William Hill PLC

23 February 2018

Strong underlying performance in 2017 driven by growth in Online and US

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 26 December 2017 (the period or 2017). Comparatives relate to the 52 weeks ended 27 December 2016.

	Statutory results			Adjusted results		
	52 weeks to 26 Dec 17 £m	52 weeks to 27 Dec 16 £m	Change %	52 weeks to 26 Dec 17 £m	52 weeks to 27 Dec 16 £m	Change %
Net revenue	1,711.1	1,603.8	+7%	1,711.1	1,603.8	+7%
Adjusted operating profit[1]	-	-	-	291.3	261.5	+11%
(Loss)/profit before interest and tax	(43.7)	225.6	-	-	-	-
(Loss)/profit before tax	(74.6)	181.3	-	254.9	214.0	+19%
(Loss)/earnings per share (p)[2]	(9.7)	18.9	-	27.6	22.3	+24%
Dividend per share (p)	13.2	12.5	+6%	13.2	12.5	+6%

Good progress against three strategic priorities

- UK market share growth:
  - Both Online and Retail growing at or above market growth rates
  - Online: double-digit growth in both Sportsbook and gaming net revenue
  - Retail: technology led improvements in shops
- International revenue growth:
  - US net revenue up 29% and adjusted operating profit[1] up 24%, investing in readiness for decision on PASPA appeal due in 2018
  - Australian business acquired in 2013 undergoing strategic review, to conclude by mid-2018
- Transformation and technology programmes:
  - Transformation programme reaches 2017 target of £25m in-year savings and £40m of annualised efficiency gains
  - Investment in technology delivering improved product development, marketing, business flexibility and efficiency

Financial results

- Group net revenue up 7% to £1.7bn and adjusted operating profit[1] up 11% to £291.3m
- Operating exceptional charge and adjustments of £335.0m including £238.3m impairment in the value of the Australian business arising from regulatory and tax changes and a £61.7m charge for the transformation programme
- Strong cash generation with operating cash flow up 9% to £290.1m
- Strong balance sheet with net debt for covenant purposes[3] of £515.2m, 1.4x EBITDA
- Full-year dividend increased 6% to 13.2p per share, in line with policy to pay out approximately 50% of underlying earnings and reflecting the Board's confidence in the underlying business

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

"William Hill begins 2018 in a stronger position after a year of significant change for the business. We continue to gain ground in the UK where customers are responding to our improved Online and omni-channel offers. We are a leader in sports betting in the US and are well positioned to benefit should more states start to regulate if the pending Supreme Court decision is positive.

"Looking ahead, we will invest in more innovation in Online and our omni-channel platform, as well as in the US to ensure we can unlock its full potential at the right moment. A key pillar of our strategy moving forward will be to act in a sustainable way. While it is imperative that the gambling sector as a whole embraces this, there is no doubt that leading brands like William Hill must play a key role in setting the right standards and taking greater account of all our stakeholders. In the months ahead we will be taking a number of steps as a matter of urgency to ensure that we embed this approach in our business for the long term.

"Having transformed many areas of the business, momentum continues to build and the significantly strengthened leadership team is focused on delivering on the exciting growth opportunities that lie ahead of us."

Notes:
1. Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the financial statements within our 2017 Annual Report.
2. Basic EPS is based on an average of 856.9 million shares for 2017 and an average of 871.8 million shares for 2016. Adjusted EPS is based upon adjusted profits after tax.
3. Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures. The basis of calculation is as described in note 23 to the financial statements within our 2017 Annual Report.
4. Definitions are provided in the glossary at the back of the document.
5. Numbers are presented on an adjusted basis unless otherwise stated.

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Analyst and investor presentation

Meeting	Friday, 23 February 2018 at 9.30 am GMT Radisson Blu Edwardian Hotel, 9-13 Bloomsbury Street, WC1B 3QD
Live conference call	Tel: +44 (0) 20 3936 2999. Access code 052674
Archive conference call	Tel: +44 (0) 20 8196 1998. Access code: 2514998#. Available until 2 March 2018
Video webcast	www.williamhillplc.com

Debt investor conference call

Live conference call	11.30 am GMT. Tel: +44 (0) 20 3936 2999. Pass code: 865904
Archive conference call	Tel: +44 (0) 20 3936 3001. Passcode 897368#. Available until 2 March 2018

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 the one of the UK's largest bookmakers with around 2,340 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet. 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 was established in 2013 when the Group acquired Sportingbet and tomwaterhouse.com. It offers sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange and is a member of both the FTSE 250 and FTSE4Good Indices.

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

Strong performance in 2017

William Hill delivered a strong underlying performance in 2017, reflecting our focus on rejuvenating Online, building an attractive omni-channel proposition and growing the US. Through the transformation programme, we have regained strength, focus and purpose and we have a new leadership team in place as we build William Hill for sustainable long-term growth.

Performance summary
Group net revenue grew 7% to £1,711.1m. There was a loss of £43.7m before interest and tax as a result of £335.0m of exceptional costs and adjustments. However, adjusted operating profit[1], which gives a clearer picture of underlying performance, was up 11% to £291.3m, supported in particular by strong growth in our Online and US businesses. The exceptional costs mainly arose from a substantial goodwill impairment of the Australian business acquired in 2013 following adverse tax and regulatory changes, from the costs of the Group-wide transformation programme and from retrospective VAT payments in Germany and three other markets. Of the exceptional charges, £240.8m were non-cash items. These one-off items have resulted in an EPS loss of 9.7p per share but positive underlying results mean basic adjusted EPS grew 24%.

Online built positive momentum through the course of the year to deliver 13% net revenue growth and 32% growth in adjusted operating profit[1], benefiting from the improvements to product, user experience and marketing we have made over the last 18 months. The gross win margin, which was soft in the first half, benefited from good results in Q4 and returned to a normalised position on a full-year basis. The key customer metrics also showed positive trends with average revenue per user up 6%, new accounts up 3% and active accounts up 6%. Retail delivered a resilient performance with net revenue up 2% and adjusted operating profit[1] down 1% in a year without a major international football tournament. In the US, net revenue grew 29% and adjusted operating profit[1] was 24% ahead, driven by the growth of mobile betting. Australia grew net revenue 5%, with a decline in the second half as we responded ahead of the credit betting ban. Adjusted operating profit[1], up 14%, was protected by our careful approach to marketing investment while we undertake, as previously announced, a strategic review of this business.

Transformation programme
We are making good progress on the transformation programme, which over the long term is delivering improved revenues, greater cost efficiency and better organisational effectiveness. We achieved our 2017 targets of £25m of in-year cost efficiencies and a run-rate of £40m annualised savings by the year-end, to support reinvestment in product, marketing and technology. The programme also underpinned the delivery of our revenue growth by improving ways of working in many parts of the Group. Work on the programme continues over the course of 2018 and into 2019.

Expenses, investment and balance sheet
Group expenses increased by 5% with increased investment in people, marketing and content. Group cash capital expenditure, which is biased towards technology, was up 3% to £92.9m, supported by our strong cash generation of £290.1m. Our net debt to EBITDA ratio reduced from 1.7x at 27 June 2017 to 1.4x at the year-end (27 December 2016: 1.8x).

Dividend
The Board has approved a 6% increase in the full-year dividend of 13.2p per share. While this increase is below the basic, adjusted EPS growth rate, it brings us in line with our policy of paying out approximately 50% of underlying earnings and reflects the Board's confidence in the underlying business.

Regulatory update
Regulatory change continues to present both opportunities and challenges. We await the outcome of the Triennial Review of gaming machine stakes and prizes, having submitted further information under the UK Government's consultation on 23 January 2018. In Australia, credit betting restrictions were implemented on 17 February 2018 and further Point of Consumption Tax implementation remains a risk (see *Regulatory Update* section). On the positive side, the US Supreme Court's hearing on New Jersey's appeal relating to the federal ban on sports betting offers the potential for new US states to open up regulated sports betting markets, perhaps within the coming year.

Sustainability
While much of our recent focus has been on improving efficiency and the quality of our product offering, we also recognise our responsibility to a wide range of stakeholders as we build a sustainable, long-term business. This particularly applies to our customers, and especially those at risk from problem gambling.

