	3.4	–	–	–	–	(0.5)	3.6
Credit recognised in respect of share remuneration	–	–	–	–	–	–	7.2	7.2
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.9	0.9
Dividends paid (note 6)	–	–	–	–	–	–	(108.4)	(108.4)
At 29 December 2015	**88.4**	**686.6**	**6.8**	**(26.1)**	**(4.1)**	**(126.8)**	**591.0**	**1,215.8**

Consolidated Statement of Financial Position

As at 27 December 2016

	Notes	27 December 2016 £m	29 December 2015 £m
Non-current assets			
Intangible assets		**1,805.3**	1,732.3
Property, plant and equipment		**212.5**	210.6
Interests in associates		**30.8**	33.6
Investments	8	**5.4**	0.1
Deferred tax assets		**2.8**	4.2
Retirement benefit asset		**15.5**	23.0
Loans receivable	8	**43.9**	–
Derivative financial instruments	8	**34.8**	–
		2,151.0	2,003.8
Current assets			
Inventories		**–**	0.1
Trade and other receivables		**72.7**	56.2
Cash and cash equivalents		**215.5**	282.1
Investment property held for sale		**3.5**	4.4
Derivative financial instruments		**–**	0.1
		291.7	342.9
Total assets		**2,442.7**	2,346.7
Current liabilities			
Trade and other payables		**(370.4)**	(325.8)
Corporation tax liabilities		**(25.7)**	(24.5)
Borrowings	9	**–**	(299.1)
Derivative financial instruments		**(14.0)**	(13.8)
		(410.1)	(663.2)
Non-current liabilities			
Borrowings	9	**(718.6)**	(369.5)
Deferred tax liabilities		**(88.5)**	(98.2)
		(807.1)	(467.7)
Total liabilities		**(1,217.2)**	(1,130.9)
Net assets		**1,225.5**	1,215.8
Equity			
Called-up share capital		**88.7**	88.4
Share premium account		**689.3**	686.6
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	10	**(98.5)**	(4.1)
Hedging and translation reserves		**(63.6)**	(126.8)
Retained earnings		**628.9**	591.0
Total equity attributable to equity holders of the parent		**1,225.5**	1,215.8

Consolidated Cash Flow Statement

For the 52 weeks ended 27 December 2016

	Notes	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Net cash from operating activities	11	**265.9**	300.9
Investing activities			
Dividends from associates		**4.3**	0.4
Interest received on cash and cash equivalents		**1.7**	1.4
Proceeds on disposal of property, plant and equipment		**1.2**	1.1
Proceeds on disposal of investment property		**0.8**	–
Net cash flows relating to loans receivable		**1.4**	–
Acquisition of redeemable convertible preference shares in NYX Gaming Group Limited (including associated costs)	8	**(81.7)**	–
Acquisition of ordinary shares and warrants in NYX Gaming Group Limited	8	**(10.3)**	–
Acquisition of Grand Parade Limited (net of cash acquired)		**(12.0)**	–
Acquisition of NeoGames S.a.r.l		**–**	(17.4)
Purchases of property, plant and equipment		**(32.5)**	(22.5)
Expenditure on intangible assets		**(57.9)**	(45.0)
Net cash used in investing activities		**(185.0)**	(82.0)
Financing activities			
Proceeds on issue of shares under share schemes		**1.3**	3.6
Purchase of own shares		**(94.4)**	(3.0)
Dividends paid	6	**(109.0)**	(108.4)
Repayment of £300m Guaranteed notes	9	**(300.0)**	(50.0)
Issue of £350m Guaranteed notes due 2023		**350.0**	–
Finance fees paid on £350m Guaranteed notes		**(2.5)**	–
Net cash used in financing activities		**(154.6)**	(157.8)
Net (decrease)/increase in cash and cash equivalents in the period		**(73.7)**	61.1
Changes in foreign exchange rates		**7.1**	(1.1)
Cash and cash equivalents at start of period		**282.1**	222.1
Cash and cash equivalents at end of period		**215.5**	282.1

1. BASIS OF ACCOUNTING

GENERAL INFORMATION

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London N22 7TP. The nature of the Group's operations and its principal activities are set out in the Strategic Report within the Annual Report and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

BASIS OF ACCOUNTING

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out in the Annual Report.

