William Hill PLC

1 March 2019

Good underlying performance during period of substantial change

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 53 weeks ended 1 January 2019 (the period or 2018). Comparatives relate to the 52 weeks ended 26 December 2017.

	Statutory results			Adjusted results		
	53 wks to 1 Jan 19 £m	52 wks to 26 Dec 17 £m	Change %	53 wks to 1 Jan 19 £m	52 wks to 26 Dec 17 £m	Change %
Net revenue	1,621.3	1,592.8	+2%	1,621.3	1,592.8	+2%
Existing operations adjusted operating profit[1]	-	-	-	266.8	273.8	-3%
US Expansion operations[2]	-	-	-	(33.2)	-	-
Adjusted operating profit[3]	-	-	-	233.6	273.8	-15%
(Loss)/profit before interest and tax	(687.9)	177.4	-	-	-	-
(Loss)/profit before tax	(721.9)	146.5	-	200.2	237.4	-16%
Discontinued operations – Australia[4]	3.8	(225.6)	-	4.5	13.0	-65%
(Loss)/earnings per share (EPS) (p)[5]	(83.6)	16.6	-	20.6	26.1	-21%
Dividend per share (p)	12.0	13.2	-9%			

Financial results

- Group net revenue up 2% to £1,621.3m
- Adjusted operating profit from existing operations[1] down 3% to £266.8m, in line with expectations
- Exceptional charge and adjustments of £922.1m including, as previously reported, £882.8m non-cash impairment to Retail following Triennial Review decision leading to statutory loss before tax of £721.9m
- Operating cash flow before movements in working capital up 9% to £275.0m
- Balance sheet remains strong with net debt for covenant purposes[6] of £308.1m, 1.0x EBITDA at period-end
- Full-year dividend of 12.0p per share, in line with policy to pay out approximately 50% of underlying earnings, based on adjusted EPS before US Expansion costs in 2018

Good progress against strategic priorities

- Driving digital growth in the UK and internationally
    - Good underlying Online performance: actives +25%, underlying net revenue +6% and operating profit up 11% before c£17m impact of enhanced customer due diligence measures
    - Acquisition of Mr Green for c£242m completed in January 2019, building international base and capabilities
- Growing a business of scale in the US
    - US Existing business delivering continued strong momentum with 42% net revenue and 91% adjusted operating profit growth (in local currency)
    - US Expansion business now live in six states, access secured to 17 states in total
    - 34% market share by revenue across all seven regulated states in these early stages
- Remodelling Retail
    - Resilient performance with net revenue down 2% with challenging trading backdrop on the UK high street
    - Ready for implementation of new £2 stake limit on B2 gaming products in April 2019 and reshaping of Retail estate
- Nobody harmed by gambling
    - Voluntary whistle-to-whistle TV advertising ban agreed during pre-watershed UK live sport

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

“2018 was a busy and decisive year for us. Key regulatory decisions in the UK and US gave us much needed clarity to set a new five-year strategy and a goal to double profits by 2023. We have three businesses at different stages, with Online growing in the UK and diversifying internationally, Retail being remodelled in response to the new £2 stake limit, and rapid expansion in the US sports betting market. Underpinning this, we have taken a clear leadership stance around safer gambling with our Nobody Harmed ambition.

“Against this backdrop, we delivered a good underlying performance in Online, strong growth in the US Existing business and a resilient Retail outturn in the face of difficult high street conditions.

“We have started delivering on our strategy with the expansion of our US business, being first out of the blocks in all states that have regulated sports betting, and with the acquisition of Mr Green, which will support the build-out of our international digital business. We have also put our weight behind reducing the amount of TV gambling advertising seen by under 18s through a voluntary whistle-to-whistle advertising ban before the watershed.

“We know the next few years will require careful navigating and investment, but with a clear strategy and diverse, experienced leadership teams in place we are ready to capitalise on the opportunities available to us.”

Notes:
1. Existing operations adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments, and excluding US Expansion operations in states we have entered since the US Supreme Court overturned the Professional and Amateur Sports Protection Act 1992 (PASPA). Further detail on the US Expansion operations and adjusted measures is provided in notes 2 and 3 to the financial statements within our 2018 Annual Report.
2. Adjusted operating profit from US Expansion operations includes new states we have entered and the expansion in Delaware following state legislative changes since the Supreme Court overturned PASPA.
3. Adjusted operating profit is defined as profit from continuing operations 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 2018 Annual Report.
4. Results for the period up to 23 April 2018 when the disposal of the Australian business completed.
5. Basic EPS is based on an average of 857.0 million shares for 2018 and an average of 856.9 million shares for 2017. Adjusted EPS is based upon adjusted profits after tax.
6. Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures. The basis of calculation is as described in note 24 to the financial statements within our 2018 Annual Report.
7. Definitions are provided in the glossary at the back of the document.
8. Numbers are presented on an adjusted basis unless otherwise stated.

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Analyst and investor presentation

Meeting	Friday, 1 March 2019 at 9.30 am GMT Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED
Live conference call	Tel: +44 (0) 20 3936 2999. Access code 868075
Archive conference call	[Tel: +44 (0) 20 3936 3001. Access code: 189619#. Available until 8 March 2019
Video webcast	www.williamhillplc.com

Debt investor conference call

Live conference call	11.30 am GMT. Tel: +44 (0) 20 3936 2999. Pass code: 868075
Archive conference call	Tel: +44 (0) 20 3936 3001. Passcode 989173#. Available until 8 March 2019

Notes to editors

William Hill PLC is one of the world's leading betting and gaming companies, employing c15,500 people. Its origins are in the UK where it was founded in 1934, and where it is listed on the London Stock Exchange. The majority of its £1.6 billion annual revenues are still derived from the UK, where it has a national presence of licensed betting offices and one of the leading online betting and gaming services. In 2012, it established William Hill US with a focus on retail and mobile operations in Nevada and established the largest sports betting business in the US. Following the ruling in May 2018 by the Supreme Court that the federal ban on state sponsored sports betting was unconstitutional, William Hill US has expanded and continues to expand as new states regulate sports betting. It is now operating in seven states: Nevada, New Jersey, Delaware, Rhode Island, Mississippi, Pennsylvania and West Virginia. William Hill’s Online business has operations in Italy and Spain, and to support its international expansion strategy acquired Mr Green & Co AB in January 2019.

Cautionary note regarding forward-looking statements

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION

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

2018 was a pivotal year for both William Hill and the wider gambling industry. We now have greater clarity around the key challenges and opportunities for our business following the Triennial Review decision for UK gaming machines and the opening up of regulated sports betting in the US. With these changes clarified, we moved quickly to deliver a new strategy which we communicated in November 2018 and set out our ambition to build William Hill into a digitally led, internationally diverse gambling business and thereby to double operating profit by 2023.

Performance summary

Group net revenue in 2018 was up 2% to £1,621.3m, including US Expansion net revenue of £11.8m. Online, before the impact of enhanced customer due diligence measures, and the US Existing business delivered good growth, while Retail was challenged by wider high street conditions with revenue down 2%. The US Supreme Court's decision in May to overturn the federal ban on sports betting presented us with an exciting new growth opportunity and we moved quickly to capitalise on this by investing in a digital launch in New Jersey and land-based expansion in six states. During the year, we also followed through on our commitments under the regulatory settlement with the UK Gambling Commission and our long-term ambition that nobody is harmed by gambling by taking an important decision to conduct enhanced due diligence checks on a greater proportion of our Online customers. This led to account closures that impacted 2018 performance by c£17m and will also affect 2019 year-on-year growth.

Our US Expansion investment, Online measures and challenges in Retail resulted in the Group's adjusted operating profit declining 15% to £233.6m. Excluding the US Expansion investment and Online measures, underlying profit would have increased 4%. On a statutory basis, we recorded a loss before tax of £721.9m as we incurred exceptional charges of £922.1m, principally an £882.2m non-cash impairment of Retail following the UK Government's decision to reduce staking on B2 gaming products to £2, and £31.2m for the transformation programme.

This resulted in a statutory loss of 83.6p per share. The basic adjusted earnings per share (EPS) was 20.6p, reflecting underlying growth in Online and the US being offset by US investment, Online customer checks and weaker Retail performance.

Group cash capital expenditure was up 39% to £117.3m, supported by strong operating cash flows (before movements in working capital) of £275.0m. The balance sheet remains strong, with net debt to EBITDA for covenant purposes of 1.0 times at the year-end (26 December 2017: 1.5 times), with proceeds received from the sale of Australia and our investments in NYX. This gives us the flexibility to invest in digital and international growth, including the acquisition of Mr Green which was completed in January 2019, while managing the impact of regulatory changes in Retail in the coming year.

The Board has approved a final dividend of 7.74p per share to give a full-year dividend of 12.0p per share (2017: 13.2p). As per the Board's previous commitment, the calculation for 2018 is based on the 50% payout policy being applied to 2018 earnings excluding the US Expansion investment. From 2019 onwards, US Expansion will be included in the calculation. However, as previously announced, the Board has committed to underpin the dividend so that it does not fall below 8p per share until such time as earnings come back in line with the payout policy.

Responding to a pivotal year with a new strategy

In November 2018, we set out our new Group strategy at our Capital Markets Day. Our ambition is to build a digitally led and internationally diverse gambling business. We have set ambitious growth targets that take account of both the near-term challenges and longer-term opportunities for each of our three divisions, with the ambition of doubling profits between 2018 and 2023. We will meaningfully reshape William Hill over the coming years, moving from a business that has been predominantly UK-centric and land-based to being a leading gambling business that is digitally led, internationally diverse and sustainable.

Our strategy is focused around three priorities:

- Driving digital growth in the UK and internationally;
- Growing a business of scale in the US; and
- Remodelling UK Retail.

This is underpinned by the Group's approach to sustainability and our long-term ambition that nobody is harmed by gambling.

The summary of the strategy and the Capital Markets Day presentation are available on our corporate website at www.williamhillplc.com/investors.

(a) Driving digital growth in the UK and internationally

Our ambition for Online is to build the world's most trusted digital gambling brand and business with greater scale, more geographic diversity and higher operating profit margins.

In 2018, Online's improved product and increased marketing efficiency drove underlying, before the impact of enhanced customer due diligence measures, net revenue growth of c6% and adjusted operating profit growth of c11%. However, we closed a significant number of customer accounts as a result of the enhanced due diligence checks and this reduced net revenue growth to 3% which, together with increased costs from Remote Gaming Duty caused adjusted operating profit to decline 2%. We are successfully broadening our customer base by focusing more on mass market customers. Structurally, this is reducing the average revenue per user, down 17%, as we focus on lower-staking recreational players and increasing new accounts, which were up 10%. Combined with better retention, this resulted in the number of active customers increasing 25% to 3.0 million. Key performance indicators were similar across both the UK and international markets.

International markets accounted for 24% of Online's net revenue in 2018. We are focused on expanding this to diversify the sources of Online's revenue streams. In January 2019, we completed the acquisition for c£242m of Mr Green, a high-growth European online gaming company with operations in 12 markets and licences in seven countries. Had the acquisition completed at the beginning of the period then this would have increased international to c35% of Online's 2018 revenue. Mr Green saw revenue grow 40% in 2018, principally from European markets. This acquisition also brings us an international hub of operations in Malta, inside the European Union and therefore not subject to any direct impact from Brexit, from which we will manage our non-UK expansion. The acquisition is expected to be accretive to earnings in the first full year, with synergies of at least £6m per year identified and returns expected to be in excess of our cost of capital.