We are also reviewing our sustainability strategy and plan to change a number of practices in our business to ensure we deliver growth in a sustainable and responsible manner.

Overall, the Group is in a significantly improved position following a strong performance in 2017 and, with momentum continuing in the early part of 2018, we are focused on delivering our strategic priorities and looking ahead to this World Cup year with renewed confidence.

Continued progress against our strategic priorities

The strong performance in 2017 reflects our continued progress against our three strategic priorities:

- grow UK market share with increased investment in product, marketing and omni-channel;
- drive continued international revenue growth and diversification with focused investment; and
- deliver the transformation and technology projects.

Within the Group, growth is being powered by Online and the US, and we are investing to support this growth. We are competitive again in the UK, where we are growing ahead of market rates, and we have positioned ourselves to be an early mover in the US, which could see sports betting opened up.

(a) Grow UK market share

Our product improvements and smarter marketing contributed to a turnaround in Online's performance, particularly in H2, from a 3% net revenue decline in 2016 to 13% growth in 2017. There was double-digit growth in both Sportsbook and gaming net revenue, which compares to recent Gambling Commission data showing the UK online market growing at c10%. Across Retail and Online combined, the total Sportsbook amounts wagered was up 6% and the total gaming net revenue was also up 6%.

In Online, we continue to evolve our product range and user experience (UX) to deliver a fast, efficient and engaging service, and have, in our view, materially increased our competitiveness over the last 18 months with personalised products such as #YourOdds and Bet Boost. Gaming benefited from the compounding effect of improved UX, new content releases, better customer acquisition and higher cross-sell rates as a result of the changes we have been making since mid-2016. The migration to the new desktop site began in Q4 2017. New customers are now directed to the new site, with favourable performance against a control group.

In addition to enhancing the efficiency of our digital marketing and implementing programmatic marketing since August, we increased our Online marketing spend by 14% to £138.7m, and will increase that again in 2018, a World Cup year. Cost of customer acquisition increased 10% as the increase in new customers lags the increase in marketing spend. We continue to enhance our data systems, combining 12 legacy systems on 34 different servers into one single customer-centric view of Online data.

We established a strong omni-channel platform through a number of technology-led improvements. Our proprietary self-service betting terminals (SSBTs) are now in every shop. With all BGT terminals removed from the estate we are now fully in control of our digital strategy. We continue to look to optimise the terminal density across the estate as well as the mix of terminal between the free standing 'Plus Terminals' and the smaller, gantry facing, 'Plus Points'. We have seen continued customer adoption of the terminals with 12% of all Retail Sportsbook stakes going through them at the year end, and as a predominantly football product they accounted for nearly 40% of all football stakes.

Customer sign-ups for 'Plus' cards began in April, enabling Retail customers to track their betting performance, to receive live results and free bets, and to cash-in their bets. These reached 137,000 by the year-end. The 'single wallet omni account', where Online customers link their account to a card giving them access to withdraw cash, deposit and transact in the shops, was made available in late November and reached 11,000 omni customers by the year-end.

(b) Drive continued international revenue growth

Our US business delivered another excellent performance in 2017, growing net revenue by 29% and adjusted operating profit[1] by 24% (see *Operating Review* for results in local currency). This growth was driven by continual improvements to our app and further increases to our product range, particularly in-play. As a result we saw 17% growth in mobile player acquisition and improved player churn rates. Mobile now generates 58% of US wagering.

We now have 108 sports books in Nevada, representing 57% market share by number of locations. As at December 2017, our market share by revenue had increased to 29% (2016: 26%). We also expanded outside Nevada, opening a race book in Iowa through a partnership with Caesars, and were granted a licence to operate a sports book in the new Baha Mar casino in The Bahamas.

On 4 December 2017, the Supreme Court heard the oral argument in the New Jersey case to repeal the Professional and Amateur Sports Protection Act 1992 (PASPA). Their decision is expected in 2018. Ahead of that, we are investing to prepare for potential expansion should PASPA be overturned by the Supreme Court and sports betting be regulated in a number of states. Having established William Hill US in 2012 and built a strong track record and key relationships since then, we are keen to be in a position to take advantage of this opportunity as it evolves and we are investing accordingly.

Australia net revenue grew 5% in 2017 with the benefit of product innovations in the first half offset by the negative impact of regulatory change in the second half. In January 2018, we announced a strategic review of this business. While we remain one of the few profitable companies in this market, that profitability would be significantly impacted if, as is anticipated, further states introduce an additional 15% Point of Consumption Tax in the coming months and years. These changes mean that greater scale is likely to be necessary for our Australian business to be sustainable. We are reviewing the future plans for the business, currently considering both organic and inorganic options. We intend to conclude the review by mid-2018.

(c) Deliver the transformation and technology projects

Transformation programme on track

The transformation programme is enabling William Hill to get fit for the future. The focus is on improving the core capabilities essential for delivering a successful and sustainable business for the long term. More than 250 initiatives are being addressed by the programme, covering both cost efficiencies and revenue generation with savings reinvested in the business to drive faster growth.

In 2017, we successfully achieved our targeted in-year savings of £25m and a run rate of £40m of annualised savings by the year-end. The cost efficiencies come from a wide range of projects, including significant reductions in external spend, rationalising business and support functions, and increasing the efficiency of our digital marketing spend. Increasingly the programme is focusing on optimising ways of working. This includes lower cost and more efficient development hubs, accelerating product delivery through Agile methods, and changes to our location footprint and support functions. For instance, in January 2018 we opened our new hub in London and we will close the Tel Aviv location in Q2 2018. The benefits of these changes are seen as much in accelerating revenue growth as in cost savings. The total operating cost of the transformation programme is expected to be equivalent to around twice the annualised cost savings generated.

Reinvestment has been focused on enhancing our competitiveness around digital marketing, product development and technology capabilities, supporting faster revenue growth through a range of initiatives focused on acquisition, conversion and player lifetime value. These include innovative product launches such as Bet Boost, hiring 100 new product developers to create improved product and UX offerings, and reallocating resources to invest in a scalable, efficient and increasingly targeted digital marketing platform.

Technology at the heart of our business

Investment in technology is being maintained at a high level. In 2017, the bulk of capital expenditure on technology was invested in our Online offering, but we also brought additional technology to our shops to enhance the Retail customer experience.

By building out our internal technology capability, we enhance the speed at which we bring new products to market, our responsiveness to market opportunities and our ability to understand and adapt to customer preferences in real time, all of which are important to improving our digital offering and for any new markets we may choose to enter in the future. The co-location of technology and other functions and the rationalisation of sites, which are coming down from a total of 11 down to eight as part of the transformation programme, is already encouraging more efficient ways of working within the IT team and better co-ordination between technology and other functions.

During the year, in addition to the Online and omni-channel investments detailed above, we launched our new Trading Automated Platform. This has improved our trading capability by accelerating the time to implement changes and expanding automation across pre-match and in-play.

We continue to work closely with OpenBet on the evolution of the back-end platform, modernising the components they provide to us such as the betting engine and customer account. This work is being adapted to align to our requirements for a potential US expansion.

In January 2018, we divested our investment in NYX, having reached agreement with Scientific Games Corporation (SG) (NASDAQ: SGMS) to unconditionally support their acquisition of NYX. We received £97.5m for our ordinary shares, convertible preference shares and warrants. The agreements with SG safeguard our technology roadmap and our relationship with OpenBet.

Strengthened leadership team

In April 2018, Ulrik Bengtsson, former President and CEO of Betsson Group, will join William Hill in the new Group role of Chief Digital Officer, reporting to Philip Bowcock and sitting on the Group Executive Committee. Ulrik has extensive experience of the online gaming market and will have oversight of Online as well as global data, brand, marketing and customer service. After two very successful years turning round Online, Crispin Nieboer will support the Group in its next phase of international growth in the new role of Group Corporate Development Director, also reporting to Philip Bowcock and sitting on the Group Executive Committee. Crispin will have oversight of strategic growth opportunities for the Group globally, with the US opportunity being his immediate priority. Grant Williams, currently Chief Operating Officer of Online, will become MD of Online, assuming day-to-day responsibility for the Online business.

Building a sustainable business

In addition to delivering these strategic priorities, we are focused on improving our approach to responsible gambling to build a long-term, sustainable business for all our stakeholders, and especially for any of our customers who are at risk from problem gambling.