The financial statements set out in this preliminary announcement do not constitute the Company's statutory accounts for the 52 week periods ended 27 December 2016 or 29 December 2015, but are derived from those accounts. The auditor has reported on those accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS on 24 February 2017.

ADOPTION OF NEW AND REVISED STANDARDS

In preparing the Group financial statements for the current period, there have been no new IFRSs, amendments to IFRSs or IFRS Interpretations Committee (IFRIC) interpretations that have been adopted by the Group.

STANDARDS IN ISSUE BUT NOT EFFECTIVE

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report.

IFRS 9 'Financial instruments' will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The potential impacts of the new standard that may impact the Group are:

- Classification and measurement: New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments; and
- Hedge accounting: The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

The Group is reviewing the requirements of the new standard to fully determine its impact.

IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. Early assessment of the requirements of the new standard suggest it will not have a material impact upon the Group's reported performance and the Group will continue to assess the full impact to ensure it is ready to implement the new standard in advance of its effective date.

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. It will result in most leases being recognised on the Statement of Financial Position. The Group continues to assess the full impact of IFRS 16 but since the impact is influenced by interest rates in future years, it is not yet possible to reasonably quantify its effects. At this stage, the directors assess that the implementation of the new standard may have a material impact upon the Group's reported performance, Statement of Financial Position and operating cash flows.

GOING CONCERN

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. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until May 2019. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section within the Annual Report, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group issued £350m of corporate bonds in May 2016 the proceeds from which were used to redeem £300m of corporate bonds which matured in November 2016. The new bonds are due for redemption in 2023. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business, regulatory and financing risks, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 as Chief Operating Decision Maker reviews to make strategic decisions.

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The Online[2] segment comprises all online and telephone activity outside of Australia, including sports betting, casino, poker sites and other gaming products along with telephone betting services. The US segment comprises all activity undertaken in the USA. The Australia segment comprises online and telephone sports betting in Australia. Other activities include on-course betting and greyhound stadia operations. There are no inter-segmental sales within the Group.

Segment performance is shown on an adjusted basis, with a reconciliation from adjusted operating profit to statutory results for clarity. Information for the 52 weeks ended 27 December 2016 is as follows:

	Retail £m	Online[2] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	**893.9**	**544.8**	**43.7**	**113.8**	**7.6**	**–**	**1,603.8**
GPT, duty, levies and other costs of sales	(227.0)	(120.1)	(4.0)	(30.3)	(0.8)	–	(382.2)
Gross profit	666.9	424.7	39.7	83.5	6.8	–	1,221.6
Depreciation	(25.5)	(0.8)	(1.2)	(0.9)	(0.2)	(3.0)	(31.6)
Amortisation	(5.4)	(36.3)	(0.1)	(6.8)	–	–	(48.6)
Other administrative expenses	(474.0)	(287.1)	(24.1)	(60.4)	(6.7)	(29.1)	(881.4)
Share of results of associates	–	–	–	–	–	1.5	1.5
Adjusted operating profit/(loss)[1]	**162.0**	**100.5**	**14.3**	**15.4**	**(0.1)**	**(30.6)**	**261.5**
Operating exceptional items and adjustments	0.4	(1.2)	(2.1)	(0.7)	–	(32.3)	(35.9)
Profit/(loss) before interest and tax	**162.4**	**99.3**	**12.2**	**14.7**	**(0.1)**	**(62.9)**	**225.6**
Investment income						4.9	4.9
Finance costs						(49.2)	(49.2)
Profit before tax							**181.3**

[1] Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3.

[2] Previously, the Group reported results from telephone betting outside of Australia as a separate segment. The results from that business are now included within the Online segment. Results for prior periods are re-presented accordingly. There is no change to the reported totals for any period.

At 27 December 2016	Retail £m	Online[2] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	1,398.3	408.8	63.5	364.5	11.5	193.3	2,439.9
Total segment liabilities	(90.2)	(183.4)	(20.1)	(39.0)	(0.4)	(769.9)	(1,103.0)
Included within total assets:							
Goodwill	680.7	192.8	24.4	304.5	7.1	–	1,209.5
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	30.8	30.8
Capital additions	31.8	34.8	2.4	15.7	–	2.6	87.3

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer. Corporate net assets include net borrowings and the net defined benefit pension asset as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 52 weeks ended 29 December 2015:

