Towards a digitally led, internationally diverse business

William Hill PLC
Annual Report and Accounts 2018

It's a challenging time for gambling, but also an exciting one. William Hill is a **trusted brand** and this gives us a strong platform to **make the most of opportunities** before us.

As market conditions change, we respond and **our focus** on three key areas will drive **sustainable results**.

Our purpose is to provide **a great gambling experience** while ensuring **nobody is harmed by gambling**.

OUR AMBITION IS NOBODY HARMED BY GAMBLING

See Q&A with our CEO and CFO **p 10**

Also see the Sustainability Report for more on Nobody Harmed **p 36**

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Pages 01 to 61 form the Strategic Report of William Hill PLC for the 53-week period ended 1 January 2019.

The Strategic Report has been approved by the Board of William Hill PLC and signed on behalf of the Board by Philip Bowcock, CEO and Ruth Prior, CFO.

> These are challenging and exciting times for both the Group and gambling more broadly, and we are responding with focus and ambition.
>
> **Roger Devlin** Chairman

Doing the **right thing** to succeed

I am pleased to present to you my first report as Chairman of William Hill, having taken on the role in April 2018.

Overview

The last year has been dominated by two major regulatory decisions that gave us clarity on the operating environment in our two principal markets: the UK and the US. In May 2018, the UK Government announced the outcome of the Triennial Review and decided to reduce the maximum stake on B2 gaming products in betting shops to £2; this will be implemented in April 2019 and, in our view, will result in a structural reshaping of the UK licensed betting office (LBO) market. In the same week, the Supreme Court of the US overturned the 25-year-old federal ban on sports betting, opening the door for multiple states to regulate.

Our management team had anticipated these changes and moved quickly to respond. In November, we outlined this new strategy with clear growth goals reflecting the opportunities and challenges, and the different stages of evolution of each of our three divisions: Online, Retail and US.

Our ambition is to build William Hill over time into a more diversified and digitally led business, and our aspiration is to double profitability from 2018 levels by 2023, in spite of those profits declining in 2019 as we remodel Retail and invest in the US.

The sale of William Hill Australia in April 2018 was a difficult decision but the right one as it both increased focus on our three core businesses and strengthened our balance sheet. Overseas growth remains a central tenet of our strategy and, in January 2019, we acquired Mr Green & co AB (Mr Green), a fast-growing digital gaming business with a diversified international footprint and a proven track record of expanding into new markets.

During the year, we also undertook a sustainability review and addressed concerns raised by the UK Gambling Commission. We agreed a £6.2m regulatory settlement in February, where former policies were deemed insufficient to ensure regulatory compliance. We recognise there are real public concerns about gambling and gambling-related harm, and we are responding by driving cultural change in the business and committing to a far-reaching and long-term ambition that nobody is harmed by gambling.

Performance overview

Performance in 2018 reflects the very different market and regulatory conditions being addressed by our three divisions, with Online adjusted operating profit[1] slightly down, Retail declining and the US both growing and investing. Group net revenue[2] was up 2% and adjusted operating profit was down 15%.The transformation programme continued to deliver both revenue and cost benefits and improved our digital capabilities. The programme is expected to complete in 2019.

In Online, we continue to deliver good growth in actives and new accounts as we broaden our customer base with more mass market customers. However, adverse regulatory and tax changes impacted 2018 and are expected to impact 2019 performance, mitigating a trend of positive underlying growth.

Retail continues to be affected by tough high street conditions, contributing to revenue and profit declines. We recognised an exceptional £882.8m non-cash impairment of the business as we anticipate reduced future cash flows following the UK Government's decision to reduce maximum gaming stakes.

In the US, our existing business in Nevada delivered another very strong performance, benefiting from mobile-driven growth and positive sports results. Following regulation, which is on a state-by-state basis, we moved quickly to expand in six further states by the period end, including taking the first bets in Rhode Island, West Virginia, Delaware, New Jersey and Pennsylvania.

We have secured access to 17 states so far, principally through a strategic partnership, completed in January 2019, with Eldorado Resorts, Inc., one of the US's leading multi-state casino operators.

This is an exciting time for the Group and we are investing to capitalise on our position as the leading sports betting operator in the US, having been established in Nevada since 2012.

Overall, Group earnings per share (EPS) was a loss of 83.6p. Excluding exceptional items of £922.1m, principally relating to the Retail impairment, basic, adjusted EPS[3] was 20.6p, down 21%.