We recognise that it is not enough to grow: we have to grow the right way. That means acting in a sustainable way that takes account of all our stakeholders.

We remain a company with commercial objectives but commercial gain should not come at the expense of being a responsible company. We are committed to treating customers fairly and openly, to protecting the vulnerable and to keeping crime out of gambling.

In 2017, we further strengthened our problem gambling safeguards, evolving our Multi-Operator Self-Exclusion Scheme to enable customers to self-exclude from multiple betting shops across different operators at any given time. We also enhanced our player behaviour algorithm to improve our tracking and prevention of problem gambling both in shops and online.

Following the regulatory settlement with the Gambling Commission announced on 20 February 2018, we are introducing new and improved policies and increased levels of resourcing to improve our ability to ensure full regulatory compliance. We have committed to an independent process review and will work to implement any recommendations that emerge from that review. We are fully committed to operating a sustainable business that properly identifies risk and better protects customers and we will continue to assist the Commission and work with other operators to improve practices in this area.

We can and will do more to embed sustainability for the long term. In the months ahead we will be taking a number of important steps in key areas, including improving the transparency of our marketing and communications, increasing responsible gambling measures and enhancing our stakeholder engagement. We will update on these measures in due course.

Summary and outlook

After a period of transition, William Hill has emerged as a stronger business, with a new leadership team established, more focus and a renewed sense of purpose.

Online is now growing at or above market rates with an increasingly competitive customer experience. This coming year, we will invest further to drive growth, ensuring we deliver innovations to the customer more swiftly while at the same time delivering a more personalised experience.

Our US business is a leader in sports betting in a country that is potentially on the verge of seeing many states regulate the industry for the first time. Our experience operating a substantial business in Nevada since 2012 places us in a good starting position. Ahead of the Supreme Court's opinion on the PASPA case, we are investing to ensure we are in a position to compete in those states that may regulate first.

The Triennial Review will have a significant impact on the betting shop industry in the UK and we continue to engage to inform decision makers of the likely impacts of the various proposals. In the meantime we continue to develop new products and to manage our estate efficiently.

We expect to conclude the strategic review of Australia by mid-2018 to determine how we can best maximise the shareholder value of that business.

Our building of flexible and responsive technology, maintenance of a strong balance sheet with a conservative 1.4 times net debt to EBITDA ratio and our investment in strong and capable teams across our business means we are well prepared to capitalise on opportunities as they arise and to build the business sustainably for the future.

OPERATING REVIEW

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 within our 2017 Annual Report.

Online (36% of Group revenue)

	FY 2017 £m	FY 2016 £m	Change
Sportsbook amounts wagered	**4,735.6**	**4,293.0**	**+10%**
Gross win margin	7.6%	7.2%	+0.4 ppts
Core markets net revenue	544.4	476.8	+14%
Other markets net revenue	72.5	68.0	+7%
Sportsbook net revenue	308.3	270.1	+14%
Gaming net revenue	308.6	274.7	+12%
Online net revenue	**616.9**	**544.8**	**+13%**
Cost of sales	(144.6)	(120.1)	+20%
Operating costs	(339.8)	(324.2)	+5%
Adjusted operating profit[1]	**132.5**	**100.5**	**+32%**

Sportsbook amounts wagered was up 10% following improvements to our mobile Sportsbook, our desktop site and marketing over the last 18 months. This is a particularly strong performance in a year without a major international football tournament. Within this, core markets grew 12% with the UK up 12% and Italy and Spain up 15%. These markets accounted for 86% of wagering in the period. Wagering in other markets was flat.

The gross win margin increased from 7.2% to 7.6%. Free bets over the year accounted for 1.1% of amounts wagered (2016: 0.9%). As a result, Sportsbook net revenue rose 14% to £308.3m. Standout results came from pre-match football in Q4, which were strong in their own right and benefitted from their comparison with a weak result in the same period in 2016.

Gaming net revenue was up 12% to £308.6m, with core markets up 13% and non-core markets up 10%. There were benefits from the launch of the single wallet in Q1, enabling a seamless movement of funds between William Hill and Playtech products, significant work on cross-sell product features and the introduction of daily ‘must drop’ jackpots with content from a new third-party provider.

Growth in active users was 6% for the year. New accounts grew by 3% and revenue per active user grew by 6% over the year with the focus of marketing activities being on both acquisition and retention of customers.

Our mobile user experience improvements resulted in revenues from mobile devices increasing to 82% of Sportsbook net revenue (2016: 70%) and 63% of gaming net revenue (2016: 53%).

Italy and Spain continue to perform well with Sportsbook net revenue up 4% and gaming net revenue up 9% in local currency terms. We launched new desktop and mobile casino sites in both countries and increased the number of regulated games to over 200 new titles.

Total Online cost of sales increased faster than net revenue because of the higher proportion of growth coming from the UK, the introduction of the horseracing levy for Online from April and the application of Remote Gaming Duty to gaming free bets from October.

Operating costs were 5% higher with a 14% increase in marketing investment and an 11% increase in staff costs offset by savings in a number of external spend areas.

As a result, adjusted operating profit[1] increased 32%.

Retail (54% of Group revenue)

	FY 2017 £m	FY 2016 £m	Change
Sportsbook amounts wagered	**2,310.4**	**2,325.8**	**-1%**
Gross win margin	18.0%	17.6%	+0.4 ppts
Sportsbook net revenue	415.4	409.3	+1%
Gaming net revenue	497.7	484.6	+3%
Retail net revenue	**913.1**	**893.9**	**+2%**
Cost of sales	(233.6)	(227.0)	+3%
Operating costs	(518.6)	(504.9)	+3%
Adjusted operating profit[1]	**160.9**	**162.0**	**-1%**

Sportsbook wagering was down 1% with no benefit from a major international football tournament but supported by the roll-out of SSBTs to all shops and the increase in products offered on them. SSBT Sportsbook wagering increased to 12% of total Retail wagering by the end of the year. We have expanded the SSBT product range with the addition of popular football coupons and horseracing. Further products will be added in 2018. Total Sportsbook gross win margin was up 0.4 percentage points to 18.0%, benefiting from strong football results in Q4.

In gaming, our regular programme of product launches saw B3 content increase to 36.5% of revenues (2016: 34.0%) We are currently trialling a new gaming machine cabinet from Inspired Gaming Group in 50 shops.

Retail net revenue grew 2%, with Sportsbook up 1% and gaming up 3%.

Operating costs were 3% higher, with increases in the major cost areas of staff, property and content all in line with expectations. As a result, adjusted operating profit[1] fell by 1%.

The average number of shops fell slightly to 2,362 (2016: 2,372) with eight new licences opened and 41 shops closed in the period, including 25 as part of the transformation programme. The number of shops at the year-end was 2,342.

William Hill US (3% of Group revenue)

	On a statutory reporting basis			On a local currency basis		
	FY 2017 £m	FY 2016 £m	Change	FY 2017 US$m	FY 2016 US$m	Change
Amounts wagered	**893.9**	**700.6**	**+28%**	**1,152.7**	**944.3**	**+22%**
Gross win margin	6.3%	6.2%	+0.1 ppts	6.3%	6.2%	+0.1 ppts
Net revenue	**56.5**	**43.7**	**+29%**	**72.9**	**58.8**	**+24%**
Cost of sales	(4.9)	(4.0)	+23%	(6.4)	(5.4)	+19%
Operating costs	(33.9)	(25.4)	+33%	(43.7)	(34.0)	+29%
Adjusted operating profit[1]	**17.7**	**14.3**	**+24%**	**22.8**	**19.4**	**+18%**

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

Strong growth in amounts wagered continued from H1 into H2, to deliver 22% growth overall in the year. In particular, growth in mobile was 36% and the percentage of amounts wagered via mobile devices is now 58% (2016: 52%). The gross win margin increased slightly to 6.3% and net revenue was up 24%. Operating costs rose 29% because of additional headcount and property costs to support growth. As a result, adjusted operating profit[1] was up 18%.

During the year, we extended into two new territories, opening a race book for Caesars Entertainment in Iowa and sports book at the new Baha Mar casino in The Bahamas. We opened two new sports books in Nevada and closed two, ending the year with 108 Nevada sports books in total, equivalent to 57% of the sports books in the state.