	Retail £m	Online[2] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	**889.5**	**563.1**	**33.3**	**97.9**	**7.1**	**–**	**1,590.9**
GPT, duty, levies and other costs of sales	(222.8)	(128.2)	(2.9)	(23.2)	(0.8)	–	(377.9)
Gross profit	666.7	434.9	30.4	74.7	6.3	–	1,213.0
Depreciation	(26.9)	(0.7)	(0.9)	–	(0.2)	(3.5)	(32.2)
Amortisation	(2.5)	(33.7)	–	(5.1)	–	–	(41.3)
Other administrative expenses	(465.9)	(275.2)	(20.3)	(56.2)	(6.1)	(27.1)	(850.8)
Share of results of associates	–	–	–	–	–	2.7	2.7
Adjusted operating profit/(loss)[1]	**171.4**	**125.3**	**9.2**	**13.4**	**–**	**(27.9)**	**291.4**
Operating exceptional items and adjustments	1.6	(1.3)	(2.3)	(65.1)	–	–	(67.1)
Profit/(loss) before interest and tax	**173.0**	**124.0**	**6.9**	**(51.7)**	**–**	**(27.9)**	**224.3**
Investment income						1.4	1.4
Finance costs						(41.0)	(41.0)
Profit before tax							**184.7**

[1] Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3.

[2] Previously, the Group reported results from telephone betting outside of Australia as a separate segment. The results from that business are now included within the Online segment. Results for prior periods are re-presented accordingly. There is no change to the reported totals for any period.

At 29 December 2015	Retail £m	Online[2] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	1,393.7	399.1	45.1	293.0	11.4	200.2	2,342.5
Total segment liabilities	(91.6)	(172.2)	(14.8)	(25.5)	(0.4)	(703.7)	(1,008.2)
Included within total assets:							
Goodwill	680.7	183.9	20.1	254.0	7.1	–	1,145.8
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	33.6	33.6
Capital additions	16.4	37.6	0.8	8.7	–	2.8	66.3

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer. Corporate net assets include net borrowings and the net defined benefit pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

Revenues and non-current assets by geographical area are as follows:

	Revenues		Non-current assets	
	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m	**27 December 2016 £m**	29 December 2015 £m
United Kingdom	**1,317.2**	1,344.7	**1,515.4**	1,444.5
Rest of the World	**286.6**	246.2	**635.6**	559.3
	1,603.8	1,590.9	**2,151.0**	2,003.8

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) or primary operating location of the company using the asset (for all other assets).

3. EXCEPTIONAL ITEMS AND ADJUSTMENTS

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 KPIs of adjusted operating profit and adjusted EPS, are considered by the directors 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 divisions. More specifically, the directors judge that 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 has neither a close relationship to our businesses' 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 divisional performance (see note 2 and the Strategic Report within the Annual Report);
- Remuneration Committee assessments of targets and performance for management remuneration purposes;
- in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making; and
- assessments of loan covenant compliance, which refer to adjusted results.

The Group's policies on adjusted measures have been 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 defined other adjustments.

The directors note, for readers' benefit, some presentational and disclosure changes from prior years that we believe improve clarity:

- the key profitability metric of 'adjusted operating profit' was previously termed 'Operating profit'. We believe that the change emphasises the non-statutory nature of this measure more clearly;
- the Consolidated Income Statement previously showed a column for 'Before exceptional items'. We believe that it is more useful to present an 'Adjusted' column instead, since this now allows adjusted operating profit to be visible in the primary financial statements alongside statutory performance; and
- the layout of this note, which replaces the 'exceptional items' note in prior years, consolidates disclosures of all reconciling items between Adjusted and statutory results, rather than solely exceptional items.

None of these changes reflects a change in definition or measurement of any metric and, therefore, the presentation is reflected in the comparative disclosures without any restatement of values.

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.

Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. They comprise the following:

- the amortisation of specific intangible assets recognised in acquisitions;
- the recognition of interest income on redeemable convertible preference shares (see note 8); and
- fair value movements relating to redeemable convertible preference shares and warrants over equity investments (see note 8).

