# William Hill PLC

3 August 2018

## Good performance during period of substantial change

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its half-year results for the 26 weeks ended 26 June 2018 (the period or H1 2018). Comparatives relate to the 26 weeks ended 27 June 2017.

| | Statutory results | | | Adjusted results | | |
|---|---|---|---|---|---|---|
| | H1 18 £m | H1 17 £m | Change % | H1 18 £m | H1 17 £m | Change % |
| Net revenue | 802.6 | 778.5 | +3% | 802.6 | 778.5 | +3% |
| Existing operations adjusted operating profit[1] | - | - | - | 130.8 | 128.9 | +1% |
| US Expansion operations[2] | - | - | - | (17.2) | - | - |
| Adjusted operating profit[3] | - | - | - | 113.6 | 128.9 | -12% |
| Discontinued operations – Australia[4] | - | - | - | 3.8 | 0.6 | - |
| (Loss)/profit before interest and tax | (802.3) | 108.6 | - | - | - | - |
| (Loss)/profit before tax | (819.6) | 93.1 | - | 96.3 | 110.6 | -13% |
| (Loss)/earnings per share (p)[5] | (93.5) | 9.4 | - | 9.1 | 11.1 | -18% |
| Dividend per share (p) | 4.26 | 4.26 | 0% | 4.26 | 4.26 | 0% |

**Financial results**
- Group net revenue up 3% to £802.6m
- Adjusted operating profit from existing operations[1] up 1% to £130.8m
- Exceptional charge and adjustments of £915.9m including £882.8m non-cash impairment to Retail following Triennial Review decision leading to a statutory loss before tax of £819.6m
- Proceeds of £241.7m received from disposal of Australian business and investments in NYX
- Balance sheet remains strong and flexible with net debt for covenant purposes[6] of £272.4m, 0.8x EBITDA
- Interim dividend in line with prior year at 4.26p per share

**Operating highlights**
- Good FIFA World Cup performance with >1 million Online actives across the tournament
- Total Online net revenue growth of 11%
  - Online Sportsbook performed well with net revenues +18% and new accounts +16%
  - Online gaming net revenue growth +4% with continuing improvements in cross-sell
- Retail net revenue down 3% in a challenging environment for the UK high street, with horseracing fixture cancellations in Q1
- Continued strong growth in existing US business: net revenue up 50% and adjusted operating profit[3] up 132%
- Responding rapidly to new US opportunities:
  - First bet in New Jersey accepted at William Hill's Monmouth Park sports book in June, new sports book launched at Ocean Casino in Atlantic City and readying for mobile launch this month
  - Expanded offering in Delaware, as risk manager for the state lottery
  - Deals signed with 11 casinos in Mississippi and one casino in West Virginia to run sports books and plans to take the first sports bet in Mississippi in August
- New sustainability strategy established with long-term ambition that nobody is harmed by gambling

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

"William Hill has performed well during the first half of 2018 and, following major regulatory decisions in the UK and US, we now have greater clarity over the challenges and opportunities that lie before us.

"During the first half, our Online business continued to deliver double-digit growth. In Retail, we are beginning to put in place plans to mitigate the impact of the Triennial Review. In the US, we have moved quickly following the repeal of PASPA as we grow into newly regulating states. We will continue to invest in the US to ensure we are well placed to capture the substantial potential available to us.

"Fundamental to delivering over the long term will be our sustainability strategy, which marks a significant cultural change for the company. Gambling-related harm is a serious issue and it is important that we face up to this challenge. We have set ourselves the ambition that nobody is harmed by gambling and set out a detailed programme of actions as we start out on this journey."

**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 Supreme Court overturned PASPA. Further detail on adjusted measures is provided in note 3 to the financial statements within our 2017 Annual Report.
2. Adjusted operating profit from US Expansion operations are in states where we have entered since the Supreme Court overturned PASPA.
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 to the financial statements within our 2017 Annual Report.
4. Adjusted operating profit 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 858.7 million shares for 2018 and an average of 856.8 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 23 to the financial statements within our 2017 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.

OAM: Inside Information
William Hill LEI: 213800 MDW41W5UZQ1X82

## Enquiries

| | | |
|---|---|---|
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## Analyst and investor presentation

| | |
|---|---|
| Meeting | Friday, 3 August 2018 at 9.00 am BST<br>Radisson Blu Edwardian Hotel, 9-13 Bloomsbury Street, WC1B 3QD |
| Live conference call | Tel: +44 (0) 20 3936 2999. Access code 299676 |
| Archive conference call | Tel: +44 (0) 20 3936 3001. Access code: 077465#. Available until 10 August 2018 |
| Video webcast | www.williamhillplc.com |

## Debt investor conference call

| | |
|---|---|
| Live conference call | 11.00 am BST. Tel: +44 (0) 20 3936 2999. Pass code: 494191 |
| Archive conference call | Tel: +44 (0) 20 3936 3001. Passcode 954551#. Available until 10 August 2018 |

## Notes to editors

William Hill is one of the world's leading betting and gaming companies, employing around 16,000 people. Founded in 1934, it aims to provide gamblers with a fun and safe gambling experience, and has set the ambition that nobody is harmed by gambling. It is one of the UK's largest bookmakers with around 2,340 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada and New Jersey, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill PLC is listed on the London Stock Exchange and is a member of both the FTSE 250 and FTSE4Good Indices.

## Cautionary note regarding forward-looking statements


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## OVERVIEW

### Building a sustainable business

The first half of 2018 has been a momentous period for William Hill and the wider sector. Long-awaited regulatory changes in three major markets – the UK, the US and Australia – have substantially clarified our operating environment.

We are facing into these transformative challenges:

- We have already addressed Australia, where additional gambling duties would have made our sub-scale business unprofitable. We exited the market in April, selling William Hill Australia for A$313.7m (£173.2m).

- The UK Government's decision to reduce the maximum stake on B2 games to £2 is leading us to remodel the Retail estate.

- In the US, the Supreme Court's decision to overturn a federal law banning sports betting offers us the potential to grow a business of scale, building on the foundations we have established there since 2012.

In addition, we have undertaken a sustainability review, instigated in Q4 2017, and are addressing the concerns raised by the UK Gambling Commission in the regulatory settlement in February. We are driving cultural change in the business, with new values and leadership 'vitals' embedded in December, and in July 2018 we publicly put our weight behind a far-reaching and long-term ambition that nobody is harmed by gambling. Change is already happening, such as revising our assessments of higher spending customers in terms of both social responsibility and sources of funds and, consequently, closing customer accounts. We have shared more information on our corporate website at www.williamhillplc.com/nobodyharmed.

Regulation is a fact of life for our business, presenting us with challenges and opportunities. We have to prepare where we can, respond when we have to and ground our decisions in doing what is right for the customer to ensure the William Hill business is sustainable for the long term.

*Strategy*

The significant changes we have made and seen in recent months give a new focus to William Hill. Our strategy is focused on three key business areas, underpinned by our new approach to sustainability:

- Driving Online growth in the UK and internationally;
- Remodelling Retail;
- Growing a business of scale in the US; and
- Delivering on our ambition that nobody is harmed by gambling.

Our Online business is driving near- and medium-term digital growth. We are growing in the UK, having restructured and invested to strengthen our competitiveness, and we are focused on gaining market share through continuous improvement in our product and customer experience, and investment in marketing. We are pursuing opportunities to expand outside the UK in both regulated markets, such as Italy and Spain, and grey markets. Ulrik Bengtsson joined in April to oversee our digital strategy and the Group has also made key hires in respect to Data and Product.

Our Retail business is focused on addressing the challenges laid down by the Triennial Review decision, which will drive structural change across the licensed betting office sector over the coming years. This will include product innovation to offer alternatives to B2 gaming as well as remodelling the estate and the business.

Our US business is, in large part, a start-up, supported by an already successful and profitable Nevada operation. A number of states are likely to regulate sports betting over the coming years. We will invest to establish William Hill US in each new market to take advantage of the substantial growth potential. New states may be loss-making in their early years as we invest to gain market share but the size of the US opportunity overall is a clear value driver for the Group over the medium and long term. Since PASPA was overturned in May we have expanded our offering in Delaware, started two land-based sports books in New Jersey and signed agreements with 11 casinos to open sports books in Mississippi, where we plan to take the first sports bet in August, and one casino to open a sports book in West Virginia. We are also readying for mobile launch in New Jersey in August. This means we are currently taking sports bets in three states with agreed deals in two more and we have plans to open in additional states when regulation permits.

*Performance summary*

Against this backdrop of substantial change, William Hill delivered a good performance and World Cup in the first half of 2018.

Group net revenue in H1 2018 was up 3% to £802.6m, including US expansion net revenue of £0.6m. Gross win from the World Cup was £11.0m in H1 and £32.8m for the tournament as a whole. Online and the US delivered strong net revenue growth but Retail saw weaker trends. Adjusted operating profit from our existing operations[1] – Retail, Online and the existing US business – were up 1% to £130.8m.

We have started investing in new markets in the US, which led to this segment of the US business incurring losses of £17.2m in H1. This brought the Group's adjusted operating profit from continuing operations[3] to £113.6m, down 12%.

The Group recorded exceptional items and adjustments of £915.9m, leading to a statutory loss before interest and tax of £802.3m. The exceptional items included a £882.8m non-cash impairment of Retail following the UK Government's announcement of the outcome of the Triennial Review (see below). There was also £29.9m of exceptional costs relating to the transformation programme, including the closure of the Tel Aviv office in April. The transformation programme is expected to end in 2019 with further exceptional costs of c£15m expected and benefits underpinning the future growth of the business.

Online saw continued momentum, with net revenue up 11%. Growth in Online's adjusted operating profit was slower at +5% as marketing spend was weighted towards H1 to support our World Cup activities. Retail net revenue declined 3% but there was good cost control with operating costs 2% lower, resulting in adjusted operating profit being 7% lower. Our existing US business in Nevada and Delaware grew very strongly: wagering was up 14% and unusually positive sports results compounded this to drive net revenue growth of 50%; with operating costs only 7% higher, adjusted operating profit increased 132%.

We are pleased with our performance around the FIFA World Cup, which presented an exciting opportunity to engage with customers. We saw good wagering across the tournament as a whole, in line with our expectations; gross win margins were good but behind the exceptional margins seen in 2014. We launched our marketing campaigns early, which gave us market-leading awareness on day one of the tournament. Our innovative products were enjoyed by both Online and Retail customers, with 5.7 million uses of Scratch of the Day in Online and 580,000 Perfect Hat Trick entries in the shops. Actives were particularly strong with more than one million active Online customers across the tournament as a whole.