William Hill Australia (7% of Group revenue)

	On a statutory reporting basis			On a local currency basis		
	FY 2017 £m	**FY 2016 £m**	**Change**	**FY 2017 A$m**	**FY 2016 A$m**	**Change**
Amounts wagered	**1,520.6**	**1,336.0**	**+14%**	**2,550.3**	**2,415.4**	**+6%**
Gross win margin	9.3%	9.9%	-0.6 ppts	9.3%	9.9%	-0.6 ppts
Net revenue	**119.7**	**113.8**	**+5%**	**201.1**	**205.0**	**-2%**
Cost of sales	(31.4)	(30.3)	+4%	(52.6)	(54.4)	-3%
Operating costs	(70.8)	(68.1)	+4%	(118.6)	(123.7)	-4%
Adjusted operating profit[1]	**17.5**	**15.4**	**+14%**	**29.9**	**26.9**	**+11%**

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

Amounts wagered was up 6%, with growth of 28% in H1 but a decline of 15% in H2 as we prepared for implementation of the credit betting ban in February 2018. Gross win margin improved from 8.0% in H1 to 9.3% in the full year (2016: 9.9%) as some of the lower margin credit-related turnover was removed in H2.

We are continuing to bring through product innovations to attract and retain customers and to diversify our sources of revenue. The launch of OddsBoost helped grow core horseracing turnover and over half of all active customers used our Price Pump offer during 2017.

Staff costs rose 11% while marketing costs fell 37% resulting in total expenses declining 4%. Marketing investment was reduced in H2 in response to the strategic review of our options for the Australian business. In this market, a significant proportion of marketing is invested in areas with a return period of 24 months or longer so we are focusing on near-term returns. As a result, profits have been protected and adjusted operating profit[1] rose by 11%.

Corporate costs

Net corporate costs increased 21% to £37.1m (2016: £30.6m), mainly driven by payment of a staff bonus after a strong 2017 performance and the inclusion of some costs relating to the Grand Parade technology business acquired in August 2016.

FINANCIAL REVIEW

In 2017, the Group grew revenues by 7% to £1,711.1m. With cost of sales increases of 13% or £49.8m and net operating expenses up 33% or £326.8m, primarily reflecting exceptional charges and adjustments of £335.0m, the Group made a loss before interest and tax of £43.7m. On an adjusted basis, cost of sales increases of 9% and net operating expenses growth of 5% led to 11% growth in adjusted operating profit[1] to £291.3m.

Net finance costs decreased by 30%, primarily due to a period of overlap through the refinancing of one of our bonds in the prior year. The tax charge decreased by 49% due to the loss in the year partially offset by exceptional items that were non-deductible. Loss after tax was £83.2m leading to a loss per share of 9.7p, although on an adjusted basis there was a 24% increase in earnings per share to 27.6p.

Net operating cash flows remained strong with a 9% increase to £290.1m, broadly in line with the increase in adjusted operating profit[1]. The strong operational cash flow led to a reduction in net debt for covenant purposes to £515.2m from £618.1m, decreasing the ratio of net debt to EBITDA for covenant purposes to 1.4x (2016: 1.8x), comfortably within the target ratio of one to two times.

Income Statement by division

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 within the 2017 Annual Report.

Revenue was £1,711.1m, an increase of 7% on 2016. Online revenues increased by £72.1m or 13%, with Sportsbook net revenue growth of 14%, driven by growth in amounts wagered of 10%, and gaming net revenue growth of 12% due to a 26% increase in actives in the period. Retail revenues grew £19.2m or 2%. Within this, Retail Sportsbook saw a £6.1m (1%) increase, driven predominantly by stronger margins, while revenue from gaming machines increased by £13.1m (3%), due to increases in gross win per machine from increased play on slots games, benefiting from new content releases. Australian revenues increased by 5% to £119.7m, although this comparison is flattered by currency movements in the period with a decline of 2% in local currency terms. US revenues grew 29% to £56.5m, although in US dollars this was a rise of 24%.

Cost of sales grew 9% or £32.7m, which was 2% higher than the growth seen in net revenue. This is driven by the extension of the horseracing levy to Online, which commenced in April 2017, and Remote Gaming Duty on free bets in Online which commenced in October.

Adjusted expenses (net of other operating income) increased 5% or £44.8m to £1,004.9m. Retail expenses grew 3% to £518.6m, driven primarily by content and staff cost increases. Costs in Online grew £15.6m or 5% to £339.8m, due to a 14% increase in marketing investment. Net expenses in Australia grew £2.7m, or 4%, to £70.8m, although in local currency terms these fell by 4%. US expenses grew 33% to £33.9m, due mainly to increased staff costs. Elsewhere, the Group's corporate and other costs grew by £4.3m to reflect higher staff costs, in particular from staff incentive accruals, partly offset by a reduction in cost from the disposal of the greyhound stadia part way through the year.

Exceptional items and adjustments

Operating exceptional items and adjustments amounted to £335.0m. Within this, exceptional items amounted to £337.1m, predominantly relating to an impairment of goodwill in our Australia business of £238.3m following point of consumption tax and regulatory changes and the strategic review we are currently undertaking and restructuring costs related to our transformation programme of £61.7m, including £7.3m related to a shop closure programme. The remaining exceptional items comprised retrospective indirect taxation recognised in cost of sales (£17.1m); an onerous contract (£10.0m); compliance fines (£6.2m); the disposal of the greyhound stadia (£2.5m); and legal fees (£1.3m).

Adjustments included fair value movement of a gain of £7.2m and finance income of £5.5m from our NYX investments in the period. In 2017 we agreed to dispose of these investments for £97.5m, with the disposal completing in January 2018. These gains are partially offset by a charge of £5.1m (2016: £6.4m) for amortisation of intangibles recognised in acquisitions.

Taxation

The Group's tax charge was £8.6m on losses of £74.6m, giving an effective tax rate of minus 11.5% (2016: 9.3%). The rate is adversely impacted due to the non-deductibility of certain exceptional costs (principally the impairment of Australia goodwill) and benefits from a net release of provisions of £14.0m in respect of prior year specific uncertain tax positions and a lower rate of tax on overseas profits. The forecast effective tax rate for 2018 is around 14%.

Earnings per share

Basic EPS declined to a loss per share of 9.7p, reflecting the loss after tax made of £83.2m compared to a profit after tax in 2016 of £164.5m. Adjusted EPS increased by 24% to 27.6p, due to a 22% increase in adjusted profits after tax and the full-year impact of the share buyback programme throughout 2016.

Cash flows and net debt

Operating cash flows of £290.1m were £24.2m (9%) higher than in 2016, reflecting the similar increase in adjusted operating profit[1].

We invested £92.3m in net capital expenditure, including £78.7m in developing software intangible assets to deliver our long-term technology strategy.

We disposed of our greyhound stadia operations in July 2017 which generated net proceeds of £8.8m. We also agreed the disposal of our investments in NYX in December 2017 with proceeds of £1.0m in the period.

The Group returned £108.1m to shareholders through dividends leading to a cash inflow in the period of £103.7m. This drove a reduction in net debt of £102.9m and our net debt to EBITDA for covenant purposes to a multiple of 1.4x (2016: 1.8x).

In considering the Group's capital structure, the Board continues to take into account the ability to deliver 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. Specifically, the Board has considered the potential impact of an unfavourable ruling from the Triennial Review of staking limits and gaming, and is developing strategies depending on a range of outcomes and will continue to apply its existing dividend policy of a payout ratio of around 50% of adjusted earnings, which could lead to reductions in the dividend per share.

REGULATORY UPDATE

Regulation in the UK

In the UK the deadline for submissions to the Triennial Review closed on 23 January 2018 and Government is considering the evidence. We would anticipate that publication of the Government's proposals will occur in advance of the summer recess.

The Committees on Advertising Practice have updated the voluntary code on gambling advertising with the aim of reducing the risk that gambling advertising appeals to problem gamblers and have also introduced greater restrictions around bonus offers. The volume and tone of much gambling advertising has negatively impacted public perception of the industry and William Hill welcomes these changes, which will become effective from April 2018.