Exceptional items and adjustments are as follows:

	Exceptional items £m	Adjustments £m	52 weeks ended 27 December 2016 £m	Exceptional items £m	Adjustments £m	52 weeks ended 29 December 2015 £m
Operating						
Corporate transaction costs	**(9.8)**	**–**	**(9.8)**	–	–	–
Restructuring costs	**(10.2)**	**–**	**(10.2)**	–	–	–
Portfolio shop closures[1]	**0.4**	**–**	**0.4**	1.8	–	1.8
VAT repayment	**–**	**–**	**–**	(0.2)	–	(0.2)
Amortisation of acquired intangibles	**–**	**(6.4)**	**(6.4)**	(60.6)	(8.1)	(68.7)
Fair value movements on derivative financial instruments	**–**	**(9.9)**	**(9.9)**	–	–	–
	(19.6)	**(16.3)**	**(35.9)**	(59.0)	(8.1)	(67.1)
Non-operating						
Investment income on redeemable convertible preference shares	**–**	**3.2**	**3.2**	–	–	–
	–	**3.2**	**3.2**	–	–	–
Total exceptional items and adjustments before tax	**(19.6)**	**(13.1)**	**(32.7)**	(59.0)	(8.1)	(67.1)
Tax on exceptional items and adjustments	**2.5**	**0.5**	**3.0**	17.9	2.2	20.1
Exceptional tax items	**–**	**–**	**–**	19.4	–	19.4
Total exceptional items and adjustments	**(17.1)**	**(12.6)**	**(29.7)**	(21.7)	(5.9)	(27.6)

[1] As a result of HM Treasury's announcement in March 2014 of an increase in Machine Games Duty, the Group closed a portfolio of 108 shops during 2014 and provided for onerous leases and other expenses. The Group has exited a number of these leases in the period and the difference between provisions held and any final settlement is credited or charged to exceptional items, consistently with the original provisions.

Corporate transaction costs

During 2016, the Group incurred material costs relating to M&A activity, reflecting two proposed corporate transactions. These costs are presented as exceptional, since they are material in size, one-off in nature and would otherwise distort an understanding of our underlying cost base.

Restructuring costs

The Group commenced substantial corporate restructurings in 2016, encompassing cost optimisation and business model initiatives. These initiatives, whose costs include fees for external advisers and the cost of staff redundancies, are substantial in scope and impact and do not form part of recurring operational or management activities that the directors would consider part of our underlying performance. For these reasons, the directors judge the directly attributable cost impact to be exceptional.

4. FINANCE COSTS

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**47.6**	39.7
Amortisation of finance costs	**2.6**	2.5
Interest payable	**50.2**	42.2
Interest on net pension scheme assets or liabilities	**(1.0)**	(1.2)
	49.2	41.0

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) comprises:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Current tax:		
UK corporation tax	**23.4**	26.7
Overseas tax	**17.2**	14.5
Adjustment in respect of prior periods	**(14.4)**	(21.4)
Total current tax charge	**26.2**	19.8
Deferred tax:		
Origination and reversal of temporary differences	**(2.8)**	(15.3)
Impact from changes in statutory tax rates	**(6.1)**	(12.2)
Adjustment in respect of prior periods	**(0.5)**	2.5
Total deferred tax credit	**(9.4)**	(25.0)
Total tax on profit on ordinary activities	**16.8**	(5.2)

The effective tax rate in respect of adjusted results was 9.3% (52 weeks ended 29 December 2015: 13.6%). The effective tax rate in respect of total results was 9.3% (52 weeks ended 29 December 2015: minus 2.8%). The current period's charge was lower than the UK statutory rate of 20% mainly due to lower effective tax rates on overseas profits, adjustments in respect of prior periods and the deferred tax credit arising on the enacted fall in the rate of UK corporation tax.

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

	52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
	Adjusted £m	**Exceptional items and adjustments £m**	**Statutory total £m**	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
Profit before tax	**214.0**	**(32.7)**	**181.3**	251.8	(67.1)	184.7
Tax on Group profit at standard UK corporation tax rate of 20% (2015: 20.25%)	**42.8**	**(6.5)**	**36.3**	51.0	(13.6)	37.4
Impact of changes in statutory tax rates	**(6.1)**	**–**	**(6.1)**	(12.2)	–	(12.2)
Different tax rates in overseas territories	**(13.9)**	**–**	**(13.9)**	(17.4)	(6.5)	(23.9)
Accrual of liabilities for uncertain tax positions	**10.4**	**–**	**10.4**	8.1	–	8.1
Tax on share of results of associates	**(0.2)**	**–**	**(0.2)**	(0.5)	–	(0.5)
Adjustment in respect of prior periods	**(14.9)**	**–**	**(14.9)**	0.5	(19.4)	(18.9)
Non-deductible expenditure	**1.7**	**3.5**	**5.2**	4.8	–	4.8
Total tax charge/(credit)	**19.8**	**(3.0)**	**16.8**	34.3	(39.5)	(5.2)

The reconciliation uses the UK statutory tax rate as the majority of the Group's profits are subject to tax in the UK.