Over the last year we have significantly strengthened our digital capabilities. Ulrik Bengtsson joined as Chief Digital Officer in April from Scandinavian gambling company Betsson and Phil Walker joined in January 2019 as UK Online Managing Director, previously Managing Director of Coral and Ladbrokes Online and Chief Marketing Officer for the Ladbrokes Coral Group. Patrick Jonker joins in mid-March 2019 as International Online Managing Director. We have also added key roles in brand, digital marketing, product, data and technology.

(b) Growing a business of scale in the US

Market estimates suggest that the US could generate between $5bn and $19bn of sports betting revenues by 2023, depending on the speed and nature of state-by-state regulation. This is a major new market opportunity that William Hill is very well placed to pursue as we are the US's leading sports betting company. We aim to maintain our market leadership and intend to enter every state that regulates sports betting, and have an ambition to grow William Hill US's EBITDA from $46.2m from the US Existing business in 2018 to c$300m from the combined US Existing and US Expansion business in 2023.

Our US Existing business delivered its sixth consecutive year of strong growth with net revenue up 38% (+42% in local currency) and adjusted operating profit up 84% in 2018 (+91% in local currency). Our market share by revenues in Nevada reached 32% in 2018, up from 29% a year before and 12% when we launched in 2012.

Our US Expansion business is now live in six states, making William Hill the only company to have launched in all seven states that have regulated sports betting – Nevada, New Jersey, Delaware, Rhode Island, Mississippi, Pennsylvania and West Virginia. Our medium-term target is to achieve 15% market share on average across the regulated US sports betting market and in these early stages we are averaging 34% by revenue, ranging from 8% in New Jersey digital to 100% in states where we are the exclusive service provider through the state sports lottery, including Delaware and Rhode Island. Our initial investment in US Expansion resulted in a loss of £33.2m in 2018, bringing the William Hill US division overall to a loss of £0.6m, in line with our plans.

In January 2019, we completed our strategic partnership with Eldorado Resorts Inc., under which they became a 20% shareholder in William Hill US, following receipt of regulatory approvals. Alongside deals with Golden Entertainment, IGT and Prairie Meadows, this gives us access to 17 states.

In New Jersey, our brand awareness has increased from 5% in September 2018 to 22% in February 2019. Our share of the mobile market has grown each month since launch to 12% in January 2019, ahead of improvements to the product and customer experience that will come when we launch our new technology platform, which is on track for later in 2019.

We have made key hires to enhance our marketing and technology capabilities, including appointing Sharon Otterman from Madison Square Garden as Chief Marketing Officer, and Ken Fuchs, whose background includes STATS and Yahoo, as President of Digital.

(c) Remodelling Retail

Our Retail business is focused on addressing the challenges laid down by the Triennial Review decision, which will drive substantial structural change across the licensed betting office sector over the coming years.

We are ready for implementation in April 2019 across the UK, including voluntary implementation in Northern Ireland. Our preparations include product innovation as alternatives to B2 gaming, as well as remodelling the estate and the business. We have been carefully reviewing the estate since the decision was announced in May 2018, reducing the average lease length of our shops and assessing the potential to amend lease terms. As previously indicated, we expect this change to reduce Retail's profitability by £70-100m following mitigation measures. While it is not possible to predict with certainty the full impact of this change as it is contingent on customer behaviour changes and on the response of other operators, we continue to believe that our status as the largest operator by brand places us in a strong position to capture market share.

Following implementation of the £2 stake limit on B2 gaming products, we will experience the full impact of changes to customer behaviour from Q2 2019 without the offsetting benefit of mitigation measures and cost savings until later in the year. We have estimated that up to 900 shops could become at risk of closure. The impact and thus the extent of mitigation and cost savings will in part depend on assessing the impact on consumer behaviour seen during this initial period following implementation of the new limit.

During 2018, Retail's net revenue declined 2% due to racing cancellations and a strong comparable period. Costs were well controlled and held flat year-on-year, but operating leverage resulted in adjusted operating profit declining 7%.

(d) Sustainability

In July 2018, we launched our ambition that nobody is harmed by gambling and have made good progress across the nine initial commitments that we set. One of the most important was to address widespread concerns about gambling advertising and, to have an impact on this, we needed the entire industry to work together. Along with other operators across the industry, we have given our support to a whistle-to-whistle ban on TV betting adverts during pre-watershed live sport. It also includes an end to betting adverts around highlight shows and re-runs, and an end to bookmaker sponsorship of pre-watershed sports programmes. This move is important. It is an industry-wide initiative that has been agreed ahead of any regulation. We know the public is concerned about advertising and that it is during live sport that young people are most likely to see gambling adverts, so this is a significant step towards our ambition.

Guidance and outlook

Outlook for 2019 is in line with market expectations, which reflects the Capital Markets Day guidance as adjusted for the previously announced UK Government's change to the implementation date for the £2 stake limit and the increase in Remote Gaming Duty.

The Group's Effective Tax Rate for 2019 is now expected to be c12%, reflecting the changing shape of the business.

The Group's investment behind its strategy is supported by a strong balance sheet, which was 1.0 times net debt to EBITDA at the period end. We expect that during 2019 this ratio will temporarily exceed two

times as a result of increased investment in the business combined with lower operating profit, but will naturally de-lever in 2020.

With rapid expansion underway in the US and the acquisition of Mr Green now complete, we are excited and focused on the opportunity to make further operational and strategic progress this year. In 2019 we are remodelling our Retail offer while building a digitally-led and internationally diverse business, underpinned by a sustainable approach as part of our Nobody Harmed ambition.

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 2018 Annual Report.

The following narrative relates to the 53-week period to 1 January 2019, with comparatives relating to the 52 weeks ended 26 December 2017.

Online (39% of Group revenue)

	FY 2018 £m	FY 2017 £m	Change
Sportsbook amounts wagered	**4,702.8**	**4,735.6**	**-1%**
Gross win margin	8.0%	7.6%	+0.4 ppts
UK net revenue	484.0	475.0	+2%
International net revenue	150.4	141.9	+6%
Sportsbook net revenue	318.7	308.3	+3%
Gaming net revenue	315.7	308.6	+2%
Online net revenue	634.4	616.9	**+3%**
Cost of sales	(154.1)	(144.6)	+7%
Operating costs	(350.1)	(339.8)	+3%
Adjusted operating profit	**130.2**	**132.5**	**-2%**

In 2018, we focused on building our digital structure and capabilities. Following the appointment of our Chief Digital Officer, we appointed a Global Brand and Marketing Director to lead our brand strategy, a Data Director - rolling out our first high-impact use-case to enable personalisation and real-time data capabilities towards the end of 2018 – and a Product Director to create and operationalise a new way of managing product prioritisation and development. We also meaningfully reshaped our compliance approach to address concerns raised by the Gambling Commission in a £6.2m regulatory settlement we agreed in February 2018.

Sportsbook amounts wagered was down 1% year-on-year as a result of a stronger margin, but would have grown 2% excluding the impact of customer account closures following enhanced customer due diligence checks.

Gross win margins were up 0.4 percentage points, with strong football results but weaker horseracing margins, particularly during the summer. Free bets over the year accounted for 1.2% of amounts wagered (2017: 1.1%), including our popular 'Scratch of the Day' offer during the World Cup and activities in H2 to attract and retain a more recreational customer base. As a result, Sportsbook net revenue rose 3% to £318.7m (2017: £308.3m).

Gaming net revenue was up 2% to £315.7m. Investment in cross-sell product features and enhanced offers improved cross-sell rates by three percentage points year-on-year.

Active users grew strongly, up 25% to 3.0 million unique active accounts, as we invested in offers and incentives to attract a more mass market customer base. New accounts grew 10%. Average revenue per user reduced by 17%, reflecting the changing mix of the customer base, while average cost per acquisition reduced 3%.

Our improvements to the mobile user experience resulted in revenues from mobile devices increasing to 83% of Sportsbook net revenue (2017: 74%) and 80% of gaming net revenue (2017: 69%).

Cost of sales increased faster than net revenue with the annualised impact of Remote Gaming Duty being applied to gaming free bets and the horseracing levy. The combined year-on-year impact of these was c£7m.

Operating costs were 3% higher, with a 6% increase in marketing investment. Staff costs reduced 12%, benefiting from operating efficiencies delivered under the transformation programme.

Adjusted operating profit decreased 2% to £130.2m. Adjusting for the £17m impact from customer due diligence changes, adjusted operating profit grew 11%.

William Hill US (6% of Group revenue)

Existing	On a statutory reporting basis			On a local currency basis		
	FY 2018 £m	**FY 2017 £m**	**Change**	**FY 2018 $m**	**FY 2017 $m**	**Change**
Amounts wagered	**1,084.5**	**893.9**	**+21%**	**1,442.8**	**1,152.7**	**+25%**
Gross win margin	7.2%	6.3%	+0.9 ppts	7.2%	6.3%	+0.9 ppts
Net revenue	**79.7**	**57.9**	**+38%**	**106.0**	**74.7**	**+42%**
Cost of sales	(7.4)	(4.9)	+51%	(9.8)	(6.4)	+53%
Operating costs	(39.7)	(35.3)	+12%	(52.6)	(45.5)	+16%
Adjusted operating profit	**32.6**	**17.7**	**+84%**	**43.6**	**22.8**	**+91%**

Expansion	**FY 2018 £m**	**FY 2018 $m**
Amounts wagered	**164.4**	**212.5**
Gross win margin	6.7%	6.7%
Net revenue	**11.8**	**15.2**
Cost of sales	(1.6)	(2.0)
Operating costs	(43.4)	(56.9)
Adjusted operating loss	**(33.2)**	**(43.7)**

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

(a) US Existing

Amounts wagered in our US Existing business was up 25%, driven by significant growth in mobile, up 42%, while retail remained broadly flat. Mobile wagering was driven by a combination of an increase in customer numbers – with new customers up 20% and unique actives up 29% – and an increase in the average bet size, up 46%. This strong wagering performance was complemented by a good margin, up 0.9 percentage points, primarily due to favourable American football and basketball results. This resulted in net revenue growth of 42%, with mobile up 48% and retail up 38%. This was the sixth consecutive year of net revenue growth. Operating costs increased 16% as we invested in people and growing our capacity in anticipation of and in response to the Supreme Court's decision to overturn the Professional and Amateur Sports Protection Act (PASPA) in May 2018. Adjusted operating profit was $43.6m, an increase of 91% year-on-year.

(b) US Expansion

Revenue is derived from both direct revenue and service provider revenue, dependent on the nature of the different operating models and partnerships and the regulation in each state. We have delivered US Expansion net revenue of $13.4m from operations in New Jersey and some operations in West Virginia and income of $1.8m from providing services in Delaware, Mississippi, Rhode Island, Pennsylvania and West Virginia.

Since the PASPA decision in May 2018, we have launched or expanded operations in six states: New Jersey, Delaware, Rhode Island, Mississippi, Pennsylvania and West Virginia. We have generated total wagering across these six states of c$430m, made up of c$212m wagered directly with us and c$218m wagered with our partners where we receive income as a service provider. The average gross win margin was 10.4%, with margins varying across the US Expansion states but, on average, broadly in line with those we have seen historically in Nevada; however, it is too early to predict long-term trends.