During the period, a number of leading remote gambling operators, including William Hill, were subject to an investigation by the Competition and Markets Authority (CMA) relating to bonus offer terms and conditions and practices. As a result, in February 2018 we agreed a number of undertakings with the CMA and welcome the standards and principles outlined, which will be applied to all operators in the future.
On 20 February 2018, William Hill entered into a regulatory settlement with the Gambling Commission following identification of a number of cases where former policies were deemed insufficient to ensure regulatory compliance. We will be repaying monies to affected parties as part of a package of penalties totalling £6.2m. We have also agreed to an independent third party review to ensure our current arrangements are adequate and sustainable.

Australia

Offering credit or deferred settlement has been prohibited from 17 February 2018 following the passing of the Interactive Gambling Act (IGA) Amendment. Approximately 30% of William Hill Australia's amounts wagered comes from customers using credit betting.

Following the introduction by South Australia of a Point of Consumption Tax (POC), the Eastern States (Victoria, New South Wales and Queensland) as well as Western Australia have announced an intention to follow suit. Western Australia intends to implement a 15% POC from 1 January 2019 and the Eastern States are well advanced in their considerations, having flagged this in their budget papers.

Consultation in relation to the National Consumer Protection Framework (NCPF) is ongoing with the states looking to implement a series of measures (including a national self-exclusion register, prohibition on sign up inducements and a reduced verification period) throughout the calendar year.

Sports betting in the US

The Supreme Court is expected to issue its opinion on New Jersey's challenge to the Professional and Amateur Sports Protection Act 1992 (PASPA) in 2018. PASPA prevents individual states in the US from regulating sports betting, unless like Nevada they have legislation that pre-existed the Act. As the largest sports betting operator in Nevada, William Hill is well placed to benefit from any liberalisation of sports betting in the US and is actively preparing to ensure it is in a position to take advantage of any change.

BOARD CHANGES AND GOVERNANCE UPDATE

We are pleased to welcome Roger Devlin, who joined the Board on 1 February 2018 as Chairman Designate. He takes over from Gareth Davis as Chairman on 2 April 2018. Ruth Prior joined as Chief Financial Officer on 2 October 2017.

Imelda Walsh, Non-executive Director and Remuneration Committee Chair, informed the Board in 2017 that after six years as a Non-executive Director, she was considering whether to take on new opportunities. She has today confirmed that she will not seek re-election at the Annual General Meeting (AGM) in May 2018. As a result, she will step down from the Board at the conclusion of the AGM. Imelda will also step down as Chair of the Remuneration Committee with immediate effect and, following review by the Nomination Committee, Georgina Harvey has been appointed as Remuneration Committee Chair with effect from today. Georgina has been a member of the Remuneration Committee since her appointment in 2011.

PRINCIPAL RISKS

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

- Regulatory compliance and change;
- Cyber crime and IT security;
- Programme optimisation;
- Competitive landscape;
- International footprint;
- Delivery of IT strategy; and
- IT disaster recovery.

Further information is available on pages 45 to 50 of the 2017 Annual Report, which will be available on our corporate website at www.williamhillplc.com.

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	R. Prior
Chief Executive Officer	Chief Financial Officer
23 February 2018	23 February 2018

William Hill PLC
Consolidated Income Statement

For the 52 weeks ended 26 December 2017

		52 weeks ended 26 December 2017			52 weeks ended 27 December 2016		
	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	**1,711.1**	**–**	**1,711.1**	1,603.8	–	1,603.8
Cost of sales	2,3	**(414.9)**	**(17.1)**	**(432.0)**	(382.2)	–	(382.2)
Gross profit	2	**1,296.2**	**(17.1)**	**1,279.1**	1,221.6	–	1,221.6
Other operating income		**13.0**	**–**	**13.0**	14.8	–	14.8
Other operating expenses	3	**(1,018.9)**	**(317.9)**	**(1,336.8)**	(976.4)	(35.9)	(1,012.3)
Share of results of associates	2	**1.0**	**–**	**1.0**	1.5	-	1.5
(Loss)/profit before interest and tax	2	**291.3**	**(335.0)**	**(43.7)**	261.5	(35.9)	225.6
Investment income	3	**0.9**	**5.5**	**6.4**	1.7	3.2	4.9
Finance costs	4	**(37.3)**	**–**	**(37.3)**	(49.2)	–	(49.2)
(Loss)/profit before tax	2	**254.9**	**(329.5)**	**(74.6)**	214.0	(32.7)	181.3
Tax	3,5	**(18.0)**	**9.4**	**(8.6)**	(19.8)	3.0	(16.8)
(Loss)/profit for the period (attributable to equity holders of the parent)		**236.9**	**(320.1)**	**(83.2)**	194.2	(29.7)	164.5
(Loss)/earnings per share (pence)							
Basic	7	**27.6**		**(9.7)**	22.3		18.9
Diluted	7	**27.5**		**(9.7)**	22.2		18.8

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 26 December 2017

	Notes	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
(Loss)/profit for the period		**(83.2)**	164.5
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme		**33.0**	(17.8)
Tax on remeasurements in defined benefit pension scheme		**(5.6)**	2.3
		27.4	(15.5)
Items that may be reclassified subsequently to profit or loss:			
Loss on cash flow hedges		**–**	(0.1)
Exchange differences on translation of foreign operations		**(8.9)**	63.3
Changes in fair value of available-for-sale financial assets	8	**4.0**	(4.4)
		(4.9)	58.8
Other comprehensive income for the period		**22.5**	43.3
Total comprehensive (loss)/income for the period (attributable to equity holders of the parent)		**(60.7)**	207.8

Consolidated Statement of Changes in Equity

For the 52 weeks ended 26 December 2017

	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 27 December 2016	**88.7**	**689.3**	**6.8**	**(26.1)**	**(98.5)**	**(63.6)**	**628.9**	**1,225.5**
Loss for the financial period	**–**	**–**	**–**	**–**	**–**	**–**	**(83.2)**	**(83.2)**
Actuarial remeasurements in defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**33.0**	**33.0**
Tax on remeasurements in defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(5.6)**	**(5.6)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(8.9)**	**–**	**(8.9)**
Changes in fair value of available-for-sale financial assets (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**4.0**	**4.0**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(8.9)**	**(51.8)**	**(60.7)**
Purchase and issue of own shares (note 10)	**–**	**–**	**–**	**–**	**(1.4)**	**–**	**(0.1)**	**(1.5)**
Transfer of own shares to recipients (note 10)	**–**	**–**	**–**	**–**	**2.9**	**–**	**(1.5)**	**1.4**
Other shares issued during the period	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Credit recognised in respect of share remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**5.2**	**5.2**
Tax credit in respect of share remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Dividends paid (note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**(108.1)**	**(108.1)**
At 26 December 2017	**88.7**	**689.4**	**6.8**	**(26.1)**	**(97.0)**	**(72.5)**	**473.4**	**1,062.7**

	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
Actuarial remeasurements in defined benefit pension scheme	–	–	–	–	–	–	(17.8)	(17.8)
Tax on remeasurements in defined benefit pension scheme	–	–	–	–	–	–	2.3	2.3
Loss on cash flow hedges	–	–	–	–	–	(0.1)	–	(0.1)
Exchange differences on translation of foreign operations	–	–	–	–	–	63.3	–	63.3
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	(4.4)	(4.4)
Total comprehensive income for the period	–	–	–	–	–	63.2	144.6	207.8
Purchase and issue of own shares	–	–	–	–	(95.0)	–	(0.4)	(95.4)
Transfer of own shares to recipients	–	–	–	–	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	–	–	–	–	–	–	(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