Non-deductible expenditure includes exceptional costs that are non-revenue related and other non-deductible capital payments that have been charged to the Income Statement. The deduction for tax rates in overseas territories reflects the lower effective tax rate on profits earned in Gibraltar, partially offset by a higher tax rate on US profits.

The tax credit for the change in statutory tax rates reflects the enacted fall in the UK rate of corporation tax to 17% in 2020, from the previously enacted rate of 18%, and results from the fall in the deferred tax liability on the book value of UK LBO licences. The tax credit in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities.

The effective tax rate in 2017 is expected to be c14% and should remain at around this level whilst the business operates in the same territories and at the same scale.

6. DIVIDENDS PROPOSED AND PAID

	52 weeks ended 27 December 2016 Per share	52 weeks ended 29 December 2015 Per share	**52 weeks ended 27 December 2016 £m**	52 weeks ended 29 December 2015 £m
Equity shares:				
– current period interim dividend paid	**4.1p**	4.1p	**35.6**	36.2
– prior period final dividend paid	**8.4p**	8.2p	**73.4**	72.2
	12.5p	12.3p	**109.0**	108.4
Proposed final dividend	**8.4p**	8.4p	**72.1**	74.4

The proposed final dividend of 8.4p will, subject to shareholder approval, be paid on 8 June 2017 to all shareholders on the register on 28 April 2017. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results. The Group estimates that approximately 858 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Shares held in treasury also do not qualify for dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and held in treasury are given in note 10.

7. EARNINGS PER SHARE

The earnings per share figures for the respective periods are as follows:

	52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period (£m)	**164.5**	**–**	**164.5**	189.9	–	189.9
Adjusted profit after tax for the financial period (£m)	**194.2**	**–**	**194.2**	217.5	–	217.5
Weighted average number of shares (million)	**871.8**	**3.0**	**874.8**	880.9	4.3	885.2
Earnings per share (pence)	**18.9**	**(0.1)**	**18.8**	21.6	(0.1)	21.5
Earnings per share – adjusted (pence)	**22.3**	**(0.1)**	**22.2**	24.7	(0.1)	24.6

An adjusted earnings per share, based on adjusted profits (as described in note 3), has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 14.4 million in the 52 weeks ended 27 December 2016 (52 weeks ended 29 December 2015: 0.9 million).

8. INVESTMENTS

On 4 April 2016, the Group entered into a long-term commercial agreement with NYX Gaming Group Limited ('NYX') and invested £80.0m into redeemable convertible preference shares issued by NYX. Although the £80.0m investment has been made into preference shares by legal form, in substance these are akin to convertible notes and have therefore been accounted for as such ('Convertible Notes').

In addition, on 20 April 2016, an investment of CAD $18.8m (£10.3m) was made into ordinary equity of NYX, representing 6.8m ordinary shares ('Ordinary Shares'), valued at £9.7m, and 1.7m warrants ('Warrants'), valued at £0.6m. The warrants each entitle the acquisition of one ordinary share at the price of CAD $3.50 for a period of three years.

On 27 May 2016, the Group agreed to loan £3.2m to NYX ('Loan').

Convertible Notes

These are convertible into NYX ordinary shares or redeemable in cash, with an implied interest coupon of 6% payable in kind at the term of ten years. This investment, along with £1.7m of associated transaction costs, is judged to be a loan with an embedded derivative which has been accounted for separately.

Convertible element

The convertible element, which is categorised as fair value through profit or loss, was recognised at an initial fair value of £44.1m within non-current derivative financial instruments. The valuation was performed using a Black-Scholes Monte Carlo model framework and this will be re-performed at future reporting dates, with movements recognised in the Consolidated Income Statement. The fair value at 27 December 2016 was £34.5m, leading to a loss in the period of £9.6m recognised as an adjustment, as defined by note 3, within operating expenses.