Operating costs were $56.9m, including investments in New Jersey to support the mobile launch and brand awareness. This resulted in an adjusted operating loss of $43.7m in this first period of operations.

Retail (55% of Group revenue)

	FY 2018 £m	FY 2017 £m	Change
Sportsbook amounts wagered	**2,195.9**	**2,310.4**	**-5%**
Gross win margin	18.2%	18.0%	+0.2 ppts
Sportsbook net revenue	398.9	415.4	-4%
Gaming net revenue	496.3	497.7	-0%
Retail net revenue	**895.2**	**913.1**	**-2%**
Cost of sales	(226.6)	(233.6)	-3%
Operating costs	(518.3)	(518.6)	-0%
Adjusted operating profit	**150.3**	**160.9**	**-7%**

Sportsbook wagering was down 5% with the benefit of the World Cup offset by racing fixture cancellations in Q1 2018 and rolling over a period when we had the advantage of media content not matched by our competitors in H1 2017.

Our proprietary SSBTs contributed 15% of total staking, with machine weekly average wagering growing 60% year-on-year. A further 611 of the terminals were rolled out across the year, bringing the per shop average to 1.6. Over 50% of football stakes are now transacted through the SSBTs. During the period, we added seven further sports to the SSBTs, customer enhancements such as ‘Betting Buddy’ and multi-match coupons.

Total Sportsbook gross win margin was up 0.2 percentage points to 18.2%, benefiting from a strong end to the year across horseracing and football.

In gaming, our regular programme of product launches saw B3 content increase to 38% of revenues (2017: 36.5%). We have also seen strong growth from games that we have developed in-house, which not only expand our content portfolio but also do not attract a revenue share.

Retail net revenue declined 2%, with Sportsbook down 4% and gaming flat.

Operating costs were flat as we continued to focus on controllable costs in light of tough high street conditions and pressure on the top line. As a result, adjusted operating profit fell by 7%.

The average number of shops fell 1% to 2,333 (2017: 2,362), with 23 shops closed in the period. The number of shops at the year-end was 2,319.

Horseracing is part of William Hill’s heritage and we are proud to be the on-course operator at 36 of the UK’s 60 racecourses.

Corporate costs

Net corporate costs increased 26% to £46.6m (2017: £37.1m), mainly driven by increased central compliance costs, support for development of the US business and implementation of new General Data Protection Regulations.

FINANCIAL REVIEW

Note the analysis below considers only continuing operations unless specifically stated otherwise. The Group disposed of William Hill Australia, the Group’s Australia segment, in April 2018. This has been classified as a discontinued operation and therefore not included within the below analysis. The difference between statutory results and adjusted results is due to exceptional items and other defined adjustments, principally relating to an impairment charge of £882.8m recognised in the Retail segment following the results of the Triennial Review. Further detail on adjusted results is provided in note 3 to the financial statements.

The Group grew revenue by 2% to £1,621.3m, although this is from a 53-week trading period in 2018. With costs of sales decreasing by 4%, this led to gross profit of £1,235.7m, an increase of 4% or £43.5m. Net operating expenses grew by £908.8m (90%) on a statutory basis, mainly reflecting the impairment of the Retail segment of £882.8m. On an adjusted basis, net operating expenses grew by £62.5m (7%) to £998.0m. This includes the cost of investment in expanding the US business since PASPA was overturned in May 2018 (referred to as the US Expansion segment) with net operating expenses of £43.4m and a net adjusted operating loss of £33.2m.This led to a decrease in the Group adjusted operating profit of 15% to £233.6m. Excluding the impact of the US Expansion segment, adjusted operating profit has decreased by £7.0m (3%).

On a statutory basis, net finance costs have increased by 10% or £3.1m, primarily due to the disposal of the NYX redeemable convertible preference shares in January 2018, which had earned interest income in 2017 of £5.5m. We recognised a tax credit of £5.8m in 2018, reflecting the release of deferred tax liabilities following the impairment of the Retail segment, compared to a charge of £4.1m in 2017. Loss after tax for the period was £716.1m compared to a profit of £142.4m in 2017, with a loss per share of 83.6p compared to earnings per share of 16.6p. On an adjusted basis, profit after tax decreased by 21%, or £47.8m, to £176.1m with a corresponding 21%, or 5.5p, decrease in earnings per share to 20.6p.

We remained strongly cash generative in the period with net operating cash flows of £197.1m, although this was a decrease of £75.5m or 28% compared to 2017. This decrease was driven by the 15% decrease in adjusted operating profit and an increase in working capital. The operational cash flow coupled with net cash receipts of £141.6m from the disposal of the Australia business and £100.7m from the sale of NYX investments led to a reduction in net debt for covenant purposes to £308.1m from £515.2m. Consequently, the ratio of net debt to EBITDA for covenant purposes reduced to 1.0 times (2017: 1.5 times), within the target ratio of 1-2 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. The current period was a 53-week period compared to a 52-week comparative. This has not been adjusted for in the analysis below.

Revenue was £1,621.3m, an increase of 2% on 2017. Online revenues increased by £17.5m or 3%. Online Sportsbook net revenue increased by 3% although staking decreased by 1% with a stronger margin offsetting the impact of customer account closures following enhanced customer due diligence checks. Gaming net revenue increased by 2%. Retail revenue fell £17.9m or 2%. Within this, Retail Sportsbook saw a £16.5m (4%) decrease, driven by a 5% decrease in wagering, while revenue from gaming machines decreased by £1.4m (0%) with declines in footfall on the retail high street offsetting increasing product launches of B3 content. In the William Hill US division, which comprises the US Existing segment (with all operations existing before PASPA was overturned in May 2018) and the US Expansion segment (with all operations in new jurisdictions since PASPA was overturned) revenue grew 58% to £91.5m. Revenue includes service provide revenue, where William Hill US provides sports books services to the operator. The Group previously recognised this through other operating income. Further detail is provided in note 1 to the financial statements. The US Existing segment revenue grew £21.8m, or 38%, to £79.7m driven by significant growth in mobile. In US dollars the increase in revenue for US Existing was 42%.

Cost of sales grew 2% or £6.2m, in line with the movements in revenue across each segment.

Adjusted expenses (net of other operating income) increased 7% or £62.5m to £998.0m. Retail expenses stayed flat at £518.3m (2017: £518.6m) through tight cost control in the period. Costs in Online grew £10.3m or 3% to £350.1m, due to an increase in marketing investment offset by a reduction in staff costs from operating efficiencies delivered under the transformation programme. US Existing segment expenses grew 12% to £39.7m, due mainly to increased staff costs. US Expansion costs of £43.4m were also incurred in the period. Elsewhere, the Group’s corporate and other costs grew by £6.6m from increasing central compliance costs and from support for the development of the US business. This is partly offset by an increase in the share of profit from associates in the period.

Exceptional items and adjustments

Exceptional items and adjustments amounted to £892.2m after tax, an increase of £810.7m from the prior period.

This predominantly related to an impairment of the Retail division of £882.8m following the results of the Triennial Review with the maximum stake on B2 gaming products being reduced from £100 to £2. A regulatory change of this nature is unprecedented and its impact on customer and competitor behaviour will not be known until some years after implementation but we currently estimate this could reduce the Retail division's annualised adjusted operating profit following mitigation measures by c£70-£100m, see note 12 to the financial statements.

There were two restructuring programmes in the period. First, there was a continuation of the transformation programme with costs of £31.2m incurred in the period. This programme began in 2016 and is still expected to finish in 2019, with the benefits continuing to underpin the future growth of the business. This programme has incurred costs of £95.8m up to the period end of 2018 and expects to incur c£10m of costs in 2019. The costs incurred relate to revenue generating and cost saving initiatives, which have an estimated allocation of cost of £43.3m and £41.6m respectively as well as a specific Retail restructuring programme (£10.9m).

Secondly, there is a new restructuring programme surrounding the Group-wide mitigation of the results of the Triennial Review. This restructuring programme is distinct from the transformation programme as it is a specific result of the external regulatory change as opposed to an internally led programme. The programme is expected to last until 2020 with estimated cash costs of c£75m. This relates to £40m-£60m in the Retail segment predominantly due to shop closures and c£15m of cost from a Group-wide cost saving programme initiated as a specific result of the Triennial Review decision.

The remaining exceptional items within operating expenses included the loss on disposal of our Australian business of £0.6m; corporate transaction costs mainly related to the acquisition of Mr Green and the partnership with Eldorado, which both completed in 2019; and the recognition of a provision for guaranteed minimum pension equalisation. There is also the continuation of certain exceptional items from the previous period for specific US legal fees (£0.6m); the loss on disposal on completion of the sale of the NYX shareholding (£0.4m) and adjustments to the provision for shop closures (£0.3m credit).

There was a credit to exceptional items in costs of sales, reflecting indirect tax settlements reached in certain jurisdictions leading to a release of previously accrued balances (£4.1m) and there was an exceptional item in financing costs with the write off of the finance fees on the previous RCF that was replaced in the period of £0.6m.

An exceptional tax provision of £8.0m (2017: £nil) has been recognised in respect to potential additional tax payable relating to a change, with retrospective effect, in specific non-UK tax legislation.

In addition to exceptional items, there were adjustments totalling £2.2m after tax, compared to a credit of £9.0m in 2017. In the current period, this relates to amortisation charges on intangibles recognised in acquisitions. In the prior period, the credit is explained by movements in the redeemable convertible preference shares held in NYX, which were disposed in January 2018.

Taxation

On a statutory basis, the Group recognised a tax credit of £5.8m on losses before tax of £721.9m, giving an effective tax rate of 0.8% (2017: 2.8%). The rate is adversely impacted due to the non-deductibility of certain exceptional costs (principally the impairment of the Retail segment). On an adjusted basis, the Group recognised a tax charge of £24.1m on adjusted profits before tax of £200.2m, giving an adjusted effective tax rate of 12.0% (2017: 5.7%). This rate is lower than the UK statutory rate mainly due to lower tax rates on profits earned in Gibraltar, offset by the inclusion of a provision in respect of uncertain tax provisions of £8.0m (2017: £nil) in respect to the unwinding of the intragroup lending on the disposal of the Australian operations.

The Group's effective tax rate for 2019 is now expected to be c12%, reflecting the changing shape of the business.

Earnings per share

Basic EPS declined to a loss per share of 83.6p from an earnings per share of 16.6p in the prior period, reflecting the loss after tax made of £716.1m, due predominantly to the £882.8m impairment of the Retail segment, compared to a profit after tax in 2017 of £142.4m. Adjusted EPS decreased by 21% to 20.6p, due to the 21% decrease in adjusted profits after tax to £176.1m.

Including results from discontinued operations, namely the results of the Australia business disposed of, profit for the period on an adjusted basis was £180.6m, a decrease of £56.3m or 24%, with an adjusted basic EPS including discontinued operations falling 24% to 21.1p.

Statement of Financial Position

The impairment of the Retail division of £882.8m was allocated firstly against goodwill (£680.7m) and the remaining impairment charge, once goodwill had been decreased to nil was taken against licences within intangible assets (£151.5m) and property, plant and equipment (£50.6m). The impairment charge, coupled with the disposal of the Australian business and investments in NYX has led to a decrease in non-current assets of £1,030.8m from £1,968.6m at 26 December 2017 to £937.8m. These disposals of investments have led to an increase in cash and cash equivalents of £193.5m, which explains the £180.5m increase in current assets to £573.9m.