The Board committed to pay the 2018 full-year dividend from underlying earnings excluding US Expansion. Therefore, the Board has decided to pay a final dividend of 7.74p per share, giving a full-year dividend of 12.0p per share, equivalent to 50% of those earnings.

The Board recognises the importance of the dividend alongside investment in long-term growth and driving substantial shareholder value. Moving forward, now that our US ambitions are clearer, we believe it appropriate that dividends are paid out of true underlying earnings and, as such, US Expansion costs will be included in the calculation of underlying earnings from fiscal year 2019 onwards. However, reflective of the Board's confidence in the Group's strategy, strong capital position and future cash generation prospects, the Board has committed to underpin the annual dividend to be not less than 8p per share until such time as the earnings come back in line with the payout policy.

The investment behind our strategy is supported by a strong balance sheet, with net debt to EBITDA[4] of 1.0 times at 1 January 2019.

Outlook

2018 was a pivotal year for William Hill. Regulation is a fact of life for our business, presenting us with ups and downs. 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.

As we enter 2019, we have not only regulatory clarity but also stable leadership, passionate people, a clear strategy and a robust balance sheet to support investment in the improvements we need to make and the growth potential we plan to deliver. We are continuing to monitor developments around the UK's withdrawal from the European Union and currently consider that 'Brexit' is likely to have a limited impact on the William Hill business.

I have a number of people to thank. First, my colleagues on the Board for their ongoing commitment and for their support during my first year as Chair. Second – and on behalf of the entire Board – Gareth Davis, who stepped down after nearly eight years as Chairman in April 2018 having seen the Group through some difficult times. We wish him all the very best. Third, to the members of the Board who stood down or retired from the Board this year – Sir Roy Gardner, Imelda Walsh and John O'Reilly – and David Lowden who will step down from the Board on 4 March 2019. I am pleased that Mark Brooker and Georgina Harvey have taken over the roles of the Senior Independent Director (SID) and the Chair of the Remuneration Committee respectively, and that Robin Terrell will take up Chairmanship of the Audit and Risk Management Committee from David. We also welcome Gordon Wilson, who joined the Board as a Non-executive Director in January 2019. The work of the Board and its Committees in 2018 is further explained in the corporate governance report on pages 66 to 76.

Finally, the Board and I would like to record our thanks to all our William Hill colleagues, especially those who have endured considerable uncertainty as a consequence of regulatory developments. All our teams have stayed focused and positive in the face of significant change this year, and continue to deliver a great experience to all our customers, every day.

Roger Devlin
Chairman

Performance highlights

£1.6bn
Net revenue R
+2%

-83.6p
Basic loss per share

-£687.9m
Loss before interest and tax

20.6p
Basic, adjusted earnings per share R
-21%

£233.6m
Adjusted operating profit R
-15%

12.0p
Dividend per share
-9%

1 We incurred a statutory loss due to an £882.8m impairment to our Retail business. Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on exceptional items and adjusted measures is provided in note 3 to the financial statements.

2 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.

These numbers are presented over a 53-week period and on a continuing operations basis.

3 Adjusted EPS is calculated using adjusted profit after tax and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements.
The calculation of EPS measures is shown in note 11 to the financial statements.

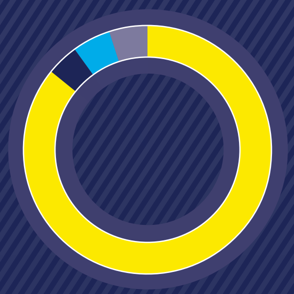
4 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 24 to the financial statements.

R This performance metric is linked to Directors' remuneration (see page 87 onwards).

Our business

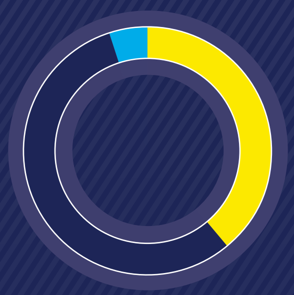
Group at a glance[1]

2018 Group net revenue by market[2]



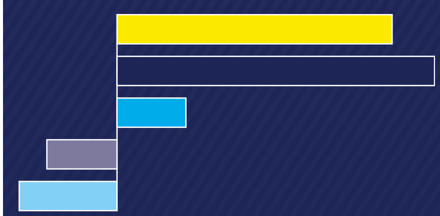
UK	86%	US	5%
Italy and Spain	4%	Other	5%

2018 Group net revenue by division[2]



Online	39%	William Hill US	5%
Retail	56%		

2018 Group adjusted operating profit by division[3]



Online	£130.2m
Retail	£150.3m
US Existing	£32.6m
US Expansion	£(33.2)m
Corporate costs and other	£(46.3)m

Group facts

85
years of heritage

c15,500
employees

8
countries where we have a presence

>£8bn
processed in sporting wagers

Our values

- Eyes on the customer
- Give a damn
- Own it
- On the same side
- "It'll do" will never do

see p 42

1 As of 1 January 2019, prior to the acquisition of Mr Green.
2 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.
3 Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on exceptional items and adjusted measures is provided in note 3 to the financial statements.