Loan element

The loan element, which is categorised as a loans and receivables financial asset, was accounted for at an initial value of £37.5m within loans receivable in non-current assets. This represents the remaining transaction price paid, including transaction costs, after deducting the fair value of the convertible element. This will be accounted for on an amortised cost basis at an effective interest rate of 13.6%. The interest accrued in the period was £3.2m which has been classified as investment income in the Consolidated Income Statement as an adjustment, as defined by note 3. The carrying amount of the loan at 27 December 2016 was £40.7m and the directors consider this to approximate its fair value.

Ordinary Shares

The ordinary shares are held as an available-for-sale financial asset and therefore they are revalued to fair value at each period end with any movements recognised in other comprehensive income. At 27 December 2016 the ordinary shares investment was reflected in the accounts as an asset of £5.3m, based on a share price of CAD $1.29 per share, within investments. This led to a loss for the period of £4.4m.

Warrants

The warrants are a derivative and are therefore categorised as fair value through profit or loss. These are revalued to fair value at each period end with any movements recognised in the Consolidated Income Statement. At 27 December 2016 the warrants were valued at £0.3m and held within non-current derivative financial instruments. This led to a loss in the period of £0.3m recognised as an adjustment, as defined by note 3, within operating expenses.

Loan

The loan of £3.2m is interest-free and not repayable on demand. It is due for repayment in June 2020 and has therefore been classified as part of loans receivable in non-current assets.

A summary of the carrying value of the financial assets acquired within the investment in NYX, separated by category (as defined by IAS 39) and by caption on the Consolidated Statement of Financial Position is analysed as follows:

	27 December 2016 £m
Fair Value through the Income Statement	
Non-current derivative financial instruments (Convertible element of Convertible Notes)	**34.5**
Non-current derivative financial instruments (Warrants)	**0.3**
Total non-current derivative financial instruments	**34.8**
Loans and receivables	
Loans receivable (Loan element of Convertible Notes)	**40.7**
Loans receivable (Loan)	**3.2**
Total loans and receivables	**43.9**
Available-for-sale	
Investments (Ordinary Shares)	**5.3**
Total financial assets	**84.0**

In addition to the investment in ordinary shares in NYX, the Group also holds other investments in unquoted shares of £0.1m (29 December 2015: £0.1m).

9. BORROWINGS

	27 December 2016 £m	29 December 2015 £m
Borrowings at amortised cost		
Bank loans	–	–
Less: expenses relating to bank loans	(2.1)	(3.0)
£300m 7.125% Guaranteed Notes due 2016	–	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	–	(0.3)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	–	(0.6)
£375m 4.25% Guaranteed Notes due 2020	375.0	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	(2.0)	(2.5)
£350m 4.875% Guaranteed Notes due 2023	350.0	–
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	(2.3)	–
Total Borrowings	718.6	668.6
Less: amount shown as due for settlement in 12 months	–	(299.1)
Amount shown as due for settlement after 12 months	718.6	369.5

The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	–	300.0
In the second year	–	–
In the third to fifth years inclusive	375.0	375.0
After more than five years	350.0	–
	725.0	675.0

Bank facilities
At 27 December 2016, the Group had the following bank facilities:

1. A committed revolving credit bank loan facility (RCF) of £540m provided by a syndicate of banks which expires in May 2019. At the period end, £nil of this facility was drawn down (29 December 2015: £nil).
2. An overdraft facility of £5m, of which £nil was drawn down at the period end (29 December 2015: £nil).

£540m Revolving Credit Facility

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (see note 23 to the financial statements in the Annual Report for more information on this). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised in the Consolidated Statement of Financial Position and are being amortised on a straight line basis over the life of the Facility.

Overdraft facility

At 27 December 2016, the Group had an overdraft facility with National Westminster Bank plc of £5m (29 December 2015: £5m). The balance on this facility at 27 December 2016 was £nil (29 December 2015: £nil).

Corporate bonds
(i) £375m 4.25% Guaranteed Notes due 2020

In June 2013, the Group issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the bonds used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon rate of 4.25% and are due for redemption in June 2020.

(ii) £350m 4.875% Guaranteed Notes due 2023

On 27 May 2016, the Company issued £350m of corporate bonds and used the net proceeds to refinance the Company's existing debt and for its general corporate purposes. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, were issued with a coupon of 4.875% and are due for redemption in September 2023.