A buy-in bulk annuity policy was signed by the Trustees of the pension scheme to insure a proportion of the defined benefit obligation against the risk of rising costs in the future.

Current liabilities have decreased by £48.6m, mainly due to a £57.1m decrease in trade and other payables. There were decreases in trade payables of £12.3m reflecting the disposal of the Australia business and taxation and social security liabilities of £25.8m reflecting the settlement of previously accrued indirect taxes following clarifications on tax interpretations in certain jurisdictions. Furthermore, there was a decrease in accruals of £19.8m due to a reduction in accruals relating to the transformation restructuring programme as the programme begins to wind down and a reduction in staff incentive accruals.

Non-current liabilities decreased by £37.9m, predominantly due to the release of part of the deferred tax liabilities held on licences and other intangibles due to the impairment of these balances as part of the Retail division impairment. In total, liabilities decreased by £86.5m to £1,212.8m.

We entered into a new £390m revolving credit facility in September 2018, replacing the previous facility, which was due to expire in May 2019. This revolving credit facility has not been utilised in 2018.

Net assets of £298.9m is a decrease of £763.8m compared to 26 December 2017.

Cash flows and net debt

Operating cash flows of £197.1m were £75.5m (28%) lower than in 2017. This decrease was driven by the 15% decrease in adjusted operating profit and a decrease in working capital of £31.0m, due to settlements of indirect tax accruals and a reduction in staff incentive accruals.

We invested £117.3m in net capital expenditure, an increase of £33.2m compared to 2017 reflecting the increase investment in the US Expansion business with capital additions of £20.4m. £19.2m of the £20.5m investments balance relates to the Group increasing its shareholding of Mr Green & Co AB, up to 8.11% at 1 January 2019, prior to the acquisition completing in January 2019.

The Group returned £113.5m to shareholders through dividends, an increase of 5% compared to £108.1m in 2017.

We disposed of our Australia business for £141.6m (net of cash disposed of and disposal costs) in April 2018 and our NYX investments for £100.7m in January 2018.

This drove a reduction in net debt of £207.1m to £308.1m and our net debt to EBITDA for covenant purposes to a multiple of 1.0x (2017: 1.5x).

The Board committed to pay the 2018 full-year dividend from underlying earnings excluding US Expansion. Moving forward, now that the Group's US ambitions are clearer, the Board believes it is appropriate that dividends are paid out of true underlying earnings, i.e., including US Expansion costs, from 2019 onwards. However, reflective of the Board's confidence in the Group's strategy, strong capital

position and future cash generation prospects, the Board has committed to underpin the annual dividend to be not less than 8p per share until such time as the earnings come back in line with the payout policy.

BOARD CHANGES AND GOVERNANCE UPDATE

Gordon Wilson joined the Board as a Non-executive Director on 2 January 2019. Gordon is President and CEO of Travelport Worldwide Limited, a leading travel distribution platform, and brings extensive experience of the development and use of proprietary technology and data at scale on a global basis.

David Lowden will step down from the Board from 4 March 2019 to allow him to focus on other commitments following his appointment as Independent Non-executive Director of Huntsworth plc on 1 January 2019 and Chairman with effect from 6 March 2019. David has been with the Board since 2011 and was Chair of the Audit and Risk Management Committee. The Board would like to thank David and acknowledge his contribution and service over the last seven years. Robin Terrell will succeed David as Chair of the Audit and Risk Management Committee with effect from 4 March 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

We have reviewed our risk profile as set out in the 2018 Annual Report and considered the risks facing the Group in the 2019 financial year. The key risks are identified as:

- Regulatory and political risk;
- Cyber crime and information security;
- Competitive landscape;
- Delivery of IT strategy;
- Talent engagement and retention; and
- Programme optimisation.

Further information is available on pages 57 to 61 of the 2018 Annual Report, which will shortly 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 2018 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;

- the Group financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation (in the case of the consolidated financial statements) and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (in the case of the parent company financial statements), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and

- the Strategic Report and risk sections of the 2018 Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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
1 March 2019	1 March 2019

William Hill PLC

Consolidated Income Statement

for the 53 weeks ended 1 January 2019

		53 weeks ended 1 January 2019			52 weeks ended 26 December 2017		
	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[1]	2	**1,621.3**	**–**	**1,621.3**	1,592.8	–	1,592.8
Cost of sales	2, 3	**(389.7)**	**4.1**	**(385.6)**	(383.5)	(17.1)	(400.6)
Gross profit	2	**1,231.6**	**4.1**	**1,235.7**	1,209.3	(17.1)	1,192.2
Other operating income		**5.7**	**–**	**5.7**	6.7	–	6.7
Other operating expenses	3	**(1,006.6)**	**(925.6)**	**(1,932.2)**	(943.2)	(79.3)	(1,022.5)
Share of results of associates		**2.9**	**–**	**2.9**	1.0	–	1.0
(Loss)/profit before interest and tax	2	**233.6**	**(921.5)**	**(687.9)**	273.8	(96.4)	177.4
Investment income		**4.7**	**–**	**4.7**	1.4	5.5	6.9
Finance costs	3, 4	**(38.1)**	**(0.6)**	**(38.7)**	(37.8)	–	(37.8)
(Loss)/profit before tax	2	**200.2**	**(922.1)**	**(721.9)**	237.4	(90.9)	146.5
Tax	3,5	**(24.1)**	**29.9**	**5.8**	(13.5)	9.4	(4.1)
(Loss)/profit for the period from continuing operations		**176.1**	**(892.2)**	**(716.1)**	223.9	(81.5)	142.4
Profit/(loss) for the period from discontinuing operations	13	**4.5**	**(0.7)**	**3.8**	13.0	(238.6)	(225.6)
(Loss)/profit for the period (attributable to equity holders of the parent)		**180.6**	**(892.9)**	**(712.3)**	236.9	(320.1)	(83.2)
(Loss)/earnings per share from continuing and discontinued operations (pence)							
Basic	7	**21.1**		**(83.1)**	27.6		(9.7)
Diluted	7	**20.9**		**(83.1)**	27.5		(9.7)
(Loss)/earnings per share from continuing operations (pence)							
Basic	7	**20.6**		**(83.6)**	26.1		16.6
Diluted	7	**20.4**		**(83.6)**	26.0		16.5

1 The Group previously recognised service provider revenue, previously referred to as bookmaking services income, through other operating income. It is the Group's view that in order not to distort the other operating income figure, service provider revenue of £2.9m (52 weeks ended 26 December 2017: £1.4m) shall be recognised as revenue. Prior period comparatives have been reclassified.

William Hill PLC

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 1 January 2019

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Loss for the period	**(712.3)**	(83.2)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial remeasurements in defined benefit pension scheme	**(27.3)**	33.0
Tax on remeasurements in defined benefit pension scheme	**4.7**	(5.6)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences		
Translation of foreign operations	**(5.2)**	(8.9)
Reclassified to profit and loss on disposal of Australia operations	**84.3**	–
Gains on available-for-sale financial assets		
Changes in fair value of available-for-sale financial assets	**–**	4.0
Changes in fair value reclassified to profit and loss on disposal of investments in NYX	**0.4**	–
Other comprehensive income for the period	**56.9**	22.5
Total comprehensive loss for the period **(attributable to equity holders of the parent)**	**(655.4)**	(60.7)

William Hill PLC

Consolidated Statement of Changes in Equity

for the 53 weeks ended 1 January 2019

	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 26 December 2017	**88.7**	**689.4**	**6.8**	**(26.1)**	**(97.0)**	**(72.5)**	**473.4**	**1,062.7**
Loss for the financial period	**–**	**–**	**–**	**–**	**–**	**–**	**(712.3)**	**(712.3)**
Actuarial remeasurements in defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(27.3)**	**(27.3)**
Tax on remeasurments in defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**4.7**	**4.7**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(5.2)**	**–**	**(5.2)**
Exchange differences reclassified to profit and loss on disposal of Australia operations	**–**	**–**	**–**	**–**	**–**	**84.3**	**–**	**84.3**
Changes in fair value reclassified to profit and loss on disposal of investments in NYX	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Total comprehensive profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**79.1**	**(734.5)**	**(655.4)**
Purchase and issue of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer of own shares to recipients	**–**	**–**	**–**	**–**	**9.0**	**–**	**(7.8)**	**1.2**
Other shares issued during the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credit recognised in respect of share remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**5.5**	**5.5**
Tax credit in respect of share remuneration	**–**	**–**	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Dividends paid (note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**(113.5)**	**(113.5)**
At 1 January 2019	**88.7**	**689.4**	**6.8**	**(26.1)**	**(88.0)**	**6.6**	**(378.5)**	**298.9**

	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 remeasurments in defined benefit pension scheme	–	–	–	–	–	–	(5.6)	(5.6)
Exchange difference on translation of foreign operations	–	–	–	–	–	(8.9)	–	(8.9)
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	4.0	4.0
Total comprehensive loss for the period	–	–	–	–	–	(8.9)	(51.8)	(60.7)
Purchase and issue of own shares	–	–	–	–	(1.4)	–	(0.1)	(1.5)
Transfer of own shares to recipients	–	–	–	–	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

William Hill PLC

Consolidated Statement of Financial Position

as at 1 January 2019

	Notes	1 January 2019 £m	26 December 2017 £m
Non-current assets			
Intangible assets	15	**686.1**	1,577.3
Property, plant and equipment	16	**149.8**	190.5
Interests in associates		**23.3**	28.6
Investments	8	**21.4**	9.4
Deferred tax assets		**11.9**	12.7
Retirement benefit asset		**40.5**	58.7
Loans receivable		**4.8**	49.4
Derivative financial instruments		**–**	42.0
		937.8	1,968.6
Current assets			
Trade and other receivables		**61.7**	72.9
Investment property held for sale		**1.7**	3.5
Cash and cash equivalents		**510.5**	317.0
		573.9	393.4
Total assets		**1,511.7**	2,362.0
Current liabilities			
Trade and other payables		**(387.3)**	(444.4)
Corporation tax liabilities		**(18.8)**	(8.3)
Derivative financial instruments		**(14.9)**	(14.1)
Provisions		**(8.3)**	(11.1)
		(429.3)	(477.9)
Non-current liabilities			
Borrowings	9	**(719.7)**	(720.5)
Deferred tax liabilities		**(63.8)**	(100.9)
		(783.5)	(821.4)
Total liabilities		**(1,212.8)**	(1,299.3)
Net assets		**298.9**	1,062.7
Equity			
Called-up share capital		**88.7**	88.7
Share premium account		**689.4**	689.4
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held		**(88.0)**	(97.0)
Hedging and translation reserves		**6.6**	(72.5)
Retained earnings		**(378.5)**	473.4
Total equity attributable to equity holders of the parent		**298.9**	1,062.7