Earnings per share (EPS), including the substantial exceptional items, was a statutory loss per share of 93.5p (H1 2017: 9.4p). Basic adjusted EPS declined 18%, reflecting growth in the existing business being offset by investment in new US opportunities.

Group cash capital expenditure, which is weighted towards technology, was up 59% to £43.1m, supported by our strong operating cash flows of £110.0m. The balance sheet remains strong, with net debt to EBITDA for covenant purposes reducing to 0.8x (27 December 2017: 1.4x), 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 while managing the impact of regulatory changes in Retail.

The Board has approved an interim dividend of 4.26p per share (2017: 4.26p). This is ahead of the basic, adjusted EPS performance in the period given the investment in new US opportunities but reflects a good performance by the ongoing operations and the Group's continuing strong cash generation. The Board's policy continues to be to pay out approximately 50% of underlying earnings.

*Regulatory changes*

Two important regulatory questions were answered in the period, giving us long-awaited clarity in our key markets, the UK and the US.

On 14 May, the Supreme Court of the US overturned the law preventing sports betting in most states across the US, the Professional and Amateur Sports Protection Act 1992 (PASPA). Three days later, on 17 May, the UK Government announced the outcome of its Triennial Review into gaming machine stakes and prizes. These decisions have long-term consequences for the William Hill business.

As set out in our statement on 17 May, we expect the implementation of a £2 staking limit on gaming machines in shops to reduce Retail's gaming revenues by 35-45% and operating profit, after mitigation, by c£70-100m. Our preliminary estimates suggest c900 William Hill shops (38% of our existing estate) could become loss-making. Exceptional charges relating to shop closures could be in the range of £50,000 to £60,000 per shop (after today's impairment), with a potential three-year period to reshape the shop estate. We await confirmation from the Government on timing of implementation. For the next few years, our response to this change will be the primary focus for Retail's leadership team, from implementation through to mitigation.

*The US opportunity*

In the US, new markets are opening up that represent significant growth opportunities. Since the Supreme Court's decision 11 weeks ago, several states have already implemented changes to allow sports betting. Delaware has expanded its existing offering, New Jersey has licensed land-based operations in casinos or racetracks, with mobile betting to follow, and Rhode Island plans to offer betting through its lottery. Pennsylvania's sports betting law, which was passed in 2017, was activated when PASPA was overturned. Mississippi and West Virginia are also progressing legislation that is likely to see sports betting regulated shortly.

With our long-standing land-based and mobile sports betting business in Nevada, we are well placed to capitalise on these opportunities. Having invested in our readiness ahead of the Supreme Court's decision, we have been able to move quickly in response to the market changes. When Delaware took the first bet in the post-PASPA world, it was enabled by William Hill's risk management capability. When Governor Phil Murphy placed the first bet in New Jersey, it was at William Hill's sports book at Monmouth Park racetrack. We have since opened an additional sports book at the Ocean Resort Casino in Atlantic City and are readying ourselves to launch the William Hill mobile app in New Jersey in the coming weeks. We have announced today that we have signed contracts relating to 11 casinos in Mississippi and one in West Virginia. During August we also expect to start taking sports bets in Mississippi.

Early signs of US consumer interest in sports betting are encouraging. The average total daily wagering we are seeing at our two land-based locations in New Jersey are already equivalent to approximately 25% of our total wagering in Nevada.

## OPERATING REVIEW

The following commentary 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.

### Online (40% of Group revenue)

| | H1 2018 £m | H1 2017 £m | Change |
|---|---|---|---|
| **Sportsbook amounts wagered** | **2,352.7** | **2,485.0** | **-5%** |
| Gross win margin | 8.3% | 6.9% | +1.4 ppts |
| Core markets net revenue | 282.4 | 256.4 | +10% |
| Other markets net revenue | 38.5 | 33.6 | +15% |
| Sportsbook net revenue | 164.5 | 139.1 | +18% |
| Gaming net revenue | 156.4 | 150.9 | +4% |
| **Online net revenue** | **320.9** | **290.0** | **+11%** |
| Cost of sales | (80.6) | (69.2) | +16% |
| Operating costs | (180.4) | (163.6) | +10% |
| **Adjusted operating profit[3]** | **59.9** | **57.2** | **+5%** |

Online net revenue grew 11% in the first half, benefiting from our investment in the digital transformation over the last 18 months. Within this, there was strong growth in Sportsbook net revenue of 18%, and 4% growth in gaming against a strong period a year before when the single wallet was introduced and we invested in expanding our mass market gaming customer base. Core markets grew 10%, with UK net revenue up 9%, in line with forecast market growth rates, and Italy and Spain up 16% (+13% in local currency); these markets accounted for 88% of Online's net revenue in the period. Net revenue in other markets was up 15%.

Overall, customer metrics in H1 continued to be strong, with new accounts up 16%, actives up 30% and cross-sell rates 4 percentage points higher than a year ago.

During the period, we transitioned Online's marketing services operations, closing the Tel Aviv operation and recruiting into the Bedford Avenue office in London, which has given us access to critical digital marketing talent. We are opening a new office in Malta to support the ongoing European business, in readiness for Brexit. We also continued to improve our product, reducing the app load time by 25%. In July, we joined GAMSTOP, the cross-operator self-exclusion system.

For the World Cup, we launched our marketing campaign early and had the highest betting brand awareness on the first match day. Our unique Scratch of the Day product gave customers the chance to win offers each day and was used by 62% of customers, driving higher average player days and cross-sell between sports and gaming. YourOdds' popularity as a tailored betting experience continued to increase, particularly with 'multi match' YourOdds and 'Live Odds', and made a strong contribution to Online's World Cup revenues. Overall, the focus on encouraging regular and frequent engagement succeeded as we reached more than one million unique actives during the tournament.

Sportsbook net revenue (up 18%) included the first 13 days of the FIFA World Cup and the majority of the group-stage matches. The gross win margin rose 1.4 percentage points to 8.3%, significantly up on the comparator period. This high margin impacted recycling, contributing to amounts wagered being down 5%. Client management had a negative impact on wagering but improved net revenue.

Free bets in H1 accounted for 1.3% of amounts wagered (H1 2017: 1.3%).

Gaming net revenue grew 4%. Cross-sell rates continue to improve, up 4 percentage points on H1 2017. We are focusing on broadening our gaming customer base and acquiring more mass market customers. This is driving strong growth in gaming new accounts up 17% though at a lower average revenue per user.

Cost of sales increased 16%, including £8m of additional cost from the introduction of the horseracing levy for Online from April 2017 and the application of Remote Gaming Duty to gaming free-bets since October 2017. Operating costs also increased 10%, driven by a 22% increase in marketing to £82.5m to support the World Cup campaign; marketing investment in 2018 is weighted towards H1 given the timing of the World Cup schedule.

In February, we announced that we had reached a regulatory settlement with the Gambling Commission relating to systemic failure to protect customers and prevent money laundering, which involved paying a penalty package of at least £6.2m, including repaying monies to affected parties. Following this, we are strengthening our approach based on the conclusions of three separate audits (internal and external), including restructuring our compliance functions and expanding relevant resources. As a result, we have closed and are closing a number of customer accounts, which could impact our performance in the second half. Through the digital transformation, Online has become a much stronger business, which means that we are now better placed to tackle these issues.

## Retail (55% of Group revenue)

| | H1 2018 £m | H1 2017 £m | Change |
|---|---|---|---|
| **Sportsbook amounts wagered** | **1,071.7** | **1,204.2** | **-11%** |
| Gross win margin | 18.4% | 17.4% | +1.0 ppts |
| Sportsbook net revenue | 197.0 | 210.0 | -6% |
| Gaming net revenue | 247.1 | 250.1 | -1% |
| **Retail net revenue** | **444.1** | **460.1** | **-3%** |
| Cost of sales | (112.6) | (118.5) | -5% |
| Operating costs | (256.4) | (260.7) | -2% |
| **Adjusted operating profit[3]** | **75.1** | **80.9** | **-7%** |

In a challenging trading environment for the UK high street, Retail net revenue fell 3% in H1 against a strong 2017 H1 performance. Gaming net revenue declined 1%. Sportsbook net revenue was down 6%, with wagering down 11%, but gross win margins 1.0 percentage points higher at 18.4%. Football gross win grew over 20% but this was more than offset by declines in horseracing and greyhound racing. Performance was also affected by horseracing fixture cancellations in the early part of the year and the stronger margin which reduced recycling. The retail betting sector is also being impacted by the wider reduction in footfall on the UK's high streets. Operating costs have been well controlled, mainly by holding down staff costs, and were 2% lower. As a result, adjusted operating profit fell by 7%.

Our proprietary self-service betting terminals (SSBTs) accounted for 14% of total Sportsbook stakes and over 50% of all football wagering, demonstrating their increasing popularity with customers. We installed 100 additional SSBTs ahead of the World Cup and will add a further 400 in H2, taking the density to an average of 1.6 per shop. Ahead of the World Cup we launched new markets such as scorecasts and wincasts as well as one-minute markets and added boxing, golf, snooker and rugby league, bringing the total number of sports available on our SSBTs to 14.

To enhance our gaming offering, we launched Lucky 6 across a third of the estate and will be rolling it out further in the second half, with the addition of further new games. Installation of a 'second channel' for content distribution is on track for completion in H2, further enhancing our content flexibility as we prepare to implement the Triennial Review changes.

The average number of shops fell 2% to 2,339 (H1 2017: 2,376) with eight shops closed in the period. The number of shops at the end of the period was 2,334.