Finance fees and associated costs incurred on the issue of bonds have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

10. OWN SHARES

	£m
At 30 December 2015	(4.1)
Purchase and issue of own shares	(95.0)
Transfer of own shares to recipients	0.6
At 27 December 2016	**(98.5)**

Own shares held comprise:

	27 December 2016			29 December 2015		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust (EBT)	**1,065,915**	**0.1**	**3.5**	1,089,463	0.1	4.1
Treasury shares	**29,573,675**	**3.0**	**95.0**	–	–	–
	30,639,590	**3.1**	**98.5**	1,089,463	0.1	4.1

The shares held either in treasury or in the William Hill Holdings EBT were purchased at a weighted average price of £3.22 (29 December 2015: £3.79).

Further to the shareholders' resolutions of the Company passed at the Annual General Meetings held on 7 May 2015 and 11 May 2016, the Group purchased 29,573,675 shares with a nominal value of £3.0m, representing 3.3% of the Company's called-up share capital, for a consideration of £95.0m. Transaction costs of £0.4m were incurred on the purchases. The reason for the purchase was to reduce surplus cash balances and return cash to shareholders. The shares are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 11 May 2016, to purchase up to a maximum of 88,456,984 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and
- the higher of the price of the last independent trade and the highest independent current bid on the London Stock Exchange at the time the purchase is carried out.

The authority conferred, unless varied, revoked or renewed prior to such time, expires at the earlier of the conclusion of the next Annual General Meeting of the Company or on 30 June 2017.

11. NOTES TO THE CASH FLOW STATEMENT

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Profit before interest and tax	**225.6**	224.3
Adjustments for:		
Share of results of associates	**(1.5)**	(2.7)
Depreciation of property, plant and equipment	**31.6**	32.2
Amortisation of intangibles	**55.0**	110.0
Gain on disposal of property, plant and equipment	**(4.7)**	(0.1)
Gains on early settlement of vacant property leases	**(0.4)**	(1.8)
Cost charged in respect of share remuneration	**6.1**	7.2
Defined benefit pension cost less cash contributions	**(9.3)**	(9.2)
Fair value movements on investment property	**0.1**	0.3
Fair value movements on ante post bet liabilities	**(0.1)**	2.8
Fair value movements on other derivative financial instruments	**9.9**	–
Operating cash flows before movements in working capital:	**312.3**	363.0
(Increase)/decrease in receivables	**(13.7)**	0.6
Increase in payables	**37.0**	16.7
Cash generated by operations	**335.6**	380.3
Income taxes paid	**(24.6)**	(39.4)
Interest paid	**(45.1)**	(40.0)
Net cash from operating activities	**265.9**	300.9

12. CONTINGENT LIABILITIES

The Group has potential obligations in respect of legal action following the 2012 acquisition of businesses in Nevada, USA and at this stage there can be no assurance that the results of this legal action will not have a material impact upon the Group's cash flows or results.

The value and timing of possible obligations in this regard are subject to a high degree of uncertainty and cannot be reliably measured. Accordingly, no amounts are provided. There has been no material change to the degree of uncertainty in the period.

ABBREVIATIONS AND GLOSSARY

Adjusted operating profit

Profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3.

Amounts wagered

This is an industry term that represents the gross takings on sports betting.

EPS

Earnings per share.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

FVAs

Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue.

Gross win

Gross win is an industry measure which is calculated as total customer stakes less customer winnings. This measure is non-statutory and differs from net revenue as net revenue is stated after deductions for free bets and customer bonuses. It is used by management to evaluate the impact of sporting results and customer activity on performance.

Gross win margin

This is an industry measure that represents gross win as a proportion of amounts wagered.

MGD

Machine Games Duty. A duty charged by the UK Government on gaming machine net revenue.

Net debt for covenant purposes

Net debt less certain restricted cash items of which the largest is balances in customers' accounts. This is not a statutory measure and may differ from loan covenant measures used by other companies.

Net revenue

This is an industry term equivalent to Revenue as described in the Statement of Group Accounting Policies in the Annual Report.

New accounts

Customers who registered and transacted within the reporting period.

OTC

Over-the-counter.

PBIT

Profit before interest and tax.

Sportsbook

Bets placed and accepted online on sporting and other events, or via OTC and SSBTs in Retail.

Sports books

The dedicated sports betting areas operated within casinos in Nevada.

SSBT

Self-Service Betting Terminal.

Unique active players

Customers who placed a bet within the reporting period.