Consolidated Statement of Financial Position
As at 26 December 2017

	Notes	26 December 2017 £m	27 December 2016 £m
Non-current assets			
Intangible assets		**1,577.3**	1,805.3
Property, plant and equipment		**190.5**	212.5
Interests in associates		**28.6**	30.8
Investments	8	**9.4**	5.4
Deferred tax assets		**12.7**	2.8
Retirement benefit asset		**58.7**	15.5
Loans receivable	8	**49.4**	43.9
Derivative financial instruments	8	**42.0**	34.8
		1,968.6	2,151.0
Current assets			
Trade and other receivables		**72.9**	72.7
Investment property held for sale		**3.5**	3.5
Cash and cash equivalents		**317.0**	215.5
		393.4	291.7
Total assets		**2,362.0**	2,442.7
Current liabilities			
Trade and other payables		**(455.5)**	(370.4)
Corporation tax liabilities		**(8.3)**	(25.7)
Derivative financial instruments		**(14.1)**	(14.0)
		(477.9)	(410.1)
Non-current liabilities			
Borrowings	9	**(720.5)**	(718.6)
Deferred tax liabilities		**(100.9)**	(88.5)
		(821.4)	(807.1)
Total liabilities		**(1,299.3)**	(1,217.2)
Net assets		**1,062.7**	1,225.5
Equity			
Called-up share capital		**88.7**	88.7
Share premium account		**689.4**	689.3
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	10	**(97.0)**	(98.5)
Hedging and translation reserves		**(72.5)**	(63.6)
Retained earnings		**473.4**	628.9
Total equity attributable to equity holders of the parent		**1,062.7**	1,225.5

Consolidated Cash Flow Statement
For the 52 weeks ended 26 December 2017

	Notes	**52 weeks ended 26 December 2017 £m**	52 weeks ended 27 December 2016 £m
Net cash from operating activities	11	**290.1**	265.9
Investing activities			
Dividends from associates		**3.3**	4.3
Interest received on cash and cash equivalents		**0.9**	1.7
Proceeds on disposal of property, plant and equipment		**0.6**	1.2
Proceeds on disposal of investment property		**–**	0.8
Net cash flows relating to loans receivable		**–**	1.4
Net proceeds from agreed sale of NYX investments		**1.0**	–
Net proceeds on disposal of Stadia operations		**8.8**	–
Acquisition of redeemable convertible preference shares in NYX Gaming Group Limited (including associated costs)		**–**	(81.7)
Acquisition of ordinary shares and warrants in NYX Gaming Group Limited		**–**	(10.3)
Acquisition of Grand Parade Limited (net of cash acquired)		**–**	(12.0)
Purchases of property, plant and equipment		**(14.2)**	(32.5)
Expenditure on intangible assets		**(78.7)**	(57.9)
Net cash used in investing activities		**(78.3)**	(185.0)
Financing activities			
Proceeds on issue of shares under share schemes		**0.1**	1.3
Purchase of own shares		**(0.1)**	(94.4)
Dividends paid	6	**(108.1)**	(109.0)
Repayment of £300m Guaranteed notes		**–**	(300.0)
Issue of £350m Guaranteed notes due 2023		**–**	350.0
Finance fees paid on £350m Guaranteed notes		**–**	(2.5)
Net cash used in financing activities		**(108.1)**	(154.6)
Net increase/(decrease) in cash and cash equivalents in the period		**103.7**	(73.7)
Changes in foreign exchange rates		**(2.2)**	7.1
Cash and cash equivalents at start of period		**215.5**	282.1
Cash and cash equivalents at end of period		**317.0**	215.5

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 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 26 December 2017 or 27 December 2016, 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.

ADOPTION OF NEW AND REVISED STANDARDS

In preparing the Group financial statements for the current period, the Group has adopted a number of new IFRSs, amendments to IFRSs and IFRS Interpretations Committee (IFRIC) interpretations, none of which have had a significant effect on the results or net assets of the Group. A list is provided in an appendix to the Annual Report.

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' replaces IAS 39 and is effective for accounting periods beginning on or after 1 January 2018. The Group has performed a high-level impact assessment of the key aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes in the future.

Classification and measurement

New classification and measurement criteria require financial instruments to be classified into one of the three categories being amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The Group expects there to be nil impact based on our current profile of financial instruments, excluding those held relating to NYX, which have been disposed of in January 2018.

Impairment

IFRS 9 requires the Group to use an expected credit loss model for its financial assets measured at amortised cost, either on a 12-month or a lifetime basis. The Group financial assets at amortised cost currently consist of cash and cash equivalents, trade receivables and loans receivable. None of these financial assets have a significant financing component and the Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables and loans receivable measured at amortised cost. The Group does not expect these changes will have a significant impact.

Hedge accounting

The general hedge accounting mechanism of IAS 39 has been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing. The changes relating to hedge accounting are not expected to impact the Group.

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. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group's core revenues of sports betting and gaming are not within the scope of IFRS 15. Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income, bookmaking services income and income from software development. Rents receivable is also not within the scope of IFRS 15.

Early assessment of the new standard suggests that the performance obligations of bookmaking software licensing income, bookmaking services income and income from software development are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

The Group expects there to be a nil impact on the financial statements on adoption of IFRS 15.

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 will likely 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'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 segment comprises all online and telephone activity outside of Australia and the US, 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. The greyhound stadia operations were disposed of on 31 July 2017. 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 26 December 2017 is as follows:

	Retail £m	Online £m	US £m	Australia £m	Other[2] £m	Corporate £m	Group £m
Revenue	**913.1**	**616.9**	**56.5**	**119.7**	**4.9**	**–**	**1,711.1**
GPT, duty, levies and other costs of sales	(233.6)	(144.6)	(4.9)	(31.4)	(0.4)	–	(414.9)
Gross profit	679.5	472.3	51.6	88.3	4.5	–	1,296.2
Depreciation	(23.9)	(0.9)	(1.4)	(1.2)	(0.1)	(2.6)	(30.1)
Amortisation	(9.1)	(34.1)	(0.2)	(9.0)	–	–	(52.4)
Other administrative expenses	(485.6)	(304.8)	(32.3)	(60.6)	(4.6)	(35.5)	(923.4)
Share of results of associates	–	–	–	–	–	1.0	1.0
Adjusted operating profit/(loss)[1]	**160.9**	**132.5**	**17.7**	**17.5**	**(0.2)**	**(37.1)**	**291.3**
Operating exceptional items and adjustments	(7.3)	(24.3)	(3.1)	(238.6)	(2.5)	(59.2)	(335.0)
Profit/(loss) before interest and tax	**153.6**	**108.2**	**14.6**	**(221.1)**	**(2.7)**	**(96.3)**	**(43.7)**
Investment income						6.4	6.4
Finance costs						(37.3)	(37.3)
Loss before tax							**(74.6)**

[1] Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3.

[2] The Other segment includes the results of the greyhound stadia operations up to disposal on 31 July 2017.

At 26 December 2017	Retail £m	Online[2] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	1,406.8	419.9	64.6	132.8	–	325.2	2,349.3
Total segment liabilities	(96.1)	(226.9)	(24.6)	(31.4)	–	(811.1)	(1,190.1)
Included within total assets:							
Goodwill	680.7	193.3	22.4	62.7	–	–	959.1
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	28.7	28.7
Capital additions	31.6	44.8	1.9	9.3	–	9.9	97.5

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 27 December 2016:

	Retail £m	Online £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. Further detail on adjusted measures is provided in note 3.

As at 27 December 2016	Retail £m	Online £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 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 26 December 2017 £m	52 weeks ended 27 December 2016 £m	**26 December 2017 £m**	27 December 2016 £m
United Kingdom	**1,393.0**	1,317.2	**1,572.2**	1,515.4
Rest of the World	**318.1**	286.6	**396.4**	635.6
	1,711.1	1,603.8	**1,968.6**	2,151.0

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 that 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 in 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.

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).

These items are defined as adjustments as the directors believe they would impair the visibility of the underlying activities across the divisions as they are not closely related to the businesses' or any associated operational cash flows. These items are recurring, with the amortisation of specific intangible assets recognised in acquisitions recognised over their useful life and for the interest income and fair value movements on the redeemable convertible preference shares, these are recognised over the ten year life of the instrument. Although the sale of the redeemable convertible preference shares was agreed in the period, it was assessed the disposal did not complete until January 2018 (see note 8) and therefore these items have been classified as adjustments as they are considered recurring up to the point of disposal.