## William Hill US (5% of Group revenue)

| Existing | On a statutory reporting basis | | | On a local currency basis | | |
|---|---|---|---|---|---|---|
| | **H1 2018 £m** | **H1 2017 £m** | **Change** | **H1 2018 US$m** | **H1 2017 US$m** | **Change** |
| **Amounts wagered** | **479.2** | **419.4** | **+14%** | **660.3** | **526.3** | **+25%** |
| Gross win margin | 7.7% | 5.9% | +1.8 ppts | 7.7% | 5.9% | +1.8 ppts |
| **Net revenue** | **36.9** | **24.6** | **+50%** | **50.7** | **30.9** | **+64%** |
| Cost of sales | (3.3) | (2.0) | +65% | (4.5) | (2.5) | +80% |
| Operating costs | (16.0) | (15.0) | +7% | (21.9) | (18.9) | +16% |
| **Adjusted operating profit[3]** | **17.6** | **7.6** | **+132%** | **24.3** | **9.5** | **+156%** |

| Expansion | **H1 2018 £m** | **H1 2018 US$m** |
|---|---|---|
| **Amounts wagered** | **4.7** | **6.2** |
| Gross win margin | 11.9% | 11.9% |
| **Net revenue** | **0.6** | **0.7** |
| Cost of sales | (0.1) | (0.1) |
| Operating costs | (17.7) | (23.4) |
| **Adjusted operating profit[2,3]** | **(17.2)** | **(22.8)** |

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

*(a) Existing (Nevada and Delaware)*

Amounts wagered in the US Existing operations grew 25%, driven by 44% growth in mobile and continued market share gains. Gross win margin increased by 1.8 percentage points to 7.7%, with unusually bookmaker friendly results across all the major sports, and as a result net revenue was 64% higher. Mobile transactions now account for 64% of amounts wagered (H1 2017: 56%). Operating costs rose 16% because of higher staff, property and marketing costs. Given the strong operating leverage of the business, adjusted operating profit[3] was up 156%.

There was also a significant contribution from wagering on the Vegas Golden Knights who reached the Stanley Cup finals in June. Newly introduced in-play tennis further helped drive increased mobile betting.

Our market share of Nevada sports revenue increased to 31% (H1 2017: 26%).

*(b) Expansion*

Ahead of the Supreme Court's decision, we invested in readying ourselves to respond should states start to regulate sports betting. As a result, we have been able to move quickly to capitalise on these new opportunities.

On 5 June, the sports betting offered by the State Lottery in Delaware was expanded, from which William Hill continues to receive a share of revenues as risk manager.

In New Jersey, we opened our sports book at the Monmouth Park race track on 14 June to take the first legal sports bet in the state following the overturning of PASPA. On 28 June, we also opened our sports book at the Ocean Resort Casino in Atlantic City. In August we plan to launch our mobile sports betting app following this becoming possible under the New Jersey regulations.

Since the period end, we have also announced deals to run sports books at 11 casinos in Mississippi, following that state putting in place regulations to permit sports betting. We expect to begin offering sports betting in Mississippi later in August. We have also agreed to operate a casino sports book in the state of West Virginia.

We have established offices in New Jersey which manage the sports betting retail and mobile operations in that state, including customer services.

Early volumes from New Jersey are highly encouraging. We have seen amounts wagered across our two land-based operations in the first several weeks, equivalent to approximately 25% of the total wagering volumes (land-based and mobile) we recorded in Nevada in the same period, traditionally one of the slowest periods of the year. Assuming we go live with the new sports book deals outlined today, we would expect to incur c$50-60m of operating and start-up costs for the US Expansion business in H2 2018 and for the two businesses together to be broadly break-even in 2018 as a whole.

While it is still very early days in the evolution of the market, we take confidence that this indicates substantial interest in legal sports betting, even ahead of mobile products being launched.

### Corporate costs

Net corporate costs increased 28% to £21.3m (H1 2017: £16.7m), mainly driven by staff costs and the costs of implementing GDPR.

## SUMMARY AND OUTLOOK

At this stage in the year, assuming normalised margins, we anticipate full-year performance for our existing business to be in line with our expectations but we remain concerned about Retail and the health of the UK high street. We will continue to invest in the US as appropriate.

We now have clarity on our operating environment following the long-awaited regulatory decisions that crystallised in H1, and have a clear focus for our three key business areas.

The Online business continues to grow at or above UK market rates following our investment in the digital transformation over the last 18 months. We are focused on further enhancing the competitiveness of our customer experience in this key market, while also now targeting growth in Europe and beyond.

The Retail business remains focused on its response to the Triennial Review decision, in readiness for implementation at the required time.

We are committed to capturing the substantial opportunity presented by our new US business. Its near-term growth profile depends on several factors, including the timing, speed and shape of state-by-state regulation, the number and structure of licensing deals in various states, and the pace of investment required for land-based operations or marketing-led mobile markets. Each new state is likely to require an investment phase in the early stages, however we are confident the US offers significant potential to deliver material shareholder value over the medium term.

Our early investment in the US is enabling us to move quickly as states regulate sports betting and we now have significant revenue-generating land-based operations in New Jersey and Delaware as well as our established business in Nevada. We are also well advanced with our mobile product and preparations for market entry in Mississippi, West Virginia and Pennsylvania in the remainder of 2018, and in multiple additional states in 2019. Revenues achieved in the new states over the first two months have been encouraging and the emerging US opportunity manifestly holds great promise and deserves our focus and attention.

The flexibility that results from a strong balance sheet with a conservative 0.8x net debt to EBITDA ratio means we are well placed to make investments where returns are expected to justify this.
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## FINANCIAL REVIEW

*Overview*

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 is, therefore, not included within the below analysis.

The Group achieved revenue growth of 3% in the period, to £802.6m. With costs of sales also increasing by 3%, and adjusted operating expenses growing at 7%, adjusted operating profit[3] fell by 12% to £113.6m. This increase in operating expenses includes the cost of investment in expanding the US business with an adjusted operating loss of £17.2m. Excluding these costs adjusted operating profit[1] across the other operating segments has grown by 1% or £1.9m.

Adjusted profits before tax fell £14.3m or 13% to £96.3m. We have incurred an exceptional impairment charge to our Retail division following the results of the Triennial Review of £882.8m. With other exceptional items and adjustments of £33.1m, mainly relating to costs incurred on our transformation programme, of £29.9m, the statutory loss before tax is £819.6m (H1 2017: statutory profit before tax of £93.1m).

Reflecting these movements and a higher adjusted tax charge, adjusted EPS fell 18% to 9.1p. On a statutory basis, EPS declined to a loss per share of 93.5p (H1 2017: profit per share of 9.4p).

Operating cash flows of £110.0m (H1 2017: £111.4m), coupled with the receipt of £241.7m proceeds from the disposals of the Australia business and the investments in NYX, led to a large cash inflow in the period. This continued to support investment in capex and dividends, as well as the US Expansion business. This led to a closing net debt to EBITDA for covenant purposes ratio of 0.8x (26 December 2017: 1.4x).

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 half year report.

*Income Statement*

Net revenue grew 3% or £24.1m to £802.6m. Retail's revenue fell £16.0m or 3% to £444.1m. Sportsbook was down £13.0m, or 6%, with wagering declining by 11%, although within this wagering growth from our proprietary SSBTs more than doubled. The gross win margin for the period was 18.4% compared to 17.4% in H1 17. Our gaming machine net revenue fell by 1% or £3.0m.

Online revenues grew £30.9m or 11% to £320.9m. Within this, Sportsbook net revenue grew by £25.4m or 18% and gaming grew at £5.5m or 4%. Revenue growth was driven by strong customer numbers with a 12% increase in Sportsbook unique actives and a 61% increase in gaming unique actives, partly offset by a 15% decrease in revenue per customer.

The existing US business grew revenues by £12.3m or 50% to £36.9m, with a 67% increase in revenue from sports book and a 35% increase in revenue from mobile. Net revenue growth in US dollars was 64%. The US Expansion business, relating to the business in new states, contributed £0.6m of revenues.

Cost of sales grew £6.6m or 3%, with the gross profit margin staying consistent to H1 2017.

Adjusted net operating expenses grew by 7% or £32.8m to £492.4m. £17.7m of this increase relates to the US Expansion business; excluding this adjusted net operating expenses grew by £15.1m or 3%. Costs in Retail decreased by £4.3m due primarily to lower staff costs. Online saw an increase in costs of £16.8m, reflecting increased marketing costs in the build-up to the World Cup. The US Existing business costs grew £1.0m, reflecting increases across staff costs, property and marketing costs, offset by favourable currency movements. Costs from central operations, net of associate income, were £4.6m higher year-over-year and costs in the Other segment decreased by £3.0m due to the sale of the Stadia operations in 2017.

Adjusted operating profit, taking account of the above, fell £15.3m or 12% to £113.6m (H1 2017: £128.9m). However, adjusting for the £17.2m adjusted operating loss from the US Expansion business, adjusted operating profit across the other operating segments has grown by £1.9m, or 1%.

Net finance costs increased to £17.3m from £15.5m due to the sale of the investment in redeemable convertible preference shares held in NYX leading to a decrease in investment income recognised within adjustments. Net finance costs on an adjusted basis decreased by £1.0m from £18.3m in H1 17 to £17.3m.

*Exceptional items and adjustments*

Exceptional items amounted to a charge of £914.4m (H1 2017: £15.4m), predominantly relating to an impairment of the Retail division of £882.8m following the results of the Triennial Review with the maximum stake on B2 games being reduced from £100 to £2. A regulatory change of this nature is unprecedented and its impact on customer 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[3] following mitigation measures by c£70-£100m, see note 15 to the half-year report.

The remaining exceptional items mainly related to restructuring costs of £29.9m from our transformation programme. Further exceptional costs of c£15m are expected relating to the transformation programme before it comes to a close in 2019, with the benefits continuing to underpin the future growth of the business, see note 3 to the half year report. The other exceptional items include the loss on disposal of our Australian business of £1.1m and the continuation of certain exceptional items from the previous period for US legal fees (£0.4m); the loss on disposal on completion of the sale of the NYX investments (£0.4m) and adjustments to the provision for shop closures (£0.2m credit).

Adjustments totalled a net charge £1.5m (H1 2017: £2.1m). This relates to amortisation charges on intangibles recognised in acquisitions in the current period. In the prior period this also related to movements in the redeemable convertible preference shares held in NYX.

*Taxation*

The effective rate on adjusted results was 18.9%, against 13.7% in H1 2017. The effective rate on statutory results was 2.0% due to the exceptional impairment of the Retail division. We expect our full-year effective tax rate on adjusted results to be around 14%.

*Profit and EPS*

Following the above, statutory profit after tax fell to a loss of £803.3m compared to a profit of £81.0m in H1 2017. EPS accordingly declined from 9.4p to a loss of 93.5p per share.

On an adjusted basis profit after tax fell by £17.3m or 18% from £95.4m to £78.1m, with EPS falling 18% from 11.1p to 9.1p.

Including results from discontinued operations, namely the results of the Australia business disposed of, profit for the period on an adjusted basis was £82.6m, a decrease of £13.4m or 14%, with an adjusted EPS including discontinued operations falling 14% to 9.6p.