Online

Our Online business has been around since 1998 when we launched www.williamhill.com.

Retail

William Hill is one of the most recognisable names on the UK high street, having taken bets in LBOs since 1966.

William Hill US*

William Hill US was created in June 2012 by acquiring and merging three small sports book operators under the William Hill brand.

* William Hill US is comprised of 'US Existing' and 'US Expansion'.

see p 18

3 million

active Online customers worldwide

Since then, we have made significant advances to bring customers a vast and engaging product range, tailor the customer experience and invest in our brand.

We are now one of the leading online betting and gaming companies, employing c15,500 people in eight countries. This does not include additional employees from Mr Green, who will drive international expansion from Malta and increase the number of countries that we operate in to 12.

Around three million customers gambled with Online in 2018, principally in the UK, Italy and Spain.

Our customers have access to more than a million betting opportunities every week. This includes in-play and pre-match sports betting, plus a wide range of gaming products.

Our customers can bet with us wherever and whenever they want, enhancing the fun of watching a match or enjoying the thrill of gaming.

see p 24

2,300

shops in UK

As at 1 January 2019, we have c2,300 of the c8,500 shops in the market,[1] although this will reduce following implementation of the Triennial Review decision with up to 900 shops becoming at risk of closure.

We offer sports betting on football, horseracing and other sports as well as gaming on machines. Customers can place a sports bet over-the-counter (OTC) or via our innovative, proprietary self-service betting terminals (SSBTs).

Having successfully completed the roll-out of our own SSBTs in 2017, we now have at least one in every shop. And for the customers who love their shop as much as online, we offer a great omni-channel experience including Plus Cards that offer Retail customers many of the benefits of the online experience.

1 UK Gambling Commission Industry Statistics, April 2017 to March 2018, published November 2018.

see p 30

32%

market share by revenue in Nevada

We are the largest operator of land-based sports betting shops (sports books) in Nevada. We run sports books in 109 out of 191 casinos in Nevada, equating to 57% market share by number of sports books and 32% by revenue.

In Nevada, 52% of our revenues come from customers who bet with us through our mobile app. Since William Hill US was established we have also been the exclusive bookmaker for the State of Delaware's sports lottery.

With the US opening up for sports betting this year, we have been able to leverage our existing US presence to move quickly, and we launched or expanded sports betting in six states in 2018. It is our goal to be operational in every state that regulates and we expect this number to grow significantly over the next two years as more states move to legalise sports betting.

The first half of 2018 was an important period for William Hill and the wider sector. Long-awaited regulatory changes in our major markets substantially clarified our operating environment. In addition, we completed a sustainability review and addressed concerns raised by regulators.

Philip Bowcock Chief Executive Officer

Review of the year

GAMBLING COMMISSION

Settlement with the UK Gambling Commission

William Hill Online entered into a £6.2m regulatory settlement with the UK Gambling Commission relating to a number of cases where our former policies had failed to ensure we were fully compliant with regulations.

February

CMA investigation into gambling sector practices

In 2017, the Competition & Markets Authority (CMA) conducted an investigation into some of the gambling sector's practices relating to promotions, terms and conditions, and sign-up bonuses. We agreed a set of undertakings with the CMA on our marketing communications and product journey, and implemented these in February.

March

Sale of William Hill Australia

Following a strategic review of our Australia business, we announced the sale of William Hill Australia to CrownBet for A$313.7m.

Australia's profitability was coming under increased pressure following the introduction of a credit betting ban and the introduction by states of a point-of-consumption tax was anticipated.

July

Nobody Harmed

On 16 July – founder Mr William Hill's birthday – we published a bold and long-term ambition that nobody is harmed by gambling. CEO Philip Bowcock reflected: "We must recognise the hidden side of gambling and get much better at helping our customers stay safe, in shops and online, in the UK and around the world."

Read more at: www.williamhillplc.com/nobodyharmed

August

Our new global brand ambassador

In August, we welcomed Anthony Joshua as our new William Hill global brand ambassador.

The British sporting icon will feature in integrated advertising campaigns as well as social media and PR activities.