Exceptional items and adjustments are as follows:

	Exceptional items £m	Adjustments £m	52 weeks ended 26 December 2017 £m	Exceptional items £m	Adjustments £m	52 weeks ended 27 December 2016 £m
Operating						
Cost of sales						
Indirect taxation	**(17.1)**	**–**	**(17.1)**	–	–	–
Other operating expenses						
Restructuring costs	**(54.4)**	**–**	**(54.4)**	(10.2)	–	(10.2)
Portfolio shop closures	**(7.3)**	**–**	**(7.3)**	0.4	–	0.4
Impairment of Australia goodwill	**(238.3)**	**–**	**(238.3)**	–	–	–
Onerous contract	**(10.0)**	**–**	**(10.0)**	–	–	–
Compliance fines	**(6.2)**	**–**	**(6.2)**	–	–	–
Disposal of Stadia operations	**(2.5)**	**–**	**(2.5)**	–	–	–
Legal fees	**(1.3)**	**–**	**(1.3)**	–	–	–
Corporate transaction costs[1]	**–**	**–**	**–**	(9.8)	–	(9.8)
Fair value movements on derivative financial instruments	**–**	**7.2**	**7.2**	–	(9.9)	(9.9)
Amortisation of acquired intangibles	**–**	**(5.1)**	**(5.1)**	–	(6.4)	(6.4)
	(337.1)	**2.1**	**(335.0)**	(19.6)	(16.3)	(35.9)
Non-operating						
Investment income on redeemable convertible preference shares	**–**	**5.5**	**5.5**	–	3.2	3.2
	–	**5.5**	**5.5**	–	3.2	3.2
Total exceptional items and adjustments before tax	**(337.1)**	**7.6**	**(329.5)**	(19.6)	(13.1)	(32.7)
Tax on exceptional items and adjustments	**8.3**	**1.1**	**9.4**	2.5	0.5	3.0
Exceptional tax items	**–**	**–**	**–**	–	–	–
Total exceptional items and adjustments	**(328.8)**	**8.7**	**(320.1)**	(17.1)	(12.6)	(29.7)

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

Indirect taxation

The Group has accrued for certain indirect taxes that it now expects to pay following a clarification on tax interpretations. The retrospective element has been presented as exceptional within Cost of sales in light of the material scale and one-off nature of the charge.

Restructuring costs

This is a continuation of the substantial corporate restructurings the Group commenced in 2016, referred to as the transformation programme in the Strategic Report, encompassing cost optimisation and business model initiatives. This is part of a Group-wide programme, which is expected to complete in 2019. This programme, whose costs include fees for external advisers, provisions for onerous property leases 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.

Portfolio shop closures

During 2017, as part of the ongoing Group-wide transformation programme, the Group performed a full strategic review of the shop estate. This review led to the closure of 25 shops with a provision made for onerous leases and other costs of closure. This strategic review was a one-off exercise leading to a material expense and, therefore, the directors judge the cost to be exceptional. A further 14 shops were closed during the period in the normal course of business upon expiry of their leases and their costs are not included within this exceptional item.

Impairment of Australia goodwill

Given the adverse regulatory changes and the strategic review of the Australian business currently being undertaken, management have recognised an impairment of goodwill in the Australia CGU (see note 12 of the financial statements in the Annual Report). This has been presented as an exceptional item due to both its material scale and one-off nature.

Onerous contract

The Group has recognised the costs of a specific contract where a change in strategy due to the transformation programme meant that the contract was considered onerous with no economic benefits expected to be received. This has been presented as exceptional given it is material and related to a specific one-off contract.

Compliance fines

The Group has entered into a regulatory settlement with the UK Gambling Commission and, as a result, the Group has agreed to pay a total package of £6.2m, including a sum of £1.2m to be returned to affected parties. This has been presented as exceptional given the settlement is a one-off material transaction.

Disposal of Stadia operations

On 31 July 2017, the Group sold its Greyhound Stadia operations to Arena Racing Company. The Group recognised a loss on disposal of £2.5m, including costs to sell of £0.7m (see note 17 of the financial statements in the Annual Report). This has been classified as exceptional as it is a one-off transaction and is material in the context of the Other segment.

Legal fees

These represent our fees in respect of legal action following the 2012 acquisition of businesses in Nevada, USA. These have been classified as exceptional given they are material in the context of the US segment and due to the potential of damages and fees being awarded to the Group which would be treated as an exceptional gain due to their material scale and one-off nature.

4. FINANCE COSTS

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**36.0**	47.6
Amortisation of finance costs	**1.8**	2.6
Interest payable	**37.8**	50.2
Interest on net pension scheme assets or liabilities	**(0.5)**	(1.0)
	37.3	49.2

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The tax charge/(credit) comprises:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Current tax:		
UK corporation tax	**16.3**	23.4
Overseas tax	**10.0**	17.2
Adjustment in respect of prior periods	**(15.7)**	(14.4)
Total current tax charge	**10.6**	26.2
Deferred tax:		
Origination and reversal of temporary differences	**(2.9)**	(2.8)
Impact from changes in statutory tax rates	**–**	(6.1)
Adjustment in respect of prior periods	**0.9**	(0.5)
Total deferred tax credit	**(2.0)**	(9.4)
Total tax on (loss)/profit on ordinary activities	**8.6**	16.8

The effective tax rate in respect of adjusted results was 7.1% (52 weeks ended 27 December 2016: 9.3%). The effective tax rate in respect of statutory results was minus 11.5% (52 weeks ended 27 December 2016: 9.3%). The current period's charge was lower than the UK statutory rate of 19.25% mainly due to adjustments in respect of prior periods' uncertain tax positions, lower tax rates on overseas profits and timing differences not recognised in deferred tax, partially offset by non-deductible expenditure.

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

	52 weeks ended 26 December 2017			52 weeks ended 27 December 2016		
	Adjusted £m	**Exceptional items and adjustments £m**	**Statutory total £m**	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
(Loss)/profit before tax	**254.9**	**(329.5)**	**(74.6)**	214.0	(32.7)	181.3
Tax on Group (loss)/profit at standard UK corporation tax rate of 19.25% (2016: 20%)	**49.1**	**(63.4)**	**(14.3)**	42.8	(6.5)	36.3
Impact of changes in statutory tax rates	**–**	**–**	**–**	(6.1)	–	(6.1)
Different tax rates in overseas territories	**(16.8)**	**2.9**	**(13.9)**	(13.9)	–	(13.9)
Accrual of liabilities for uncertain tax positions	**3.2**	**–**	**3.2**	10.4	–	10.4
Timing difference not recognised in deferred tax	**(6.5)**	**–**	**(6.5)**	–	–	–
Tax on share of results of associates	**(0.1)**	**–**	**(0.1)**	(0.2)	–	(0.2)
Adjustment in respect of prior periods	**(14.8)**	**–**	**(14.8)**	(14.9)	–	(14.9)
Non-deductible expenditure	**3.9**	**51.1**	**55.0**	1.7	3.5	5.2
Total tax charge/(credit)	**18.0**	**(9.4)**	**8.6**	19.8	(3.0)	16.8

Non-deductible expenditure includes exceptional costs that are non-revenue related. 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 in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities and the net release of provisions previously held for specific uncertain tax positions of £14.0m.

The effective tax rate in 2018 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 26 December 2017 Per share	52 weeks ended 27 December 2016 Per share	**52 weeks ended 26 December 2017 £m**	52 weeks ended 27 December 2016 £m
Equity shares:				
– current period interim dividend paid	**4.3p**	4.1p	**36.5**	35.6
– prior period final dividend paid	**8.4p**	8.4p	**71.6**	73.4
	12.7p	12.5p	**108.1**	109.0
Proposed final dividend	**8.9p**	8.4p	**76.8**	72.1

The proposed final dividend of 8.94p will, subject to shareholder approval, be paid on 7 June 2018 to all shareholders on the register on 27 April 2018. 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 859 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. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share figures for the respective periods are as follows:

	52 weeks ended 26 December 2017			52 weeks ended 27 December 2016		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
(Loss)/profit after tax attributable to equity holders of the parent for the financial period (£m)	**(83.2)**	**–**	**(83.2)**	164.5	–	164.5
Adjusted profit after tax for the financial period (£m)	**236.9**	**–**	**236.9**	194.2	–	194.2
Weighted average number of shares (million)	**856.9**	**4.8**	**861.7**	871.8	3.0	874.8
(Loss)/earnings per share (pence)	**(9.7)**	**–**	**(9.7)**	18.9	(0.1)	18.8
Earnings per share – adjusted (pence)	**27.6**	**(0.1)**	**27.5**	22.3	(0.1)	22.2

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 30.4 million (52 weeks ended 27 December 2016: 14.4 million).

The diluted loss per share 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 therefore they are disregarded in the calculation.