*Statement of Financial Position*

The Statement of Financial Position remains strong despite the impairment of the Retail division. Our net assets position is £238.5m, a decrease of £824.2m compared to 26 December 2017 due to the impairment charge, with cash and cash equivalents of £544.9m and a 0.8x net debt to EBITDA ratio.

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 £1,100.0m from £1,968.6m at 26 December 2017 to £868.6m. The disposals of the investments have led to an increase in current assets of £220.2m to £613.6m.

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.

Total liabilities have decreased by £55.6m to £1,243.7m (26 December 2017: £1,299.3m). This increase is primarily due to a £40.7m reduction in the deferred tax liability from the reduction in intangibles after the impairment charge to the Retail division.

*Cash flow and net debt*

Operating cash flows were £110.0m, broadly in line with adjusted operating profit of £113.6m and £1.4m lower than in H1 2017 reflecting primarily the lower profit position partly offset by the benefit of working capital movements during the period.

Net proceeds of £141.0m were received from the sale of the Australia business and £100.7m from the sale of NYX investments in the period. With offsetting dividends of £76.8m and net capital expenditure of £42.8m, the Group generated a surplus of £228.9m. As a result, the net debt position at H1 2018 was £272.4m, equivalent to 0.8x EBITDA for covenant purposes (26 December 2017: £515.2m or 1.4x EBITDA).

The Board will continue to apply its existing dividend policy of a payout ratio of c50% of adjusted earnings.

## BOARD CHANGES AND GOVERNANCE UPDATE

Imelda Walsh, Non-executive Director and Remuneration Committee Chair, stepped down as a Non-executive Director at the Annual General Meeting (AGM) in May 2018, after six years of service. Georgina Harvey replaced her as Remuneration Committee Chair. Georgina has been a member of the Remuneration Committee since her appointment in 2011.

John O'Reilly stepped down as a Non-executive Director on 30 April, following his becoming CEO of Rank Group Plc. Non-executive Director Mark Brooker was appointed to replace him as a member of the Audit & Risk Management Committee.

## PRINCIPAL RISKS AND UNCERTAINTIES

We have reviewed our risk profile as set out in the 2017 Annual Report and considered the risks facing the Group in the remaining six months of the financial year. The key risks are identified as:

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

Further information is available on pages 45 to 50 of the 2017 Annual Report, which is 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 unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial reporting”; and
- The interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

Neither the Company nor the directors accepts any liability to any person in relation to the half-year financial report except to the extent that any such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

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 |
| 3 August 2018 | 3 August 2018 |

**William Hill PLC**

**Interim Consolidated Income Statement (unaudited)**

for the 26 weeks ended 26 June 2018

| | | **26 weeks ended 26 June 2018** | | | 26 weeks ended 27 June 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 | 52 weeks ended 26 December 2017 £m |
| **Revenue** | 2 | **802.6** | **-** | **802.6** | 778.5 | - | 778.5 | 1,591.4 |
| Cost of sales | 2 | **(196.6)** | **-** | **(196.6)** | (190.0) | - | (190.0) | (400.6) |
| **Gross profit** | 2 | **606.0** | **-** | **606.0** | 588.5 | - | 588.5 | 1,190.8 |
| Other operating income | | **3.1** | **-** | **3.1** | 3.8 | - | 3.8 | 8.1 |
| Other operating expenses | 3 | **(495.4)** | **(915.9)** | **(1,411.3)** | (464.3) | (20.3) | (484.6) | (1,022.5) |
| Share of results of associates | | **(0.1)** | **-** | **(0.1)** | 0.9 | - | 0.9 | 1.0 |
| **Profit/(loss) before interest and tax** | 2 | **113.6** | **(915.9)** | **(802.3)** | 128.9 | (20.3) | 108.6 | 177.4 |
| Investment income | | **0.7** | **-** | **0.7** | 0.4 | 2.8 | 3.2 | 6.4 |
| Finance costs | 4 | **(18.0)** | **-** | **(18.0)** | (18.7) | - | (18.7) | (37.3) |
| **Profit/(loss) before tax** | 2 | **96.3** | **(915.9)** | **(819.6)** | 110.6 | (17.5) | 93.1 | 146.5 |
| Tax | 3,5 | **(18.2)** | **34.5** | **16.3** | (15.2) | 3.1 | (12.1) | (8.8) |
| **Profit/(loss) for the period from continuing operations** | | **78.1** | **(881.4)** | **(803.3)** | 95.4 | (14.4) | 81.0 | 137.7 |
| **Profit/(loss) for the period from discontinued operations** | 14 | **4.5** | **(0.7)** | **3.8** | 0.6 | (0.2) | 0.4 | (220.9) |
| **Profit/(loss) for the period (attributable to equity holders of the parent)** | | **82.6** | **(882.1)** | **(799.5)** | 96.0 | (14.6) | 81.4 | (83.2) |

| **Earnings/(loss) per share from continuing and discontinued operations (pence)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Basic | 7 | **9.6** | | **(93.1)** | 11.2 | | 9.5 | (9.7) |
| Diluted | 7 | **9.6** | | **(93.1)** | 11.2 | | 9.5 | (9.7) |

| **Earnings/(loss) per share from continuing operations (pence)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Basic | 7 | **9.1** | | **(93.5)** | 11.1 | | 9.4 | 16.1 |
| Diluted | 7 | **9.0** | | **(93.5)** | 11.1 | | 9.4 | 16.0 |

## William Hill PLC

## Interim Consolidated Statement of Comprehensive Income (unaudited)

for the 26 weeks ended 26 June 2018

| | | **26 weeks ended 26 June 2018 £m** | 26 weeks ended 27 June 2017 £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|---|
| (Loss)/profit for the period | | **(799.5)** | 81.4 | (83.2) |
| | | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| Actuarial remeasurements in defined benefit pension scheme | | **(34.3)** | (4.9) | 33.0 |
| Tax on remeasurements in defined benefit pension scheme | | **5.8** | 0.8 | (5.6) |
| | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| | | | | |
| **Exchange differences:** | | | | |
| Translation of foreign operations | | **(7.4)** | 4.9 | (8.9) |
| Reclassified to profit and loss on disposal of Australia operations | 14 | **84.3** | - | - |
| | | | | |
| **Gains/(losses) on available-for-sale financial assets:** | | | | |
| Changes in fair value of available-for-sale financial assets | | **-** | (0.4) | 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** | | **48.8** | 0.4 | 22.5 |
| **Total comprehensive (loss)/income for the period (attributable to equity holders of the parent)** | | **(750.7)** | 81.8 | (60.7) |

**William Hill PLC**

**Interim Consolidated Statement of Changes in Equity (unaudited)**

for the 26 weeks ended 26 June 2018

| | 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 | - | - | - | - | - | - | (799.5) | (799.5) |
| Actuarial remeasurements in defined benefit pension scheme | - | - | - | - | - | - | (34.3) | (34.3) |
| Tax on remeasurements in defined benefit pension scheme | - | - | - | - | - | - | 5.8 | 5.8 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (7.4) | - | (7.4) |
| 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 income/(loss) for the period** | **-** | **-** | **-** | **-** | **-** | **76.9** | **(827.6)** | **(750.7)** |
| Transfer of own shares to recipients | - | - | - | - | 7.3 | - | (6.2) | 1.1 |
| Other shares issued during the period | - | - | - | - | - | - | - | - |
| Credit recognised in respect of share remuneration | - | - | - | - | - | - | 3.0 | 3.0 |
| Tax charge in respect of share remuneration | - | - | - | - | - | - | (0.8) | (0.8) |
| Dividends paid (note 6) | - | - | - | - | - | - | (76.8) | (76.8) |
| **At 26 June 2018** | **88.7** | **689.4** | **6.8** | **(26.1)** | **(89.7)** | **4.4** | **(435.0)** | **238.5** |

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Called-up share capital £m | Share premium account £m | Capital redemption reserve £m | Merger reserve £m | Own shares held £m | Hedging and translation reserve £m | Retained earnings £m | Total equity £m |
| **At 27 December 2016** | **88.7** | **689.3** | **6.8** | **(26.1)** | **(98.5)** | **(63.6)** | **628.9** | **1,225.5** |
| Profit for the financial period | - | - | - | - | - | - | 81.4 | 81.4 |
| Actuarial remeasurements in defined benefit pension scheme | - | - | - | - | - | - | (4.9) | (4.9) |
| Tax on remeasurements in defined benefit pension scheme | - | - | - | - | - | - | 0.8 | 0.8 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | 4.9 | - | 4.9 |
| Changes in fair value of available-for-sale financial assets | - | - | - | - | - | - | (0.4) | (0.4) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **4.9** | **76.9** | **81.8** |
| Purchase and issue of own shares | - | - | - | - | - | - | (0.2) | (0.2) |
| Transfer of own shares to recipients | - | - | - | - | 0.6 | - | (0.5) | 0.1 |
| Other shares issued during the period | - | 0.1 | - | - | - | - | - | 0.1 |
| Credit recognised in respect of share remuneration | - | - | - | - | - | - | 2.2 | 2.2 |
| Tax charge in respect of share remuneration | - | - | - | - | - | - | (0.1) | (0.1) |
| Dividends paid | - | - | - | - | - | - | (71.6) | (71.6) |
| **At 27 June 2017** | **88.7** | **689.4** | **6.8** | **(26.1)** | **(97.9)** | **(58.7)** | **635.6** | **1,237.8** |

| | 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 |
|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent | | | | | | | |
| **At 27 December 2016** | **88.7** | **689.3** | **6.8** | **(26.1)** | **(98.5)** | **(63.6)** | **628.9** | **1,225.5** |
| Loss for the financial period | - | - | - | - | - | - | (83.2) | (83.2) |
| Actuarial remeasurements in defined benefit pension scheme | - | - | - | - | - | - | 33.0 | 33.0 |
| Tax on remeasurements in defined benefit pension scheme | - | - | - | - | - | - | (5.6) | (5.6) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (8.9) | - | (8.9) |
| Changes in fair value of available-for-sale financial assets | - | - | - | - | - | - | 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 | - | - | - | - | - | - | (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**
**Interim Consolidated Statement of Financial Position (unaudited)**