September

Partnership with Eldorado Resorts

On 5 September, we announced a nationwide partnership between William Hill US and Eldorado Resorts, Inc., a digital and land-based sports betting and online gaming company in the US. This completed in January 2019.

Following the US Supreme Court decision in May and with licences largely being awarded to established land-based operations like casinos and race tracks, gaining access to the new markets is key.

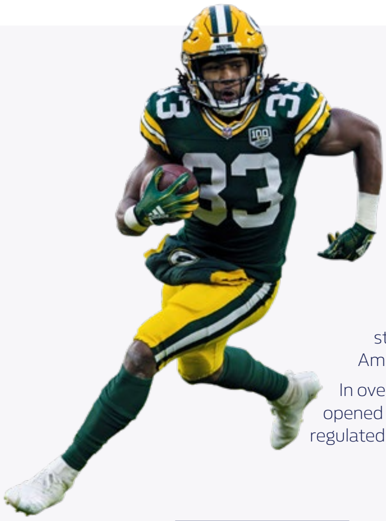
October

Mr Green acquisition

International expansion is a central pillar of our strategy, diversifying the Group from its traditional UK base where the market is maturing and growth is slowing.

To accelerate this, we announced on 31 October a recommended cash offer to acquire Mr Green & Co for SEK 2,819m (c£242m). This deal completed in January 2019.

mr green



PASPA overturned

On 14 May, the first of two major regulatory decisions landed when the US Supreme Court struck down the 25-year-old Professional and Amateur Sports Protection Act (PASPA).

In overturning PASPA, the Supreme Court opened the door for sports betting to be regulated on a state-by-state basis.

First legal sports bet in New Jersey

On 14 June, William Hill US took the first legal sports bet in New Jersey from Governor Phil Murphy who placed his bets at William Hill's Race and Sports Bar at Monmouth Park Racetrack, backing Germany to win the 2018 World Cup and the New Jersey Devils to win the 2018-19 Stanley Cup.

May

UK gaming machine stakes reduced

On 17 May, the UK Government announced the outcome of the Triennial Review into gaming machine stakes and prizes. Its principal decision was to reduce the maximum stake on B2 gaming products to £2. This resulted in an £882.8m impairment to the Retail business.

June

The William Hill Arms

The William Hill Arms in London – temporary proprietor, Mr P. Bowcock – was the place to watch the England games. We welcomed 1,679 fans through the door, former players with more than 190 England caps and the only England manager with a 100% record.

14 June–15 July

FIFA World Cup

As ever, the FIFA World Cup created a lot of excitement and opportunities to engage with customers, ever hopeful that #itscominghome.

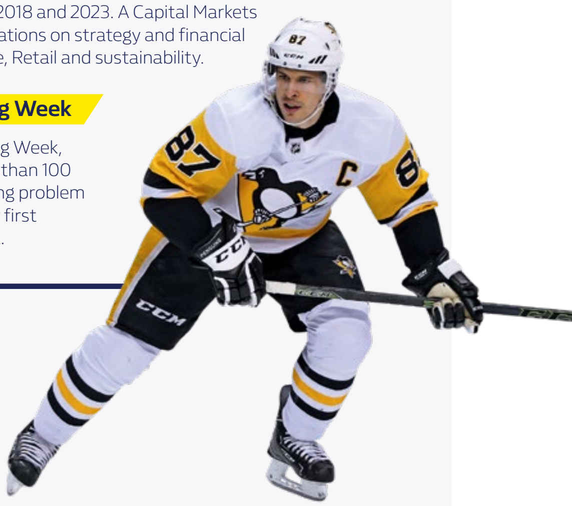
Launching early with our innovative Scratch of the Day offer and Perfect Hat Trick coupon, we had market-leading awareness on day one of the tournament.

Our new strategy

On 6 November, we published our new strategy, showing how we were responding quickly to the challenges and opportunities resulting from recent regulatory changes. The Group's ambition is to double its profits between 2018 and 2023. A Capital Markets Day featured presentations on strategy and financial guidance, the US, Online, Retail and sustainability.

Responsible Gambling Week

As part of Responsible Gambling Week, held from 1 to 7 November, more than 100 people passionate about addressing problem gambling gathered in London for our first Nobody Harmed crowdsourcing event.



September/October

Go One Better Awards

The Go One Better Awards are an annual celebration of our colleagues' success, which was rebranded for the first time this year in line with our values. Over 4,000 nominations were received, from both our people and our customers. Our winners were crowned at events held across the Group in Gibraltar, Krakow, Sofia, Manila and Ayr Racecourse in the UK.