William Hill PLC

Consolidated Cash Flow Statement

for the 53 weeks ended 1 January 2019

	Notes	**53 weeks ended 1 January 2019 £m**	52 weeks ended 26 December 2017 £m
Net cash from operating activities – continuing operations	11	**197.1**	272.6
Net cash from operating activities – discontinued operations	13	**1.0**	17.5
Investing activities			
Dividends from associates		**8.2**	3.3
Interest received on cash and cash equivalents		**2.4**	0.9
Proceeds on disposal of property, plant and equipment		**0.7**	0.6
Proceeds on disposal of investment property		**1.7**	–
Amounts drawn down on loan facility made available to NeoGames		**(4.7)**	–
Net proceeds on sale of Australia operations	13	**141.6**	–
Net proceeds from sale of NYX investments	8	**100.7**	1.0
Investment in Mr Green	8	**(19.2)**	–
Investment in Featurespace	8	**(1.3)**	–
Net proceeds on disposal of Stadia operations		**–**	8.8
Purchases of property, plant and equipment		**(41.9)**	(14.2)
Expenditure on intangible assets		**(75.4)**	(69.9)
Net cash from/(used in) investing activities – continuing operations		**112.8**	(69.5)
Net cash used in investing activities – discontinued operations	13	**(2.9)**	(8.8)
Financing activities			
Proceeds on issue of shares under share schemes		**1.2**	0.1
Debt facility issue costs		**(3.1)**	–
Purchase of own shares		**–**	(0.1)
Dividends paid	6	**(113.5)**	(108.1)
Net cash used in financing activities – continuing operations		**(115.4)**	(108.1)
Net cash used in financing activities – discontinued operations	13	**–**	–
Net increase in cash and cash equivalents in the period		**192.6**	103.7
Changes in foreign exchange rates		**0.9**	(2.2)
Cash and cash equivalents at start of period		**317.0**	215.5
Cash and cash equivalents at end of period		**510.5**	317.0

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 1 Bedford Avenue, London WC1B 3AU. 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 53 week period ended 1 January 2019 or 52 week period ended 26 December 2017, but are derived from those accounts. The auditor has reported on those accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS on 1 March 2019.

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 has 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 YET 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'

IFRS 9 'Financial Instruments' replaces IAS 39 and is effective for accounting periods beginning on or after 1 January 2018. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. The Group has performed an impact assessment of the key aspects of IFRS 9 which mainly relates to the classification and measurement of financial instruments, and has concluded these will not have a significant impact to the Group financial statements. This is further explained in the following summary of the key changes from IAS 39.

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.

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 has 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 changes related to impairment of financial assets are not expected to impact the Group.

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'

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. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. 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. This is due to these revenues being treated as derivatives under IFRS 9: 'Financial Instruments' and thus falling out the scope of IFRS 15. The Group's other income mostly represents service provider revenue, previously referred to as bookmaking services income, rents receivable on properties let by the Group, bookmaking software licensing income and income from software development. Rents receivable is also not within the scope of IFRS 15.

Assessment of this new standard suggests that the performance obligations of service provider revenue, software licensing 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'

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. The distinction between operating leases and finance leases for lessees is removed and will result in most leases being recognised on the Statement of Financial

Position as a right-of-use asset and a lease liability. For leases previously classified as operating leases, the lease cost will change from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability. The Group's currently classified operating leases include rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment.

The Group will apply IFRS 16 using the modified retrospective approach. A lease liability will be recognised equal to the present value of the remaining lease payments discounted using an incremental borrowing rate. A right-of-use asset will be recognised equal to the lease liability adjusted for prepaid and accrual lease payments. The Group intends to apply the below practical expedients permitted under the modified retrospective approach;

- exclude leases for measurement and recognition for leases where the term ends within 12 months from the date of initial application and account for these leases as short-term leases;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- adjust the right-of-use asset on transition by any previously recognised onerous lease provisions;
- use hindsight to determine the lease term if the contract contains options to extend or terminate; and
- exclude initial direct lease costs in the measurement of the right-of-use asset.

The estimated impact of IFRS 16 on the financial statements for the opening balance at 2 January 2019 are:

- opening lease liabilities not less than £170m; and
- opening right-of-use assets not less than of £175m.

The estimated impact of IFRS 16 on the financial statements for the period ending 31 December 2019 are:

- increase in depreciation of not less than £38m;
- increase in interest expense of not less than £3m; and
- decrease in operating lease expense of not less than £40m.

As a result of the Triennial Review, where the maximum stake on B2 gaming products will be reduced from £100 to £2 effective 1 April 2019, it is anticipated that up to 900 shops may be closed. The Group is unable to reliably estimate the specific shops which will close. Due to this uncertainty, the lease term of shop leases transitioning to IFRS 16 has been determined as the next available break date after H1 2019 as the Group is not 'reasonably certain' that the lease break option will not be exercised.

The impact of shop closures has not been included in the estimated impact assessment of IFRS 16. The lease portfolio may change to such an extent that the actual impact of IFRS 16 may be materially different to the amounts disclosed.

GOING CONCERN

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in notes 23 and 24 to the financial statements in the Annual Report.

The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until October 2023. 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 potential risks and impact of Brexit, 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.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the key accounting policies above and in the Statement of Group Accounting Policies included on pages 168 to 173 in the financial statements within the Annual Report, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements

The directors assess there are no critical accounting judgements that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 14 provides information on the assumptions used in these financial statements, as well as the degree of sensitivity to changes in assumptions.

The results of the Triennial Review of stakes and prizes are now known with the maximum stakes on B2 gaming products to be reduced from £100 to £2, effective from April 2019. This outcome has led to a significant decline in expected future cash flows in the Retail segment, leading to an impairment of £882.8m recognised in the period (note 3). This was based on our current

estimate of a reduction in the Retail segment's annualised adjusted operating profit (including mitigation measures) of c£70-£100m.

A regulatory change of this nature is unprecedented and its impact on customer behaviour will not be known until some years after implementation. As the implementation takes effect and customer behaviour becomes known, this could result in further impairments (or reversals of the existing impairment charge) of assets in the Retail segment. Refer to note 14 for an analysis of the sensitivity of the impairment to a range of reasonably possible changes in assumptions.

Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions which include discount rate, inflation rate and mortality assumptions. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 33 to the financial statements of the Annual Report provides information on the assumptions used in these financial statements, including a sensitivity analysis of the principal assumptions used to measure scheme liabilities.

2. SEGMENT INFORMATION

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports that the Group's Chief Executive Officer and Chief Financial Officer as chief operating decision makers 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, including sports betting, casino, poker and other gaming products along with telephone betting services. The US Existing, previously referred to as the US, segment comprises all activity undertaken in the existing US business before the Supreme Court overturned PASPA in May 2018. The US Expansion segment includes all operations in new US locations where gambling is being regulated following the Supreme Court's overturning of PASPA. This is a new segment in the current reporting period. Given this relates to new business in the period, there is no requirement to report prior period information for this segment. The Other segment comprises on-course betting pitches.

There are no inter-segmental sales within the Group.

The segmental information shown in respect of profit and loss items in the current and previous reporting period does not include the results of the Australian operations, which were disposed of on 23 April 2018. Details of the Australian operations performance to 23 April 2018 are shown in note 13. The segmental assets and liabilities for the current period do not include the Australian operations whereas these are included in the prior period comparative.

Segment performance is shown on an adjusted basis, with a reconciliation from adjusted operating profit to statutory results for clarity. Information for the 53 weeks ended 1 January 2019 is as follows:

	Retail £m	Online £m	US Existing[1] £m	US Expansion[1] £m	Other £m	Corporate £m	Group £m
Direct revenue	895.2	634.4	78.2	10.4	0.2	–	1,618.4
Service provider revenue[2]	–	–	1.5	1.4	–	–	2.9
Revenue	**895.2**	**634.4**	**79.7**	**11.8**	**0.2**	**–**	**1,621.3**
GPT, duty, levies and other costs of sales	(226.6)	(154.1)	(7.4)	(1.6)	–	–	(389.7)
Gross profit	668.6	480.3	72.3	10.2	0.2	–	1,231.6
Depreciation	(22.0)	(0.6)	(1.4)	(0.3)	–	(0.2)	(24.5)
Amortisation	(10.2)	(38.4)	(0.3)	(0.2)	–	–	(49.1)
Other administrative expenses	(486.1)	(311.1)	(38.0)	(42.9)	0.1	(49.3)	(927.3)
Share of results of associates	–	–	–	–	–	2.9	2.9
Adjusted operating profit/(loss)[3]	**150.3**	**130.2**	**32.6**	**(33.2)**	**0.3**	**(46.6)**	**233.6**
Operating exceptional items and adjustments	(886.0)	3.2	(3.6)	–	–	(35.1)	(921.5)
(Loss)/profit before interest and tax	**(735.7)**	**133.4**	**29.0**	**(33.2)**	**0.3**	**(81.7)**	**(687.9)**
Investment income						4.7	4.7
Finance costs						(38.7)	(38.7)
Loss before tax							**(721.9)**

1 Both the US Existing and US Expansion segments operate within the William Hill US business but are currently reviewed separately by the Chief Executive Officer and the Chief Financial Officer, being the chief operating decision makers.

2 The Group previously recognised US Existing segment service provider revenue, previously referred to as bookmaking services income, through other operating income. It is the Group's view that in order not to distort the other operating income figure, income earned through service provider revenue shall be recognised as revenue. Prior period comparatives have been reclassified.

3 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.

At 1 January 2019	Retail £m	Online £m	US Existing £m	US Expansion £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	819.7	432.3	86.5	23.2	–	138.1	1,499.8
Total segment liabilities	72.2	236.5	40.4	17.0	–	764.1	1,130.2
Included within total assets:							
Goodwill	–	193.2	23.5	–	–	–	216.7
Other intangibles with indefinite lives	332.8	–	–	–	–	–	332.8
Interests in associates	–	–	–	–	–	23.3	23.3
Capital additions	24.4	53.6	20.4	9.1	–	2.2	109.7

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer and Chief Financial 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 26 December 2017:

	Retail £m	Online £m	US Existing £m	Other[1] £m	Corporate £m	Group £m
Direct revenue	913.1	616.9	56.5	4.9	–	1,591.4
Service provider revenue[2]	–	–	1.4	–	–	1.4
Revenue	**913.1**	**616.9**	**57.9**	**4.9**	**–**	**1,592.8**
GPT, duty, levies and other costs of sales	(233.6)	(144.6)	(4.9)	(0.4)	–	(383.5)
Gross profit	679.5	472.3	53.0	4.5	–	1,209.3
Depreciation	(23.9)	(0.9)	(1.4)	(0.1)	(2.6)	(28.9)
Amortisation	(9.1)	(34.1)	(0.2)	–	–	(43.4)
Other administrative expenses	(485.6)	(304.8)	(33.7)	(4.6)	(35.5)	(864.2)
Share of results of associates	–	–	–	–	1.0	1.0
Adjusted operating profit/(loss)[3]	**160.9**	**132.5**	**17.7**	**(0.2)**	**(37.1)**	**273.8**
Operating exceptional items and adjustments	(7.3)	(24.3)	(3.1)	(2.5)	(59.2)	(96.4)
Profit/(loss) before interest and tax	**153.6**	**108.2**	**14.6**	**(2.7)**	**(96.3)**	**177.4**
Investment income					6.9	6.9
Finance costs					(37.8)	(37.8)
Profit before tax						**146.5**

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

2 The Group previously recognised US Existing segment income from service provider revenue, previously referred to as bookmaking services income, through other operating income. It is the Group's view that in order not to distort the other operating income figure, income earned through service provider revenue shall be recognised as revenue. Prior period comparatives have been reclassified.