as at 26 June 2018

| | Notes | **26 June 2018 £m** | 27 June 2017 £m | 26 December 2017 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 16 | **665.0** | 1,807.2 | 1,577.3 |
| Property, plant and equipment | 17 | **134.0** | 195.4 | 190.5 |
| Interests in associates | | **28.7** | 31.7 | 28.6 |
| Investments | | **0.1** | 5.0 | 9.4 |
| Deferred tax assets | | **7.8** | 3.3 | 12.7 |
| Retirement benefit asset | 11 | **29.9** | 15.7 | 58.7 |
| Loans receivable | | **3.1** | 46.7 | 49.4 |
| Derivative financial instruments | | **-** | 32.4 | 42.0 |
| | | **868.6** | 2,137.4 | 1,968.6 |
| **Current assets** | | | | |
| Trade and other receivables | | **65.2** | 66.3 | 72.9 |
| Investment property held for sale | | **3.5** | 3.5 | 3.5 |
| Cash and cash equivalents | | **544.9** | 227.0 | 317.0 |
| Disposal group assets held for sale | | **-** | 11.3 | - |
| | | **613.6** | 308.1 | 393.4 |
| **Total assets** | | **1,482.2** | 2,445.5 | 2,362.0 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(433.2)** | (363.5) | (455.5) |
| Corporation tax liabilities | | **(11.7)** | (30.2) | (8.3) |
| Derivative financial instruments | | **(17.2)** | (8.1) | (14.1) |
| Disposal group liabilities held for sale | | **-** | (0.4) | - |
| | | **(462.1)** | (402.2) | (477.9) |
| **Non-current liabilities** | | | | |
| Borrowings | 9 | **(721.4)** | (719.5) | (720.5) |
| Deferred tax liabilities | | **(60.2)** | (86.0) | (100.9) |
| | | **(781.6)** | (805.5) | (821.4) |
| **Total liabilities** | | **(1,243.7)** | (1,207.7) | (1,299.3) |
| **Net assets** | | **238.5** | 1,237.8 | 1,062.7 |
| **Equity** | | | | |
| Called-up share capital | | **88.7** | 88.7 | 88.7 |
| Share premium account | | **689.4** | 689.4 | 689.4 |
| Capital redemption reserve | | **6.8** | 6.8 | 6.8 |
| Merger reserve | | **(26.1)** | (26.1) | (26.1) |
| Own shares held | | **(89.7)** | (97.9) | (97.0) |
| Hedging and translation reserves | | **4.4** | (58.7) | (72.5) |
| Retained earnings | | **(435.0)** | 635.6 | 473.4 |
| **Total equity attributable to equity holders of the parent** | | **238.5** | 1,237.8 | 1,062.7 |

**William Hill PLC**

## Interim Consolidated Cash Flow Statement (unaudited)

for the 26 weeks ended 26 June 2018

| | Notes | **26 weeks ended 26 June 2018 £m** | 26 weeks ended 27 June 2017 £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|---|
| **Net cash from operating activities – continuing operations** | 10 | **110.0** | 111.4 | 272.6 |
| **Net cash from operating activities – discontinued operations** | 10,14 | **1.0** | 3.9 | 17.5 |
| | | | | |
| **Investing activities** | | | | |
| Dividends from associates | | **-** | - | 3.3 |
| Interest received on cash and cash equivalents | | **0.7** | 0.4 | 0.9 |
| Proceeds on disposal of property, plant and equipment | | **0.3** | 0.2 | 0.6 |
| Loans receivable to NeoGames | | **(3.0)** | - | - |
| Net proceeds on disposal of Australian operations | 14 | **141.0** | - | - |
| Net proceeds from disposal of NYX investments | | **100.7** | - | 1.0 |
| Net proceeds on disposal of Stadia operations | | **-** | - | 8.8 |
| Purchases of property, plant and equipment | | **(13.4)** | (2.8) | (14.2) |
| Expenditure on intangible assets | | **(29.7)** | (24.3) | (69.9) |
| **Net cash from/(used in) investing activities – continuing operations** | | **196.6** | (26.5) | (69.5) |
| **Net cash used in investing activities – discontinued operations** | 14 | **(3.0)** | (5.1) | (8.8) |
| | | | | |
| **Financing activities** | | | | |
| Proceeds on issue of shares under share schemes | | **1.1** | 0.1 | 0.1 |
| Purchase of own shares | | **-** | (0.1) | (0.1) |
| Dividends paid | 6 | **(76.8)** | (71.6) | (108.1) |
| **Net cash used in financing activities – continuing operations** | | **(75.7)** | (71.6) | (108.1) |
| **Net cash used in financing activities – discontinued operations** | 14 | **-** | - | - |
| | | | | |
| Net increase in cash and cash equivalents in the period | | **228.9** | 12.1 | 103.7 |
| Changes in foreign exchange rates | | **(1.0)** | (0.6) | (2.2) |
| Cash and cash equivalents at start of period | | **317.0** | 215.5 | 215.5 |
| **Cash and cash equivalents at end of period** | | **544.9** | 227.0 | 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 Greenside House, 50 Station Road, London, N22 7TP. The condensed consolidated financial information for the 26 weeks ended 26 June 2018, which has been approved by a committee of the Board of Directors on 2 August 2018, has been prepared on the basis of the accounting policies set out in the Group's 2017 Annual Report on pages 113-115 and 158-162, which can be found on the Group's website www.williamhillplc.com. This condensed consolidated financial information for the 26 weeks ended 26 June 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial information for the 26 weeks ended 26 June 2018 should be read in conjunction with the annual financial statements for the 52 weeks ended 26 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented.

The condensed consolidated financial information for the 26 weeks ended 26 June 2018 is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but has been reviewed by the auditor and their report is set out at the end of this financial information. The results for the 52 week period ended 26 December 2017 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts, which have been filed with the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### BASIS OF ACCOUNTING

The interim condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and endorsed by the European Union and therefore complies with Article 4 of the EU IAS Regulation.

The interim financial information has 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.

### BASIS OF CONSOLIDATION

The financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 26 June 2018. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

### ADOPTION OF NEW AND REVISED STANDARDS

In preparing the Group financial statements for the current period the Group has adopted the following new IFRSs, amendments to IFRSs and IFRS Interpretations Committee (IFRIC) interpretations, none of which have had a significant effect on the results or net assets of the Group.

IAS 7 (amended): Statement of Cash Flows
IAS 12 (amended): Recognition of Deferred Assets

The amendments to IAS 7 improves disclosures to enable users to evaluate changes in liabilities arising from financing activities including changes arising from cash flow and non-cash changes. These changes, where relevant, will be shown in the Group's Annual Report and Accounts 2018. The disclosure changes do not affect the results of the Group.

### STANDARDS IN ISSUE BUT NOT EFFECTIVE

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

Classification and measurement: New classification and measurement criteria require financial instruments to be classified into one of the three categories being amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The Group expects there to be nil impact based on our current profile of financial instruments.

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

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

IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e., when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. This will be implemented in the Group's reporting period for the 52 weeks ended 31 December 2019. It will result in most leases being recognised on the Statement of Financial Position. The Group continues to assess the full impact of IFRS 16 but since the impact is influenced by interest rates in future years, coupled with the uncertainty following the results of the triennial review with the £2 maximum stake on gaming machines, it is not yet possible to reasonably quantify its effects. At this stage, the directors assess that the implementation of the new standard will likely have a material impact upon the Group's reported performance, Statement of Financial Position and operating cash flows.

We do not anticipate a material impact on the results or net assets of the Group from any other standards, amendments or interpretations that are in issue but not yet effective.

## GOING CONCERN

The Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until May 2019. Currently this facility is undrawn and the Group hold a strong liquidity position with a cash balance of £544.9m (of which £88.5m is restricted). At 26 June 2018 the Group is in both a net asset and net current asset position. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 45 to 50 within the 2017 Annual Report, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

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

## SEASONALITY

The Group's overall profitability is primarily sensitive to sporting results, largely in terms of outcome but also in terms of the timing and presence of significant events that attract a large amount of stakes. For example, the current reporting period included part of the 2018 World Cup football tournament whereas the previous reporting period did not. In addition, adverse weather conditions, such as in March 2018, can disrupt the sporting calendar and limit betting opportunities.

## FAIR VALUES

Assets and liabilities measured at fair value include ante post bets derivative financial instruments.

The valuation of ante post bets is determined with reference to anticipated gross win margins on unsettled bets. Changes in fair value have not had a material impact upon the profit for the period.

## CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 amount of assets and liabilities within the next financial period are discussed below.

*Impairment of goodwill and intangible assets with indefinite lives*

The results of the triennial review of stakes and prizes are now known with the recommendation of a £2 maximum stake on gaming machines. 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. In addition, the timing of implementation is not yet known. As such, as the timing of implementation 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 15 for an analysis of the sensitivity of the impairment to a range of reasonably possible changes in assumptions.

## 2. SEGMENT INFORMATION

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

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all online and telephone activity, including sports betting, casino, poker sites and other gaming products along with telephone betting services. The US segment comprises all activity undertaken in the existing US business before the Supreme Court's repeal of 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 repeal 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. Other activities represents on-course betting and greyhound stadia operations up until disposal on 31 July 2017. There are no inter-segmental sales within the Group. The previous Australia segment has been excluded and classified as a discontinued operation after its disposal on 23 April 2018 (note 14).

Segment performance is shown on an adjusted basis, with a reconciliation from adjusted operating profit to statutory results for clarity.