8. INVESTMENTS

The Group has long-term commercial agreements and investments with NYX Gaming Group Limited (NYX). On 20 September 2017 Scientific Games Corporation (SGC) and NYX announced SGC's agreed proposal to acquire NYX and all outstanding NYX shares. The agreed price was $2.40 CAD per share.

On 7 December 2017, the Group reached an agreement with SGC to unconditionally support SGC's proposed acquisition of NYX. In connection with the proposed acquisition, SGC agreed to acquire the Group's convertible preference shares for £87.9m and the ordinary shares at the acquisition price of $2.40 CAD per share (£9.6m). The transfer of the investments, and receipt of consideration, was completed on 5 January 2018, and therefore it was assessed the Group still held the risk and rewards of ownership of these investments at the period end.

Details of the Group's investments in NYX are shown below:

Convertible Notes

On 4 April 2016, in connection with a commercial agreement, the Group invested £80.0m into redeemable convertible preference shares issued by NYX. The convertible preference shares were 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. As the redeemable convertible preference shares were akin to convertible notes they were therefore accounted for as such (Convertible Notes). The embedded derivative element was bifurcated from the loan element and accounted for separately. The Group has agreed consideration of £87.9m for the disposal of the convertible preference shares in January 2018.

The loan element was recognised as a loans and receivables financial asset at an initial value of £37.5m. This was accounted for on an amortised cost basis at an effective interest rate of 13.6%. Interest of £5.5m was recognised in the period (27 December 2016: £3.2m), which is classified as investment income in the Income Statement as an adjustment, as defined by note 3.

The convertible element was recognised as a derivative financial asset at fair value through profit or loss, at an initial fair value of £44.1m, with movements recognised in the Income Statement, recognised as an adjustment as defined by note 3, within other operating expenses. The fair value at 26 December 2017 was £41.7m. Fair value of the derivative at period end was determined as the agreed convertible preference share disposal consideration of £87.9m, less the carrying value of the loan element. A fair value gain of £7.2m was recognised in the period (27 December 2016: £9.6m loss).

Ordinary Shares

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 ordinary shares were recognised as an available-for-sale financial asset and therefore revalued to fair value at each period end with any movements recognised in other comprehensive income. At 26 December 2017 the fair value of the shares was £9.3m, based on a share price of CAD $2.40 per share. The fair value gain recognised in the period was £4.0m (27 December 2016: £4.4m loss).

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 Income Statement, as an adjustment as defined by note 3, within operating expenses. At 26 December 2017 the warrants were valued at £0.3m and held within non-current derivative financial instruments. No fair value changes were recognised in the period (27 December 2016: £0.3m loss).

Loan

On 27 May 2016, the Group agreed to loan £3.2m to NYX. The loan was interest-free and due for repayment in June 2020. As part of the Group's unconditional support of SGC's proposed acquisition, NYX agreed to pay this loan in full earlier than the repayment due date. The loan was repaid in full on 5 January 2018.

A summary of the carrying value of the financial assets investments relating to NYX and their movements recognised during the current period is analysed as follows:

	27 December 2016 £m	Gain/interest recognised in Income Statement £m	Fair value gain recognised in Other Comprehensive Income £m	26 December 2017 £m
Fair Value through the Income Statement				
Derivative financial instruments (Convertible element of Convertible Notes)	**34.5**	**7.2**	**–**	**41.7**
Derivative financial instruments (Warrants)	**0.3**	**–**	**–**	**0.3**
Total derivative financial instruments	**34.8**	**7.2**	**–**	**42.0**
Loans and receivables				
Loans receivable (Loan element of Convertible Notes)	**40.7**	**5.5**	**–**	**46.2**
Loans receivable (Loan)	**3.2**	**–**	**–**	**3.2**
Total loans and receivables	**43.9**	**5.5**	**–**	**49.4**
Available-for-sale				
Investments (Ordinary Shares)	**5.3**	**–**	**4.0**	**9.3**
Total financial assets	**84.0**	**12.7**	**4.0**	**100.7**

In addition to the investment in ordinary shares in NYX, the Group also holds other investments in unquoted shares of £0.1m (27 December 2016: £0.1m).

9. BORROWINGS

	26 December 2017 £m	27 December 2016 £m
Borrowings at amortised cost		
Bank loans	**–**	–
Less: expenses relating to bank loans	**(1.2)**	(2.1)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(1.4)**	(2.0)
£350m 4.875% Guaranteed Notes due 2023	**350.0**	350.0
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	**(1.9)**	(2.3)
Total Borrowings as due for settlement after 12 months	**720.5**	718.6
The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	**–**	–
In the second year	**–**	–
In the third to fifth years inclusive	**375.0**	375.0
After more than five years	**350.0**	350.0
	725.0	725.0

Bank facilities

At 26 December 2017, 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 (27 December 2016: £nil).

2. An overdraft facility of £5m, of which £nil was drawn down at the period end (27 December 2016: £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). 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 Statement of Financial Position and are being amortised on a straight line basis over the life of the Facility.

Overdraft facility

At 26 December 2017, the Group had an overdraft facility with National Westminster Bank plc of £5m (27 December 2016: £5m). The balance on this facility at 26 December 2017 was £nil (27 December 2016: £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 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 27 December 2016	(98.5)
Purchase and issue of own shares	(1.4)
Transfer of own shares to recipients	2.9
At 26 December 2017	**(97.0)**

Own shares held comprise:

	26 December 2017			27 December 2016		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust (EBT)	**1,185,009**	**0.1**	**3.3**	1,065,915	0.1	3.5
Treasury shares	**28,913,092**	**2.9**	**93.7**	29,573,675	3.0	95.0
	30,098,101	**3.0**	**97.0**	30,639,590	3.1	98.5

The shares held either in treasury or in the William Hill Holdings EBT were purchased at a weighted average price of £3.22 (27 December 2016: £3.22).

Further to the shareholders' resolution of the Company passed at the Annual General Meeting held on 9 May 2017, the Company did not purchase any of its own shares during the period (27 December 2016: 29,573,675). The reason that no shares were purchased was the completion of the Company's share repurchase programme in December 2016. The shares previously acquired under the share repurchase programme are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 9 May 2017, to purchase up to a maximum of 85,774,500 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 2018.

11. NOTES TO THE CASH FLOW STATEMENT

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
(Loss)/profit before interest and tax	**(43.7)**	225.6
Adjustments for:		
Share of results of associates	**(1.0)**	(1.5)
Depreciation of property, plant and equipment	**30.1**	31.6
Amortisation of intangibles	**57.5**	55.0
Loss/(gain) on disposal of property, plant and equipment	**0.4**	(4.7)
Vacant property provisions including (gains)/losses on early settlement of vacant property leases	**7.3**	(0.4)
Loss on disposal of Stadia operations	**2.5**	–
Cost charged in respect of share remuneration	**5.2**	6.1
Defined benefit pension cost less cash contributions	**(9.6)**	(9.3)
Fair value movements on investment property	**–**	0.1
Fair value movements on ante post bet liabilities	**–**	(0.1)
Fair value movements on other derivative financial instruments	**(7.2)**	9.9
Impairment of Australia CGU goodwill	**238.3**	–
Operating cash flows before movements in working capital:	**279.8**	312.3
Increase in receivables	**(0.1)**	(13.7)
Increase in payables	**75.1**	37.0
Cash generated by operations	**354.8**	335.6
Income taxes paid	**(28.4)**	(24.6)
Interest paid	**(36.3)**	(45.1)
Net cash from operating activities	**290.1**	265.9

12. CONTINGENT LIABILITIES

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing and the interpretation of complex tax legislation. The Group is also monitoring developments in relation to EU State Aid investigations including the EU Commission's announcements that it will be opening a State Aid investigation into the UK's Controlled Foreign Company regime (announced on 26 October 2017) and into certain aspects of the Gibraltar corporate tax regimes (announced on 16 October 2013 and 1 October 2014). The Group does not currently consider any provision is required in relation to EU State Aid. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on interpretation of legislation, management experience and professional advice.

ABBREVIATIONS AND GLOSSARY

Adjusted operating profit

Profit before interest and tax, excluding exceptional items and other defined adjustments. 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.

OTC

Over-the-counter.

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 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.

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.