3 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 26 December 2017	Retail £m	Online £m	US Existing £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	–	–	–	–	–	28.6	28.6
Capital additions	31.6	44.8	1.9	9.3	–	9.9	97.5

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

	Revenues		Non-current assets	
	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m	**1January 2019 £m**	26 December 2017 £m
United Kingdom	**1,379.5**	1,393.0	**598.8**	1,572.2
Rest of the World	**241.8**	199.8	**339.0**	396.4
	1,621.3	1,592.8	**937.8**	1,968.6

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for property, plant and equipment) 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 each segment. 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 segmental performance (see note 2 and the Strategic Report within the Annual Report);
- Remuneration Committee assessments of targets and performance for management remuneration purposes (see pages 87 to 105 to the Annual Report);
- 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 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. This relates to the amortisation of specific intangible assets recognised in acquisitions. This previously also related to the recognition of interest income on redeemable convertible preference shares and fair value movements relating to redeemable convertible preference shares and warrants held in NYX Limited, an available for sale financial asset which was sold in January 2018 (see notes 16 and 25 to the financial statements in the 2017 Annual Report for more information). These items are defined as adjustments as the directors believe they would impair the visibility of the underlying activities across each segment 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.

Exceptional items and adjustments as follows:

	Exceptional items £m	Adjustments £m	53 weeks ended 1 January 2019 £m	Exceptional items £m	Adjustments £m	52 weeks ended 26 December 2017 £m
Operating						
Cost of sales						
Indirect taxation	**4.1**	**–**	**4.1**	(17.1)	–	(17.1)
Other operating expenses						
Impairment of Retail segment	**(882.8)**	**–**	**(882.8)**	–	–	–
Transformation programme restructuring costs	**(31.2)**	**–**	**(31.2)**	(54.4)	–	(54.4)
Triennial mitigation restructuring costs	**(4.6)**	**–**	**(4.6)**	–	–	–
Disposal of Australia operations	**(0.6)**	**–**	**(0.6)**	–	–	–
Guaranteed minimum pension equalisation	**(1.4)**	**–**	**(1.4)**	–	–	–
Legal fees	**(0.6)**	**–**	**(0.6)**	(1.3)	–	(1.3)
Disposal of investments in NYX	**(0.4)**	**–**	**(0.4)**	–	–	–
Portfolio shop closures	**0.3**	**–**	**0.3**	(7.3)	–	(7.3)
Corporate transaction costs	**(1.8)**	**–**	**(1.8)**	–	–	–
Onerous contract[1]	**–**	**–**	**–**	(10.0)	–	(10.0)
Compliance fines[2]	**–**	**–**	**–**	(6.2)	–	(6.2)
Disposal of Stadia operations[3]	**–**	**–**	**–**	(2.5)	–	(2.5)
Fair value movements on derivative financial instruments	**–**	**–**	**–**	–	7.2	7.2
Amortisation of acquired intangibles	**–**	**(2.5)**	**(2.5)**	–	(4.8)	(4.8)
	(919.0)	**(2.5)**	**(921.5)**	(98.8)	2.4	(96.4)
Non-operating						
Investment income on redeemable convertible preference shares	**–**	**–**	**–**	–	5.5	5.5
Costs in respect of refinancing	**(0.6)**	**–**	**(0.6)**	–	–	–
	(0.6)	**–**	**(0.6)**	–	5.5	5.5
Total exceptional items and adjustments before tax	**(919.6)**	**(2.5)**	**(922.1)**	98.8	7.9	(90.9)
Tax on exceptional items and adjustments	**37.6**	**0.3**	**37.9**	8.3	1.1	9.4
Exceptional tax items	**(8.0)**	**–**	**(8.0)**	–	–	–
Total exceptional items and adjustments	**(890.0)**	**(2.2)**	**(892.2)**	(90.5)	9.0	(81.5)

1 In 2017, the Group 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 was presented as exceptional given it is material and related to a specific one-off contract.

2 In 2017, the Group entered into a regulatory settlement with the UK Gambling Commission and, as a result, the Group agreed to pay a total package of £6.2m, including a sum of £1.2m to be returned to affected parties. The amount was accrued at 26 December 2017 with the settlement agreed in February 2018. This was presented as exceptional given the settlement is a one-off material transaction.

3 The Group sold its Greyhound Stadia operations to Arena Racing Company on 31 July 2017. The Group recognised a loss on disposal of £2.5m, including costs to sell of £0.7m. This was classified as exceptional as it is a one-off transaction and is material in the context of the Other segment.

Indirect taxation

The Group previously accrued for certain indirect taxes that it expected to pay following clarifications on tax interpretations in certain jurisdictions. The retrospective element was presented as exceptional within Costs of sales in light of the material scale and one-off nature of the charge.

In 2018, the Group has reached tax settlements within certain jurisdictions which led to a release of previously accrued balances. The release was treated as exceptional consistently to the original expense.

Impairment of Retail segment

As a result of the conclusion of the Triennial Review and their announcement of the maximum stakes on B2 gaming products reducing to £2, management recognised an impairment of the assets of the Retail segment. Details of the impairment are provided in note 14. This was presented as an exceptional item due to its material and one-off nature.

Transformation programme restructuring costs

This is a continuation of the substantial corporate restructurings the Group commenced in 2016, encompassing cost optimisation and business model initiatives. This was previously referred to as ‘Restructuring costs’. This is part of a Group-wide programme, which is expected to complete in 2019. This programme, for which costs include fees for external advisers, provisions for onerous property leases and the cost of staff redundancies, is substantial in scope and impact. These costs 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 to be exceptional. A reconciliation of the costs incurred to date and expected for the remainder of the programme is provided in the Financial Review.

Triennial Review mitigation restructuring costs

In May 2018, the results of the triennial review were announced with a reduction in the maximum stake on B2 gaming products to £2. This is expected to lead to a reduction in the Group's annual annualised adjusted operating profit of c£70m-£100m, with up to 900 shop closures.

In November 2018, the Government announced that the £2 maximum stake on gaming products would be implemented in April 2019 with an increase in Remote Gaming Duty from 15% to 21%. The significant impact of these regulatory changes has led to a Group-wide restructuring programme expected to last until 2020. This includes costs such as shop closures, staff redundancies and fees for external advisers. The cash cost of the total programme up to 2020 is expected to total c£60-75m, with the cost in the Retail segment expected to total c£40-60m and the cost in remaining segments to be up to c£15m.

The directors assess these costs as exceptional as they are both material and not considered part of recurring operational or management activities that are part of the Group's underlying performance.

Disposal of Australia operations

On 23 April 2018, the Group sold its Australian operations to CrownBet Holdings Pty Ltd. The resulting loss on disposal of £0.6m, including costs to sell of £6.2m, has been classified as exceptional due to its one-off nature. Details of the disposal are provided in note 13.

Guaranteed minimum pension equalisation

Following the judgement in the Lloyds case on 26 October 2018, the need to equalise for the effect of differences in guaranteed minimum pensions (GMPs) between males and females was made more certain and consequently an allowance for the effect of GMP equalisation has been made in the current financial period. The Scheme's Actuary has estimated that the potential GMP equalisation cost as at 1 January 2019 is £1.4m. This is included within the defined benefit obligation as at 1 January 2019 (see note 33 to the financial statements in the Annual Report) and has been recognised as a past service cost within exceptional items in the current financial period.

Legal fees

These represent fees in respect of specific legal action following the 2012 acquisition of businesses in Nevada, USA. These were classified as exceptional given they are material in the context of the US Existing segment and due to the potential for 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.

Disposal of investments in NYX

On 5 January 2018, the Group completed the disposal of its investments in NYX. Accumulated fair value movements recognised in other comprehensive income were reclassified to profit and loss on disposal completion. This has been classified as an exceptional item due to the one-off nature of the disposal with the previous movements in this investment classified within adjustments (see note 8).

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 judged the cost to be exceptional. During the period, the Group negotiated the early exit of certain leases, resulting in a reversal of the provisions held in respect of those leases.

Corporate transaction costs

During 2018, the Group incurred material costs relating to corporate transactions. In early 2019, the acquisition of Mr Green and the agreement with Eldorado both completed with certain fees incurred in 2018 and further fees expected in 2019. These costs were presented as exceptional since they will be material in size over 2018 and 2019 and one-off in nature and would otherwise have distorted an understanding of the Group's underlying cost base.

Costs in respect of refinancing

In September 2018, the Group entered into a £390m revolving credit facility, replacing the existing revolving credit facility. The remaining capitalised balance of finance fees on the terminated facility, which were being expensed over the life of the replaced facility, was expensed and recognised as an exceptional item given the one-off nature of the charge.

Exceptional tax items

The exceptional tax item relates to a provision of £8.0m (2017: £nil) in respect to potential additional tax payable relating to a change, with retrospective effect, in specific non-UK tax legislation.

4. FINANCE COSTS

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**36.4**	36.0
Amortisation of finance costs[1]	**1.7**	1.8
	38.1	37.8

1 The above does not include exceptional finance costs of £0.6m as detailed in note 3.

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES FOR CONTINUING OPERATIONS

The tax charge/(credit) comprises:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Current tax:		
UK corporation tax	**21.8**	16.3
Overseas tax	**3.1**	10.0
Adjustment in respect of prior periods	**2.0**	(19.7)
Total current tax charge	**26.9**	6.6
Deferred tax:		
Origination and reversal of temporary differences	**(33.0)**	(3.4)
Adjustment in respect of prior periods	**0.3**	0.9
Total deferred tax credit	**(32.7)**	(2.5)
Total tax on (loss)/profit on ordinary activities	**(5.8)**	4.1

The effective tax rate in respect of adjusted results was 12.0% (52 weeks ended 26 December 2017: 5.7%). The effective tax rate in respect of statutory results was 0.8% (52 weeks ended 26 December 2017: 2.8%).

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:

	53 weeks ended 1 January 2019			52 weeks ended 26 December 2017		
	Adjusted £m	**Exceptional items and adjustments £m**	**Statutory total £m**	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
(Loss)/profit before tax	**200.2**	**(922.1)**	**(721.9)**	237.4	(90.9)	146.5
Tax on Group (loss)/profit at standard UK corporation tax rate of 19% (2017: 19.25%)	**38.0**	**(175.2)**	**(137.2)**	45.7	(17.5)	28.2
Different tax rates in overseas territories	**(20.1)**	**1.1**	**(19.0)**	(17.7)	2.9	(14.8)
Accrual of liabilities for uncertain tax positions	**11.2**	**–**	**11.2**	3.2	–	3.2
Impact of future changes in tax rate	**0.3**	**3.8**	**4.1**	(0.3)	–	(0.3)
Tax on share of results of associates	**(0.5)**	**–**	**(0.5)**	(0.1)	–	(0.1)
Adjustment in respect of prior periods	**(5.7)**	**8.0**	**2.3**	(18.8)	–	(18.8)
Non-deductible expenditure	**0.9**	**132.4**	**133.3**	1.5	5.2	6.7
Total tax (credit)/charge	**24.1**	**(29.9)**	**(5.8)**	13.5	(9.4)	4.1

The benefit for tax rates in overseas territories reflects the lower effective tax rate on profits earned in Gibraltar. The tax credit in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities and the release of provisions previously held for uncertain tax positions of £4.4m. The adjusted tax charge arising in respect to uncertain tax positions includes an amount of £8.0m (2017: £nil) in respect to the unwinding of the intra-group funding on the disposal of the Australian operations. The exceptional tax charge arising in respect of non-deductible expenditure relates to the impairment of the retail goodwill and tangible fixed assets not qualifying for capital allowances. The exceptional tax item in respect of prior periods of £8.0m (2017: £nil) is explained within the exceptional tax items in note 3.