Segment information for the 26 weeks ended 26 June 2018 is as follows:

| | Retail £m | Online £m | US £m | US Expansion £m | Other £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | **444.1** | **320.9** | **36.9** | **0.6** | **0.1** | **-** | **802.6** |
| GPT, duty, levies and other costs of sales | (112.6) | (80.6) | (3.3) | (0.1) | - | - | (196.6) |
| Gross profit | 331.5 | 240.3 | 33.6 | 0.5 | 0.1 | - | 606.0 |
| Depreciation | (12.4) | (0.4) | (0.7) | - | - | (0.8) | (14.3) |
| Amortisation | (5.5) | (18.0) | (0.1) | - | - | - | (23.6) |
| Other administrative expenses | (238.5) | (162.0) | (15.2) | (17.7) | (0.6) | (20.4) | (454.4) |
| Share of results of associates | - | - | - | | | (0.1) | (0.1) |
| **Adjusted operating profit/(loss)[1]** | **75.1** | **59.9** | **17.6** | **(17.2)** | **(0.5)** | **(21.3)** | **113.6** |
| Operating exceptional items and adjustments | (882.6) | (0.5) | (1.1) | - | - | (31.7) | (915.9) |
| **(Loss)/profit before interest and tax** | **(807.5)** | **59.4** | **16.5** | **(17.2)** | **(0.5)** | **(53.0)** | **(802.3)** |
| | | | | | | | |
| Investment income | | | | | | 0.7 | 0.7 |
| Finance costs | | | | | | (18.0) | (18.0) |
| **Loss before tax** | | | | | | | **(819.6)** |

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

Segment information for the 26 weeks ended 27 June 2017:

| | Retail £m | Online £m | US £m | Other[2] £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue** | **460.1** | **290.0** | **24.6** | **3.8** | **-** | **778.5** |
| GPT, duty, levies and other costs of sales | (118.5) | (69.2) | (2.0) | (0.3) | - | (190.0) |
| Gross profit | 341.6 | 220.8 | 22.6 | 3.5 | - | 588.5 |
| Depreciation | (12.6) | (0.4) | (0.7) | (0.1) | (1.2) | (15.0) |
| Amortisation | (4.0) | (17.0) | (0.1) | - | - | (21.1) |
| Other administrative expenses | (244.1) | (146.2) | (14.2) | (3.5) | (16.4) | (424.4) |
| Share of results of associates | - | - | - | - | 0.9 | 0.9 |
| **Adjusted operating profit/(loss)[1]** | **80.9** | **57.2** | **7.6** | **(0.1)** | **(16.7)** | **128.9** |
| Operating exceptional items and adjustments | - | (0.5) | (1.1) | (0.7) | (18.0) | (20.3) |
| **Profit/(loss) before interest and tax** | **80.9** | **56.7** | **6.5** | **(0.8)** | **(34.7)** | **108.6** |
| | | | | | | |
| Investment income | | | | | 3.2 | 3.2 |
| Finance costs | | | | | (18.7) | (18.7) |
| **Profit before tax** | | | | | | **93.1** |

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

[2] The Other segment includes the results of the greyhound stadia operations. This was disposed of on 31 July 2017.

Segment information for the 52 weeks ended 26 December 2017:

| | Retail £m | Online £m | US £m | Other[2] £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|
| **Revenue** | **913.1** | **616.9** | **56.5** | **4.9** | **-** | **1,591.4** |
| GPT, duty, levies and other costs of sales | (233.6) | (144.6) | (4.9) | (0.4) | - | (383.5) |
| Gross profit | 679.5 | 472.3 | 51.6 | 4.5 | - | 1,207.9 |
| 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) | (32.3) | (4.6) | (35.5) | (862.8) |
| Share of results of associates | - | - | - | - | 1.0 | 1.0 |
| **Adjusted operating profit/(loss)[1]** | **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 | | | | | 6.4 | 6.4 |
| Finance costs | | | | | (37.3) | (37.3) |
| **Profit before tax** | | | | | | **146.5** |

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

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

## 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 segments. More specifically, the directors judge that visibility can be impaired in one or both of the following instances:

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

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

- management and Board reviews of performance against expectations and over time, including assessments of segmental performance (see note 2 and the operating review);
- Remuneration Committee assessments of targets and performance for management remuneration purposes;
- in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making; and
- assessments of loan covenant compliance, which refer to adjusted results.

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

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

### Exceptional items

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

### Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. They comprise the amortisation of specific intangible assets recognised in acquisitions. They previously also included the recognition of interest income on redeemable convertible preference shares and fair value movements relating to redeemable convertible preference shares and warrants over equity investments before the disposal of our investments in NYX on 5 January 2018. The loss on disposal has been recognised as an exceptional item in the period.

These items are defined as adjustments as the directors believe they would impair the visibility of the underlying activities across the segments 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 are as follows:

| | Exceptional items £m | Adjustments £m | 26 weeks ended 26 June 2018 £m | Exceptional items £m | Adjustments £m | 26 weeks ended 27 June 2017 £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|---|---|---|---|
| **Operating** | | | | | | | |
| **Cost of sales** | | | | | | | |
| Indirect taxation[1] | **-** | **-** | **-** | - | - | - | (17.1) |
| **Other operating expenses** | | | | | | | |
| Impairment of Retail segment | **(882.8)** | **-** | **(882.8)** | - | - | - | - |
| Restructuring costs | **(29.9)** | **-** | **(29.9)** | (14.7) | - | (14.7) | (54.4) |
| Disposal of Australia operations | **(1.1)** | **-** | **(1.1)** | - | - | - | - |
| Legal fees | **(0.4)** | **-** | **(0.4)** | - | - | - | (1.3) |
| Disposal of investments in NYX | **(0.4)** | **-** | **(0.4)** | - | - | - | - |
| Portfolio shop closures | **0.2** | **-** | **0.2** | .- | - | - | (7.3) |
| Amortisation of acquired intangibles | **-** | **(1.5)** | **(1.5)** | - | (2.5) | (2.5) | (4.8) |
| Onerous contract[2] | **-** | **-** | **-** | - | - | - | (10.0) |
| Compliance fines[3] | **-** | **-** | **-** | - | - | - | (6.2) |
| Disposal of Stadia operations[4] | **-** | **-** | **-** | (0.7) | - | (0.7) | (2.5) |
| Fair value movements on derivative financial instruments | **-** | **-** | **-** | - | (2.4) | (2.4) | 7.2 |
| | **(914.4)** | **(1.5)** | **(915.9)** | (15.4) | (4.9) | (20.3) | (96.4) |
| **Non-operating** | | | | | | | |
| Investment income on redeemable convertible preference shares | **-** | **-** | **-** | - | 2.8 | 2.8 | 5.5 |
| | **-** | **-** | **-** | - | 2.8 | 2.8 | 5.5 |
| **Total exceptional items and adjustments before tax** | **(914.4)** | **(1.5)** | **(915.9)** | (15.4) | (2.1) | (17.5) | (90.9) |
| Tax on exceptional items and adjustments | **34.3** | **0.2** | **34.5** | 2.5 | 0.6 | 3.1 | 9.4 |
| **Total exceptional items and adjustments** | **(880.1)** | **(1.3)** | **(881.4)** | (12.9) | (1.5) | (14.4) | (81.5) |

[1] During 2017, the Group accrued for certain indirect taxes that it expected to pay following a clarification on tax interpretations. The retrospective element was presented as exceptional within Cost of sales in light of the material scale and one-off nature of the charge.

[2] 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.

[3] 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. This was presented as exceptional given the settlement is a one-off material transaction.

[4] 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.

### Impairment of Retail segment

As a result of the conclusion of the Government triennial review and their announcement of the maximum stakes on gaming machines reducing to £2, management recognised an impairment of the assets of the Retail segment. Details of the impairment are provided in note 15. This was presented as an exceptional item due to its material and one-off nature.

### Restructuring costs

This is a continuation of the substantial corporate restructurings the Group commenced in 2016, referred to as the transformation programme, encompassing cost optimisation and business model initiatives. This is part of a Group-wide programme, which is expected to complete in 2019. This programme, whose costs include fees for external advisers, provisions for onerous property leases and the cost of staff redundancies, are substantial in scope and impact and do not form part of recurring operational or management activities that the directors would consider part of our underlying performance. For these reasons, the directors judge the directly attributable cost impact to be exceptional.

### 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 £1.1m, including costs to sell of £6.8m, has been classified as exceptional due to its one-off nature. Details of the sale are provided in note 14.

### 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 segment and due to the potential of damages and fees being awarded to the Group (see note 13), which would be treated as an exceptional gain due to their material scale and one-off nature.

**Loss on 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 was 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 (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.

## 4. FINANCE COSTS

| | **26 weeks ended 26 June 2018 £m** | 26 weeks ended 27 June 2017 £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|
| Interest payable and similar charges: | | | |
| Bank loans, bonds and overdrafts | **17.8** | 18.1 | 36.0 |
| Amortisation of finance costs | **0.9** | 0.9 | 1.8 |
| Interest payable | **18.7** | 19.0 | 37.8 |
| Interest on net pension scheme assets or liabilities | **(0.7)** | (0.3) | (0.5) |
| | **18.0** | 18.7 | 37.3 |

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

The effective tax rate in respect of adjusted results for continuing operations was 18.9% (26 weeks ended 27 June 2017: 13.7%: 52 weeks ended 26 December 2017: 7.7%). The effective tax rate for continuing operations in respect of statutory results was 2.0% (26 weeks ended 27 June 2017: 13.0%: 52 weeks ended 26 December 2017: 6.0%). The current period's charge was broadly consistent with the UK statutory rate of 19% with the lower effective tax rates on overseas profits offset by a specific tax charge in respect of the unwinding of the intragroup financing on disposal of the Australia operations.

## 6. DIVIDENDS PROPOSED AND PAID

The directors have approved an interim dividend of 4.26 pence per share (2017: 4.26 pence per share) to be paid on 28 November 2018 to ordinary shareholders on the Register of Members on 26 October 2018. In line with the requirements of IAS 10 – 'Events after the Reporting Date', this dividend has not been recognised within these interim results.

The 2017 final dividend of 8.94 pence per share (£76.8m) was paid in the period.

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. The Company estimates that 861 million shares will qualify for the interim dividend.

## 7. EARNINGS/(LOSS) PER SHARE

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

| | **26 weeks ended 26 June 2018** | | | 26 weeks ended 27 June 2017 | | |
|---|---|---|---|---|---|---|
| | **Basic** | **Potentially dilutive share options** | **Diluted** | Basic | Potentially dilutive share options | Diluted |
| **Statutory (loss)/profit (£m)** | | | | | | |
| Continuing operations | **(803.3)** | **-** | **(803.3)** | 81.0 | - | 81.0 |
| Discontinued operations | **3.8** | **-** | **3.8** | 0.4 | - | 0.4 |
| **Total** | **(799.5)** | **-** | **(799.5)** | 81.4 | - | 81.4 |
| **Weighted average number of shares (million)** | **858.7** | **4.5** | **863.2** | 856.8 | 2.4 | 859.2 |
| **(Losses)/earnings per share (pence)** | | | | | | |
| Continuing operations | **(93.5)** | **-** | **(93.5)** | 9.4 | - | 9.4 |
| Discontinued operations | **0.4** | **-** | **0.4** | 0.1 | - | 0.1 |
| **Total** | **(93.1)** | **-** | **(93.1)** | 9.5 | - | 9.5 |

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| | 52 weeks ended 26 December 2017 | | |
|---|---|---|---|
| | Basic | Potentially dilutive share options | Diluted |
| **Statutory Profit/(loss) (£m)** | | | |
| Continuing operations | 137.7 | - | 137.7 |
| Discontinued operations | (220.9) | - | (220.9) |
| **Total** | (83.2) | - | (83.2) |
| **Weighted average number of shares (million)** | 856.9 | 4.8 | 861.7 |
| **Earnings/(losses) per share (pence)** | | | |
| Continuing operations | 16.1 | (0.1) | 16.0 |
| Discontinued operations | (25.8) | - | (25.8) |
| **Total** | (9.7) | - | (9.7) |

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

| | **26 weeks ended 26 June 2018** | | | 26 weeks ended 27 June 2017 | | |
|---|---|---|---|---|---|---|
| | **Basic** | **Potentially dilutive share options** | **Diluted** | Basic | Potentially dilutive share options | Diluted |
| **Adjusted Profit/(loss) (£m)** | | | | | | |
| Continuing operations | **78.1** | **-** | **78.1** | 95.4 | - | 95.4 |
| Discontinued operations | **4.5** | **-** | **4.5** | 0.6 | - | 0.6 |
| **Total** | **82.6** | **-** | **82.6** | 96.0 | - | 96.0 |
| **Weighted average number of shares (million)** | **858.7** | **4.5** | **863.2** | 856.8 | 2.4 | 859.2 |
| **Earnings/(losses) per share (pence)** | | | | | | |
| Continuing operations | **9.1** | **(0.1)** | **9.0** | 11.1 | - | 11.1 |
| Discontinued operations | **0.5** | **-** | **0.5** | 0.1 | - | 0.1 |
| **Total** | **9.6** | **(0.1)** | **9.5** | 11.2 | - | 11.2 |

| | 52 weeks ended 26 December 2017 | | |
|---|---|---|---|
| | Basic | Potentially dilutive share options | Diluted |
| **Adjusted Profit/(loss) (£m)** | | | |
| Continuing operations | 219.1 | - | 219.1 |
| Discontinued operations | 17.8 | - | 17.8 |
| **Total** | 236.9 | - | 236.9 |
| **Weighted average number of shares (million)** | 856.9 | 4.8 | 861.7 |
| **Earnings/(losses) per share (pence)** | | | |
| Continuing operations | 25.6 | (0.1) | 25.5 |
| Discontinued operations | 2.0 | - | 2.0 |
| **Total** | 27.6 | (0.1) | 27.5 |

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.#

Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase losses per share.

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 27.6 million in the 26 weeks ended 26 June 2018 (27 June 2017: 30.5 million, 26 December 2017: 30.4 million).

## 8. DISPOSAL OF INVESTMENT IN NYX

On 20 September 2017, Scientific Games Corporation (SGC) and NYX announced SGC's agreed proposal to acquire NYX and all outstanding NYX shares. The agreed price was $2.40 CAD per share. On 7 December 2017, the Group reached an agreement with SGC to unconditionally support SGC's proposed acquisition of NYX. In connection with the proposed acquisition, SGC agreed to acquire the Group's convertible preference shares for £87.9m and the ordinary shares at the acquisition price of $2.40 CAD per share (£9.7m) and repay the loan of £3.1m. The transfer of the investments, and receipt of consideration, was completed on 5 January 2018. The categories of financial assets disposed of consist of Loans receivable £49.4m, Derivative financial instruments £42.0m and Investments £9.3m, (see note 16 to the financial statements in the 2017 Annual Report for more information).

### 9. BORROWINGS

| | **26 June 2018 £m** | 27 June 2017 £m | 26 December 2017 £m |
|---|---|---|---|
| Borrowings at amortised cost | | | |
| Bank loans | **-** | - | - |
| Less: expenses relating to bank loans | **(0.8)** | (1.6) | (1.2) |
| £375m 4.25% Guaranteed Notes due 2020 | **375.0** | 375.0 | 375.0 |
| Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020 | **(1.1)** | (1.7) | (1.4) |
| £350m 4.875% Guaranteed Notes due 2023 | **350.0** | 350.0 | 350.0 |
| Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023 | **(1.7)** | (2.2) | (1.9) |
| Total Borrowings as due for settlement after 12 months | **721.4** | 719.5 | 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 | **-** | 375.0 | 375.0 |
| After more than five years | **350.0** | 350.0 | 350.0 |
| | **725.0** | 725.0 | 725.0 |

**Bank facilities**

At 26 June 2018, the Group had the following bank facilities:

1. A committed revolving credit bank loan facility (RCF) of £540m provided by a syndicate of banks which expires in May 2019. At the period end, £nil of this facility was drawn down (27 June 2017: £nil; 26 December 2017: £nil).
2. An overdraft facility of £5m, of which £nil was drawn down at the period end (27 June 2017: £nil; 26 December 2017: £nil).

*£540m Revolving Credit Facility*

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

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (see note 22 to the financial statements in the 2017 Annual Report for more information on this). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

*Overdraft facility*

At 26 June 2018, the Group had an overdraft facility with National Westminster Bank plc of £5m (27 June 2017: £5m; 26 December 2017: £5m). The balance on this facility at 26 June 2018 was £nil (27 June 2017: £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 funds raised used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon rate of 4.25% and are due for redemption in June 2020.

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

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

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

## 10. NOTES TO THE CASH FLOW STATEMENT

| | Notes | **26 weeks ended 26 June 2018 £m** | 26 weeks ended 27 June 2017 £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|---|
| (Loss)/profit before interest and tax | | **(802.3)** | 108.6 | 177.4 |
| Adjustments for: | | | | |
| Share of results of associates | | **0.1** | (0.9) | (1.0) |
| Depreciation of property, plant and equipment | | **14.3** | 14.9 | 28.9 |
| Amortisation of intangibles | | **25.1** | 23.6 | 48.1 |
| Impairment of Retail segment | 15 | **882.8** | - | - |
| Loss on disposal of property, plant and equipment | | **-** | 0.2 | 0.4 |
| (Gains)/losses on early settlement of vacant property leases | | **(0.2)** | - | 7.3 |
| Loss on disposal of Australian operations and costs to sell | 14 | **7.9** | - | - |
| Loss on disposal of Stadia operations | | **-** | - | 2.5 |
| Cost charged in respect of share remuneration | | **3.0** | 2.2 | 5.2 |
| Defined benefit pension cost less cash contributions | | **(4.9)** | (4.8) | (9.6) |
| Movements on ante post bet liabilities | | **3.8** | (6.4) | 0.2 |
| Fair value adjustments on classification of Stadia operations as disposal group | | **-** | 0.2 | - |
| Fair value movements and losses on disposal on derivative financial instruments | | **0.4** | 2.4 | (7.2) |
| Operating cash flows before movements in working capital: | | **130.0** | 140.0 | 252.2 |
| (Increase)/decrease in receivables | | **(6.4)** | 9.7 | 2.2 |
| Increase/(decrease) in payables | | **10.4** | (14.7) | 82.9 |
| Cash generated by operations | | **134.0** | 135.0 | 337.3 |
| Income taxes paid | | **(6.1)** | (5.5) | (28.4) |
| Interest paid | | **(17.9)** | (18.1) | (36.3) |
| **Net cash from operating activities – continuing operations** | | **110.0** | 111.4 | 272.6 |
| **Net cash from operating activities – discontinued operations** | 14 | **1.0** | 3.9 | 17.5 |

## 11. RETIREMENT BENEFIT ASSET

The retirement benefit asset relating to the Group's UK Pension Scheme at 26 June 2018 was £29.9m, a decrease of £28.8m 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.

## 12. RELATED PARTY TRANSACTIONS

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

**Trading transactions**

**Associates**

The Group holds an investment of 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS). During the period the Group made purchases of £34.1m (26 weeks ended 27 June 2017: £24.4m; 52 weeks ended 26 December 2017: £52.5m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 26 June 2018 the amount due to or from Satellite Information Services Limited by the Group was £nil (27 June 2017 £nil; 26 December 2017: £nil).

The Group made no purchases from its associated undertaking, NeoGames. The Group has made available a US$15m loan facility to NeoGames, of which $4m was drawn down on 13 March 2018. At 26 June 2018, $4m of the drawn-down loan and $0.1m interest on the drawn-down amount was receivable from NeoGames (27 June 2017: $nil; 26 December 2017: $nil). At 26 June 2018, no amounts were outstanding from/to NeoGames in respect of purchases (27 June 2017: £nil; 26 December 2017: £nil).

All transactions with associates were made at market price.

**Key management personnel**

Transactions between the Group and key management personnel in the first half of 2018 were limited to those relating to remuneration previously disclosed as part of the Director's Remuneration Report within the Group's 2017 Annual report. There have been no other material changes to the arrangements between the Group and key management personnel in the period.

## 13. CONTINGENT ASSET AND LIABILITY

### Contingent asset

We have incurred legal fees in respect of specific legal action following the 2012 acquisition of businesses in Nevada, USA. These fees have been classified as exceptional (note 3).

There is potential of damages and fees being awarded to the Group. At this stage we are unable to quantify the size of these gains while the court process is ongoing.

### Contingent liability

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

## 14. SALE OF AUSTRALIAN OPERATIONS

On 6 March 2018, the Group publically 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 Company 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 | **(6.8)** |
| **Net proceeds on disposal of Australia operations** | **141.0** |
| | |
| 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 | **29.6** |
| Corporation tax liability | **3.8** |
| Derivative financial instruments (liabilities) | **1.1** |
| Deferred tax liabilities | **4.1** |
| **Net assets disposed of (excluding cash)** | **(57.8)** |
| | |
| Less: | |
| Transfer from foreign currency translation reserve on disposal | **(84.3)** |
| | |
| **Loss on disposal of discontinued operation** | **(1.1)** |

**Results of discontinued operations**

| | Notes | 26 weeks ended 26 June 2018 Adjusted £m | 26 weeks ended 26 June 2018 Exceptional items and adjustments £m | 26 weeks ended 26 June 2018 Statutory total £m | 26 weeks ended 27 June 2017 Adjusted £m | 26 weeks ended 27 June 2017 Exceptional items and adjustments £m | 26 weeks ended 27 June 2017 Statutory total £m | 52 weeks ended 26 December 2017 £m |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | **31.0** | **-** | **31.0** | 58.5 | - | 58.5 | 119.7 |
| Cost of sales | | **(7.3)** | **-** | **(7.3)** | (17.3) | - | (17.3) | (31.4) |
| **Gross profit** | | **23.7** | **-** | **23.7** | 41.2 | - | 41.2 | 88.3 |
| Other operating income | | **1.2** | **-** | **1.2** | 1.5 | - | 1.5 | 4.9 |
| Other operating expenses[1] | | **(21.1)** | **(0.7)** | **(21.8)** | (42.1) | (0.2) | (42.3) | (314.3) |
| **Profit/(loss) before interest and tax** | | **3.8** | **(0.7)** | **3.1** | 0.6 | (0.2) | 0.4 | (221.1) |
| Tax | | **0.7** | **-** | **0.7** | - | - | - | 0.2 |
| **Profit/(loss) for the period from discontinued operations** | | **4.5** | **(0.7)** | **3.8** | 0.6 | (0.2) | 0.4 | (220.9) |

[1] 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 (26 weeks ended 27 June 2017: £0.2m; 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 per share from discontinued operations**

| | **26 June 2018 £m** | 27 June 2017 £m | 26 December 2017 £m |
|---|---|---|---|
| Basic earnings per share | **0.4** | 0.1 | (25.8) |
| Diluted earnings per share | **0.4** | 0.1 | (25.8) |

**Net cash flows from discontinued operations**

| | **26 June 2018 £m** | 27 June 2017 £m | 26 December 2017 £m |
|---|---|---|---|
| Operating activities | **1.0** | 3.9 | 17.5 |
| Investing activities | **(3.0)** | (5.1) | (8.8) |
| Financing activities | **-** | - | - |
| **Net cash from discontinued operations** | **(2.0)** | (1.2) | 8.7 |

## 15. RETAIL SEGMENT IMPAIRMENT

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. The most recent annual test was conducted at 26 December 2017. 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 we describe in note 2.