The Group's Effective Tax Rate for 2019 is expected to be c12%.

6. DIVIDENDS PROPOSED AND PAID

	53 weeks ended 1 January 2019 Per share	52 weeks ended 26 December 2017 Per share	**53 weeks ended 1 January 2019 £m**	52 weeks ended 26 December 2017 £m
Equity shares:				
current period interim dividend paid	**4.3p**	4.3p	**36.7**	35.6
prior period final dividend paid	**8.9p**	8.4p	**76.8**	71.6
	13.2p	12.7p	**113.5**	108.1
Proposed final dividend	**7.7p**	8.9p	**66.6**	76.8

The proposed final dividend of 7.7p will, subject to shareholder approval, be paid on 6 June 2019 to all shareholders on the register on 26 April 2019. 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 861 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 29 to the financial statements in the Annual Report.

7. (LOSS)/EARNINGS PER SHARE

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

	53 weeks ended 1 January 2019			52 weeks ended 26 December 2017		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Statutory (loss)/profit (£m)						
Continuing operations	**(716.1)**	**–**	**(716.1)**	142.4	–	142.4
Discontinued operations	**3.8**	**–**	**3.8**	(225.6)	–	(225.6)
Total	**(712.3)**	**–**	**(712.3)**	(83.2)	–	(83.2)
Weighted average number of shares (million)	**857.0**	**7.3**	**864.3**	856.9	4.8	861.7
(Loss)/earnings per share (pence)						
Continuing operations	**(83.6)**	**–**	**(83.6)**	16.6	(0.1)	16.5
Discontinued operations	**0.4**	**–**	**0.4**	(26.3)	–	(26.3)
Total	**(83.1)**	**–**	**(83.1)**	(9.7)	–	(9.7)

The earnings per share figures for the adjusted results are as follows:

	53 weeks ended 1 January 2019			52 weeks ended 26 December 2017		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Adjusted Profit/(loss) (£m)						
Continuing operations	**176.1**	**–**	**176.1**	223.9	–	223.9
Discontinued operations	**4.5**	**–**	**4.5**	13.0	–	13.0
Total	**180.6**	**–**	**180.6**	236.9	–	236.9
Weighted average number of shares (million)	**857.0**	**7.3**	**864.3**	856.9	4.8	861.7
(Loss)/earnings per share (pence)						
Continuing operations	**20.6**	**(0.2)**	**20.4**	26.1	(0.1)	26.0
Discontinued operations	**0.5**	**–**	**0.5**	1.5	–	1.5
Total	**21.1**	**(0.2)**	**20.9**	27.6	(0.1)	27.5

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 28.0 million (52 weeks ended 26 December 2017: 30.4 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 and therefore they are disregarded in the calculation.

8. INVESTMENTS

Mr Green & Co AB

On 31 October 2018, the Group announced a recommended cash offer to acquire Mr Green & co AB (MRG) for 69 Swedish Krona (SEK) per MRG share. The total offer value for all shares in MRG amounts to approximately SEK 2,819.0m.

After the recommended cash offer was announced, William Hill increased its shareholding in MRG through acquisitions of shares on the open market.

At 1 January 2019, the Group's ownership of MRG represented 8.11% having purchased 3,311,411 shares on the open market. The carrying value of the investment is £19.2m (note 25 to the financial statements in the Annual Report).

Since the period end of 1 January 2019, the Group's offer to the shareholders in MRG has now been accepted to such extent that William Hill controls approximately 98.5 per cent of the shares and votes in MRG. Further details are given in note 17.

Featurespace Limited

At 1 January 2019, the Group held ordinary shares in Featurespace Limited valued at £2.1m. The initial consideration was £1.3m and a fair value gain of £0.8m has been recognised within investment income during the period.

On 1 February 2019, the Group sold its shares in Featurespace for a total of £2.1m.

Disposal of investment in NYX

On 7 December 2017, the Group reached an agreement with Scientific Games Corporation (SGC) to unconditionally support SGC's acquisition of NYX. In connection with the acquisition, SGC agreed to acquire the Group's investments in NYX of redeemable 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. At the same time, a loan made available to NYX of £3.2m was repaid. The categories of financial assets disposed of

consist of loans receivable of £49.4m, derivative financial instruments of £42.0m and investments of £9.3m, (see note 16 to the financial statements in the 2017 Annual Report for more information).

The Group also holds other investments in unquoted shares of £0.1m (26 December 2017: £0.1m)

9. BORROWINGS

	1 January 2019 £m	26 December 2017 £m
Borrowings at amortised cost		
Bank loans	**–**	–
Less: expenses relating to bank loans	**(2.9)**	(1.2)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(0.8)**	(1.4)
£350m 4.875% Guaranteed Notes due 2023	**350.0**	350.0
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	**(1.6)**	(1.9)
Total Borrowings as due for settlement after 12 months	**719.7**	720.5
The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	**–**	–
In the second year	**375.0**	–
In the third to fifth years inclusive	**350.0**	375.0
After more than five years	**–**	350.0
	725.0	725.0

Bank facilities

At 1 January 2019, the Group had the following bank facilities:

1. A committed revolving credit bank loan facility (RCF) of £390m provided by a syndicate of banks which expires in October 2023. This replaced the previous RCF bank loan facility of £540m which was due to expire in May 2019. At the period end, £nil of this facility was drawn down (26 December 2017: £nil).
2. An overdraft facility of £5m, of which £nil was drawn down at the period end (26 December 2017: £nil).

£390m 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 (note 24 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 1 January 2019, the Group had an overdraft facility with National Westminster Bank plc of £5m (26 December 2017: £5m). The balance on this facility at 1 January 2019 was £nil (26 December 2017: £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 mature 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 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 mature 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. RETIREMENT BENEFIT ASSET

The retirement benefit asset relating to the Group's UK Pension Scheme at 1 January 2019 was £40.5m, a decrease of £18.2m from 26 December 2017.

This decrease arose primarily due to the cost incurred as the Trustees of the William Hill pension scheme signed a buy-in bulk annuity policy in April 2018. The policy was taken out to insure a proportion of the defined benefit pension scheme obligation against the risk of rising costs in the future.

11. NOTES TO THE CASH FLOW STATEMENT

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
(Loss)/profit before interest and tax	**(687.9)**	177.4
Adjustments for:		
Share of results of associates	**(2.9)**	(1.0)
Depreciation of property, plant and equipment	**24.5**	28.9
Amortisation of intangibles	**51.6**	48.1
Impairment of Retail segment	**882.8**	–
Guaranteed minimum pension equalisation	**1.4**	–
(Gain)/loss on disposal of property, plant and equipment	**(0.1)**	0.4
Vacant property provisions including (gains)/losses on early settlement of vacant property leases	**(0.3)**	7.3
Loss on disposal of Stadia operations	**–**	2.5
Cost charged in respect of share remuneration	**5.5**	5.2
Defined benefit pension cost less cash contributions	**(8.5)**	(9.6)
Fair value movements on investment property	**0.1**	–
Fair value movements on ante post bet liabilities	**1.6**	0.2
Fair value movements and losses on disposal on derivative financial instruments	**0.4**	(7.2)
Loss on disposal of Australia operations	**6.8**	–
Operating cash flows before movements in working capital:	**275.0**	252.2
(Increase)/decrease in receivables	**(2.6)**	2.2
(Decrease)/increase in payables	**(28.4)**	82.9
Cash generated by operations	**244.0**	337.3
Income taxes paid	**(11.3)**	(28.4)
Interest paid	**(35.6)**	(36.3)
Net cash from operating activities – continuing operations	**197.1**	272.6
Net cash from operating activities – discontinued operations	**1.0**	17.5

12. CONTINGENT ASSETS AND LIABILITIES

Contingent asset

The Group has incurred legal fees in respect of specific legal action following the 2012 acquisition of business in Nevada, USA. These fees have been classified as exceptional (note 3). There are potential damages and fees being awarded to the Group. We are unable to quantify the amount or the timing of the potential gains while the court process is ongoing.

Contingent liability

The Group is monitoring developments in relation to EU State Aid investigations including the EU Commission's announcement that it will be opening a State Aid investigation into the UK's Controlled Foreign Company regime (announced on 26 October 2017). 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.

The Austrian tax authorities have appealed a decision of the Austrian Tax Court which supports the Group's position on gambling tax. Whilst the Group is confident that its position, as supported by the court, will be respected, the potential exposure if the tax authorities were to be successful is in the region of EUR 4.5m to EUR 5.0m.

13. SALE OF AUSTRALIAN OPERATIONS

On 6 March 2018, the Group publicly announced the agreement to dispose of William Hill Australia, the Group's Australia segment. On 23 April 2018, following receipt of regulatory approvals from the Foreign Investment Review Board and the Northern Territory Racing Commission, the Group completed the sale of William Hill Australia to CrownBet Holdings Pty Ltd, a wholly owned subsidiary of CrownBet, which is owned by The Stars Group Inc. and a group of shareholders associated with the founder and CEO of CrownBet, Matthew Tripp, for an enterprise value of A$300m, equivalent to an equity value of A$313.7m (£173.2m).

Calculation of the loss on sale, including net assets disposed of and net cash received, are shown below:

	£m
Cash consideration received	**173.2**
Less:	
Cash disposed of	**(25.4)**
Disposal costs	**(6.2)**
Net proceeds on disposal of Australia Operations	**141.6**
Less:	
Net assets disposed of (excluding cash)	
Intangible assets	**(78.9)**
Property, plant and equipment	**(1.4)**
Deferred tax assets	**(3.3)**
Trade and other receivables	**(12.8)**
Trade and other payables	**29.5**
Corporation tax liability	**3.8**
Derivative financial instruments (liabilities)	**1.1**
Deferred tax liabilities	**4.1**
Net assets disposed of excluding cash	**(57.9)**
Less:	
Transfer from foreign currency translation reserve on disposal	**(84.3)**
Loss on disposal of discontinued operations	**(0.6)**

Results of discontinued operations

	53 weeks ended 1 January 2019[1]			52 weeks ended 26 December 2017		
	Adjusted £m	**Exceptional items and adjustments £m**	**Statutory total £m**	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
Revenue	**31.0**	**–**	**31.0**	119.7	–	119.7
Cost of sales	**(7.3)**	**–**	**(7.3)**	(31.4)	–	(31.4)
Gross profit	**23.7**	**–**	**23.7**	88.3	–	88.3
Other operating income	**1.2**	**–**	**1.2**	4.9	–	4.9
Other operating expenses[2]	**(21.1)**	**(0.7)**	**(21.8)**	(75.7)	(238.6)	(314.3)
Profit/(loss) before interest and tax	**3.8**	**(0.7)**	**3.1**	17.5	(238.6)	(221.1)
Tax	**0.7**	**–**	**0.7**	(4.5)	–	(4.5)
Profit/(loss) for the period from discontinued operations	**4.5**	**(0.7)**	**3.8**	13.0	(238.6)	(225.6)

[1] These results are in respect of the four month period up to the disposal date of 23 April 2018.