At the interim, the Group considers whether there has been any impairment indicators that would require a full impairment review to be performed for each CGU individually. The DCMS concluded their triennial review of stakes and prizes in May 2018 and announced maximum stakes on FOBTs are to be reduced from £100 to £2. 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. Given this estimated size of impact, it was assessed that the DCMS announcement of the reduction in maximum stakes represented an impairment indicator within the interim period. As such an impairment review of the Retail CGU was performed in full as at 26 June 2018.

The value in use calculation was based upon estimates of future cash flows derived from the Group's long-range adjusted operating profit forecasts for the Retail segment before the impact of the result of the triennial review was considered. Adjusted operating profit forecasts are derived from the Group's annual strategic planning or similarly scoped exercise. These are forecasts, looking four years ahead, with separate extrapolation of net revenue and expenses based on a combination of recently observable trends, management expectations and known future events, although excluding the impact of the results of the triennial review as the results were not known at the time of the long-range adjusted operating profit forecast. For the purposes of the value in use calculation, the long-range operating forecast is extended to cover a five-year period. Year one of the long-range adjusted operating profit forecast was replaced by the most recent budget for the current year for the Retail segment. This was done to ensure that year one of the test reflects the latest detailed planning for that period. The implications, if any, of a materially different adjusted operating profit outcome for annual budget versus the relevant year of the long range forecast were also considered at that point. Cash flows beyond that five-year period were extrapolated using long-term growth rate as estimated by management. Both the budget and the long-range adjusted operating profit forecasts are approved by the Board.

These long-range adjusted operating profit forecasts were then adjusted for the expected impact of the results of the triennial review, using the c£70-100m previously disclosed. The range of c£70-100m was calculated 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. Other shops that were modelled to become loss making but where the losses were small compared to the costs of closure were assumed to remain open. On top of the contribution by shop, certain estimated savings within the central support functions of the retail segment were included. Within the range of c£70-£100m, management used their judgement to assess their best estimate year-on-year as well as extrapolated into the long-term. Management used the £100m at the top of the range within the value in use calculations given the planning behind the mitigation strategies is still at an early stage.

Currently, the timing of the implementation of the £2 maximum stake is unknown. The maximum stake will need parliamentary approval and the DCMS noted that they will engage with the gambling industry to ensure it is given sufficient time to implement and complete the technological changes. An assumption has therefore been included within the impairment review of the timing of implementation.

Adjusted operating profits were used as a proxy for operating cash flows other than two specific adjustments. A capital expenditure adjustment was included to increase operating cash flows compared to operating profit with capital expenditure expected to decrease after implementation of the £2 maximum stake. Similarly a one-off working capital decrease was included to increase operating cash flows compared to operating profit. Neither of these adjustments were modelled into the long-term growth rate of the Retail segment as, over time, once the £2 maximum stake has been implemented, it would be expected that adjusted operating profits would be a good proxy to operating cash flows.

The discount rate was applied to the CGU's cash flows, reflecting both the time value of money and the risks that apply to the cash flows of that CGU. The discount rate was calculated using the weighted average cost of capital formula based on the CGU's leveraged beta. The leverage beta was determined by management as the mean unleveraged beta of listed gaming and betting companies, with samples chosen where applicable from comparable markets as the CGU, leveraged to the CGUs and Group's capital structure. Further risk premia and discounts were applied, if appropriate, to this rate to reflect the risk profile of the specific CGU relative to the market in which it operates. The discount rate is 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, excluding the impact of the results of the triennial review which were separately adjusted for within the impairment review;
- 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, 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 budget process, expenses incorporate a bottom-up estimation of our cost base. For employee remuneration, this takes into account staffing numbers and models, 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 principal assumptions underlying our model of the impact of the triennial review are as follows:

- we assume that there will be some product substitution by certain customers;
- we assume that certain competitor shops will close and that we would capture a proportion of these customers; and
- we assume that all shops that become loss making will be closed other than a sample of shops which are estimated to only make small losses compared to much larger shop closure costs and therefore would be kept open until their lease expiry. The costs of the shop closure are assumed to be consistent to those incurred in previous shop closure programmes.

The other significant assumptions incorporated into our impairment review are those relating to discount rate and long-term growth assumption. The impairment review assumed a discount rate of 8.8% and a long-term growth rate of 0.0%. The annual impairment review performed at 26 December 2017 used a discount rate of 9.1% and a long-term growth rate of 0.0%

The results of the impairment review were to recognise an impairment charge of £882.8m in Other operating expenses as an exceptional item (note 3).

The impairment charge was first allocated in full to goodwill. The remaining impairment charge, once goodwill had been decreased to nil, was taken pro-rata against the remaining non-current assets of the Retail segment excluding Software, namely licences within intangible assets and land & 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.

| Assets in Retail CGU | Balance pre impairment charge allocation £m | Impairment charge allocation £m | Balance c/f £m |
|---|---|---|---|
| Intangible Assets – Goodwill (note 16) | 680.7 | (680.7) | - |
| Intangible Assets – Licence value (note 16) | 484.3 | (151.5) | 332.8 |
| Intangible Assets – Software (note 16) | 30.5 | - | 30.5 |
| Property, plant and equipment – Land & buildings (note 17) | 123.0 | (38.6) | 84.4 |
| Property, plant and equipment – Fixtures, fittings and equipment (note 17) | 38.5 | (12.0) | 26.5 |
| Current assets (excluding cash) | 30.9 | - | 30.9 |
| **Total** | **1,387.9** | **(882.8)** | **505.1** |

**Sensitivity of impairment reviews**

The following reasonable possible changes in assumptions upon which the recoverable amount was estimated, would lead to the following changes in the impairment charge for the Retail CGU:

| Change in assumption | Increase / (decrease) impairment charge (£m) |
|---|---|
| Decrease in operating cash flows by 10% | 50.5 |
| Increase in discount rate by 1% | 33.9 |
| Timing of implementation moves forward by 1 year | 90.1 |
| Decrease in long term growth rate by 1% | 23.7 |
| Annual triennial impact at lowest end of c£70-£100m range | (308.0) |

## 16. INTANGIBLE ASSETS

| | Goodwill £m | Licence value £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 | (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 | - | - | - | - | 28.5 | 28.5 |
| Impairment losses | (680.7) | (151.5) | - | - | - | (832.2) |
| Disposals | (59.5) | - | (3.6) | - | (52.0) | (115.1) |
| Effect of foreign exchange rates | (3.2) | - | (0.1) | - | (2.5) | (5.8) |
| **At 26 June 2018** | **257.3** | **332.8** | **156.1** | **11.0** | **356.2** | **1,113.4** |
| | | | | | | |
| 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 | - | - | 1.4 | - | 23.6 | 25.0 |
| Disposals | - | - | (1.5) | - | (34.0) | (35.5) |
| Effect of foreign exchange rates | - | - | - | - | (1.8) | (1.8) |
| **At 26 June 2018** | **41.6** | - | **152.0** | **11.0** | **243.8** | **448.4** |
| | | | | | | |
| Net book value: | | | | | | |
| **At 26 June 2018** | **215.7** | **332.8** | **4.1** | **-** | **112.4** | **665.0** |
| At 26 December 2017 | 959.1 | 484.3 | 7.7 | - | 126.2 | 1,577.3 |

## 17. 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 | 1.2 | 9.2 | 10.4 |
| Impairment losses | (38.6) | (12.0) | (50.6) |
| Disposals | (0.5) | (12.7) | (13.2) |
| Effect of foreign exchange rates | - | 0.1 | 0.1 |
| **At 26 June 2018** | **352.5** | **134.4** | **486.9** |
| | | | |
| 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 | 3.1 | 11.1 | 14.2 |
| Disposals | (0.4) | (10.7) | (11.1) |
| Effect of foreign exchange rates | - | 0.1 | 0.1 |
| **At 26 June 2018** | **239.8** | **113.1** | **352.9** |
| | | | |
| Net book value: | | | |
| **At 26 June 2018** | **112.7** | **21.3** | **134.0** |
| At 26 December 2017 | 153.3 | 37.2 | 190.5 |

## Independent Review Report to William Hill PLC

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the 26 week period ended 26 June 2018 which comprises the consolidated income statement, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 17. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors’ responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the interim financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 week period ended 26 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

**Deloitte LLP**

Statutory Auditor

London, United Kingdom

3 August 2018

## GLOSSARY AND ABBREVIATIONS

**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.

**Amortisation**

Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition.

**Amounts wagered**

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

**DCMS**

Department for Culture, Media and Sport.

**EPS**

Earnings per share.

**EBITDA**

Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted operating profit before depreciation and amortisation, and share remuneration charges.

**Free bets**

These 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.

**Net debt for covenant purposes**

Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances. This is not a statutory measure and may differ from loan covenant measures used by other companies.

**Net revenue**

This is an industry term equivalent to Revenue as described in the Statement of Group Accounting Policies in the 2017 Annual Report. It is equivalent to gross win less fair value adjustments, which are principally free bets.

**New accounts**

Customers who registered and transacted within the reporting period.

**PASPA**

Professional and Amateur Sports Protection Act 1992.

**PBIT**

Profit before interest and tax.

**Sportsbook**

Bets placed and accepted online on sporting and other events, or via over-the-counter 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.