[2] Exceptional items and adjustments for the period include £0.6m relating to specific staff incentive payments due to the completion of the sale of the business and £0.1m for amortisation of specific intangible assets recognised on acquisition (52 weeks ended 26 December 2017: £0.3m). In the 52 week period to 26 December 2017, as a result of the adverse regulatory changes and the strategic review of the Australian business that was undertaken, management recognised an impairment of £238.3m against goodwill in the Australia CGU presented as an exceptional item within other operating expenses.

Earnings/(loss) per share from discontinued operations

	1 January 2019	26 December 2017
Basic earnings/(loss) per share (pence) (note 7)	**0.4**	(26.3)
Diluted earnings/(loss) per share (pence) (note 7)	**0.4**	(26.3)

Net cash flows from/(used in) discontinued operations

	1 January 2019 £m	26 December 2017 £m
Operating activities	**1.0**	17.5
Investing activities	**(2.9)**	(8.8)
Financing activities	**–**	–
Net cash from/(used in) discontinued operations	**(1.9)**	8.7

14. RETAIL SEGMENT IMPAIRMENT

Impairment review

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. This is an area where the directors exercise judgement and estimation. Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired. Each CGU is defined as its segment, which is described in note 2.

The most recent test was conducted at 1 January 2019. An additional impairment test was performed at the interim 26 June 2018 on the goodwill and other intangible assets with indefinite lives in the Retail CGU, as an indicator of impairment was identified, being the results of the Triennial Review and maximum stake on the B2 gaming products of £2. This led to an impairment charge recognised of £882.8m against the Retail CGU.

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

The Board approved two-year forecasts for each segment in December 2018. These form the basis of our value in use calculation, with separate extrapolation of net revenue and expenses by segment based on a combination of recently observable trends, management expectations and known future events. For the purposes of the value in use calculation, the two-year forecasts were extended to cover a five-year period. Cash flows beyond that five-year period are extrapolated using long-term growth rates as estimated for each CGU separately.

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

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

- we assume that the underlying business model will continue to operate on a comparable basis, as adjusted for key sporting events, known regulatory or tax changes and planned business initiatives;
- our forecasts anticipate the continuation of recent growth or decline trends in staking, gaming net revenues and expenses, as adjusted for changes in our business model or expected changes in the wider industry or economy;
- we assume that we will achieve our target sports betting gross win margins as set for each territory, which we base upon our experience of the outturn of sports results over the long term, given the tendency for sports results to vary in the short term but revert to a norm over a longer term; and
- in our annual forecasting process, expenses incorporate a bottom-up estimation of our cost base. For employee remuneration, this takes into account staffing numbers and models by segment, while other costs are assessed separately by category, with principal assumptions including an extrapolation of recent cost inflation trends and the expectation that we will incur costs in line with agreed contractual rates.

The other significant assumptions incorporated into our impairment reviews are those relating to discount rates and long-term growth assumptions, refer to note 12 to the financial statements in the Annual Report.

Retail impairment

In May 2018, the DCMS concluded its Triennial Review of stakes and prizes and announced maximum stakes on B2 gaming products are to be reduced from £100 to £2, with the change being brought into effect from 1 April 2019. A regulatory change of this nature is unprecedented and its impact on customer behaviour will not be known until some years after implementation. Based on a series of assumptions, preliminary estimates suggest that this could reduce the Retail segment's annualised adjusted operating profit following mitigation measures by c£70-100m, based on the size of the Retail estate at the time of the announcement in May 2018.

The range of c£70-100m was estimated based on internal modelling using management judgement and external information where available. The model was performed firstly on a shop-by-shop level before considering further central impacts across the segment. This model covered a range of years up to 2022 using a decrease in contribution per shop based on the underlying performance of each shop with a continuation of recently observable trends, management expectations and known future events. This was further reduced for the decrease in gaming revenues based on assumptions surrounding both customer and competitor behaviour. Based on this modelling, certain loss-making shops were assumed to close, with the cost of closure included as a cash outflow within the impairment review. On top of the contribution by shop, certain estimated savings within the central support functions of the Retail segment were included. The range of c£70-100m was included within the two-year forecasts for the Retail segment that was used as the basis of the value in use calculation.

The additional principal assumptions underlying the Retail cash flow forecasts were, therefore, as follows:

- we assume that certain competitor shops will close, with a portion of this revenue lost from the sector and that the Group will earn a share of the remaining revenue based on current market shares;

- our model anticipates that there will be an element of product substitution from B2 gaming to other Retail products; and
- we assume that 900 shops could become loss making and will close over 2019 and 2020 with losses incurred up to estimated dates of closure and cash closure costs incurred after closure.

Results of impairment reviews

The result of the Retail CGU impairment review was to recognise an impairment charge of £882.8m in Other operating expenses recognised as an exceptional item (note 3). This impairment charge was recognised at the interim based on the impairment review performed at 26 June 2018. The impairment review performed at 1 January 2019 has led to no change in the impairment charge recognised in the period. Although the implementation date of the £2 maximum stake on B2 gaming products was confirmed as 1 April 2019, one year earlier than assumed in the impairment review performed at the interim, this impact was offset by increasing profitability expected in the medium-term based on enhanced modelling and a rebasing of the impact of the Triennial Review mitigation against a smaller base Retail business.

The impairment charge was first allocated in full to goodwill. The remaining impairment charge, once goodwill had been decreased to nil, was allocated pro-rata against the remaining non-current assets of the Retail segment excluding software, namely licences within intangible assets and land and buildings and fixtures, fittings and equipment. No impairment charge was taken against the software balances as it was assessed that for each of these assets the recoverable amount was greater than the asset carrying value.

Impairment charge recognised	Impairment charge allocation £m
Intangible Assets – Goodwill (note 15)	(680.7)
Intangible Assets – Licence Value (note 15)	(151.5)
Intangible Assets – Software (note 15)	–
Property, plant and equipment – Land and Buildings (note 16)	(38.6)
Property, plant and equipment – Fixtures, fittings and equipment (note 16)	(12.0)
Total	**(882.8)**

Sensitivity of impairment reviews

For the Retail CGU, the following reasonably possible changes in assumptions upon which the recoverable amount was estimated, would lead to the following changes in the net present value of the Retail CGU:

Change in assumption	Decrease in value in use of Retail CGU (£m)
Decrease in operating cash flows by 20%	109.0
Increase in discount rate by 1%	43.5
Decrease in long term growth rate by 1%	26.9

15. INTANGIBLE ASSETS

	Goodwill £m	Licences £m	Brands, trade names and customer relationships £m	Acquired technology platforms £m	Computer software £m	Total £m
Cost:						
At 27 December 2016	1,251.1	484.3	161.2	11.0	302.4	2,210.0
Additions	–	–	–	–	80.7	80.7
Impairment losses (note 14)	(238.3)	–	–	–	–	(238.3)
Disposals	(7.1)	–	–	–	–	(7.1)
Effect of foreign exchange rates	(5.0)	–	(1.4)	–	(0.9)	(7.3)
At 26 December 2017	1,000.7	484.3	159.8	11.0	382.2	2,038.0
Additions	–	–	–	–	78.1	78.1
Impairment losses	(680.7)	(151.5)	–	–	–	(832.2)
Disposals	(59.5)	–	(3.6)	–	(57.3)	(120.4)
Effect of foreign exchange rates	(2.2)	–	0.3	–	(3.1)	(5.0)
At 1 January 2019	**258.3**	**332.8**	**156.5**	**11.0**	**399.9**	**1,158.5**
Accumulated amortisation:						
At 27 December 2016	41.6	–	147.9	11.0	204.2	404.7
Charge for the period	–	–	5.1	–	52.4	57.5
Effect of foreign exchange rates	–	–	(0.9)	–	(0.6)	(1.5)
At 26 December 2017	41.6	–	152.1	11.0	256.0	460.7
Charge for the period	–	–	2.5	–	52.4	54.9
Disposals	–	–	(1.5)	–	(40.0)	(41.5)
Effect of foreign exchange rates	–	–	0.3	–	(2.0)	(1.7)
At 1 January 2019	**41.6**	**–**	**153.4**	**11.0**	**266.4**	**472.4**
Net book value:						
At 1 January 2019	**216.7**	**332.8**	**3.1**	**–**	**133.5**	**686.1**
At 26 December 2017	959.1	484.3	7.7	–	126.2	1,577.3

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 27 December 2016	398.0	148.6	546.6
Additions	13.9	2.9	16.8
Disposals	(21.0)	(1.0)	(22.0)
Effect of foreign exchange rates	(0.5)	(0.7)	(1.2)
At 26 December 2017	390.4	149.8	540.2
Additions	12.6	24.7	37.3
Impairment losses (note 14)	(38.6)	(12.0)	(50.6)
Disposals	(8.8)	(0.5)	(9.3)
Effect of foreign exchange rates	–	0.3	0.3
At 1 January 2019	**355.6**	**162.3**	**517.9**
Accumulated depreciation:			
At 27 December 2016	228.5	105.6	334.1
Charge for the period	22.1	8.0	30.1
Disposals	(13.3)	(0.6)	(13.9)
Effect of foreign exchange rates	(0.2)	(0.4)	(0.6)
At 26 December 2017	237.1	112.6	349.7
Charge for the period	17.7	6.8	24.5
Disposals	(5.2)	(0.7)	(5.9)
Effect of foreign exchange rates	–	(0.2)	(0.2)
At 1 January 2019	**249.6**	**118.5**	**368.1**
Net book value:			
At 1 January 2019	**106.0**	**43.8**	**149.8**
At 26 December 2017	153.3	37.2	190.5

17. EVENTS AFTER THE REPORTING PERIOD

Mr Green & Co AB

In the period since 1 January 2019, the Group has continued to increase its shareholding in Mr Green (MRG) through acquisition of shares on the open market. On 4 February 2019, the Group announced that the offer to the shareholders in MRG has now been accepted to such extent that the Group controls approximately 98.5% of the shares and voting rights in MRG. The Group has initiated compulsory acquisition of the remaining shares in MRG.

The acquisition accelerates the diversification of William Hill - immediately making the Group a more digital and more international business.

Eldoraldo Resorts, Inc.

During the period ended 1 January 2019, the Group announced a nationwide partnership between William Hill US and Eldorado Resorts, Inc. (Eldorado), a digital and land-based sports betting and online gaming company in the US.

On 29 January 2019, the Group announced that, following receipt of gaming and regulatory approvals, the Group has completed the transaction with Eldorado and has entered into an exclusive US nationwide partnership for digital and land-based sports betting and online gaming in the US.

In connection with completion of the transaction, Eldorado has been issued with 13,430,434 fully paid ordinary shares of 10p each in William Hill PLC and shares representing 20% of the share capital of William Hill U.S Holdco, Inc. the holding company of the Group's US operations. The consideration shares are subject to a lock-up of three years in respect of 50% of the consideration shares and five years in respect of the remainder of the consideration shares, and rank pari passu with the existing ordinary shares of the Group.

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.

Direct revenue

Direct revenue is measured at the fair value of consideration received or receivable from customers and represents amount received for goods and services that the Group is in business to provide, net of discounts, marketing inducements and VAT.

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.

Service provider revenue

Service provider revenue is receivable from third party operators where the Group provides sportsbooks and gaming services to the operator.

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.