November

With clarity from these regulatory changes, we moved quickly to define the ambition, strategy and priorities for the Group, which we laid out at a Capital Markets Day in November. We also launched a bold, long-term ambition that nobody is harmed by gambling.

Philip Bowcock Chief Executive Officer

Our ambition is to build a digitally led and internationally diverse gambling business. With more markets opening up to online gambling, we can leverage the heritage of the respected William Hill brand to take a leading position on the gambling world stage.

Philip Bowcock Chief Executive Officer

Strategy update

Overview

2018 was a significant year for William Hill and the wider sector, with long-awaited regulatory changes in the UK and the US substantially changing our operating environment.

We faced into these transformative changes and responded fast, communicating our new strategy in November 2018.

We have outlined ambitious growth targets that take account of both near-term challenges and longer-term opportunities ahead for each of our divisions.

Our three divisions' strategies reflect the different life stages of these businesses. The Online business is well-established in the UK and looking to expand into faster-growing international markets. The US is a large start-up business capitalising on a potentially massive new market opportunity, supported by a profitable Nevada business with a strong track record. Retail operates in a mature market that will be meaningfully reshaped by the regulatory changes coming through in April 2019.

Their strategies are underpinned by our Group ambition that nobody is harmed by gambling and we will continue to evolve our culture by building on the passion and commitment that is always so evident in William Hill people.

As a result, we will meaningfully reshape William Hill over the coming years, moving from a business that is predominantly UK-centric and land-based to being digitally led, internationally diverse and sustainable for the long term.

Driving digital growth in the UK and internationally

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

The UK remains our largest market, in which we will deliver an engaging and safe customer experience enabling us to grow sustainably ahead of market growth rates and gain market share.

We will also look to accelerate Online's revenue growth rates by diversifying into faster-growing international markets beyond the UK and the US, and in January 2019 we completed the offer to acquire Mr Green as part of this.

Overall, our target is to grow Online revenues (outside the US) to reach c£1bn (in constant currency) by 2023, representing a Compound Annual Growth Rate (CAGR) of c10%, and by increasing operational efficiency to double profits by 2023, representing a CAGR of c13%.

Our three strategic priorities

Our strategy is focused around three priorities, underpinned by our Nobody Harmed ambition.

Driving digital growth in the UK and internationally see p 18

Remodelling UK Retail see p 24

Growing a business of scale in the US see p 30

OUR AMBITION IS NOBODY HARMED BY GAMBLING

Our purpose is to provide a great gambling experience, while ensuring **nobody is harmed by gambling** see p 36

Growing a business of scale in the US

In May 2018, the Supreme Court of the US overturned PASPA 1992, which had banned states from regulating sports betting. With this prohibition removed, the market is opening up across many states.

Market estimates suggest that the US could generate between c$5bn[1] and c$19bn[2] of sports betting revenues by 2023, depending on the speed and nature of state-by-state regulation. This is a major new market opportunity and one that we believe we are very well placed to pursue as the US's leading sports betting company.

William Hill US already benefits from being supported by a successful and profitable Nevada operation. With this foundation in place, our goal is to be the market leader in the US and we intend to enter every state that regulates sports betting with mobile and/or land-based operations depending upon each state's regulations. Our strategy is focused on market access, brand and operational excellence. We moved quickly and have already secured access to 17 states, principally through a strategic partnership with Eldorado Resorts, Inc., which now owns 20% of William Hill US.

Where regulations and partnerships allow, we will lead with the William Hill brand, and will use 'powered by William Hill' as a secondary brand approach.

Our ambition is to grow William Hill US's EBITDA[3] from $46.4m from the US Existing business in 2018 to c$300m from the US Existing and US Expansion business in 2023. We expect our operations in new retail and tethered mobile states (those states where account opening and payments are tied to licensed land-based betting premises) to become profitable within their first one to two years, helping to support investment across the US in brand, marketing and technology. Open mobile markets (states where sports betting account opening and payments can be managed remotely, as it is in the UK), which require greater investment in building brand profile, will likely achieve profitability over a longer timeframe.

We are investing in a new proprietary William Hill US technology platform using proven components from inside the Group and from NeoGames. This modern, modular platform is designed to meet the flexibility needed for this market and to give us the best technology in the US market during 2019.

Remodelling UK Retail

Our Retail business is focused on addressing the challenges laid down by the Triennial Review decision, which will drive substantial structural change across the LBO sector over the coming years. Our response includes product innovation to offer alternatives to B2 gaming, as well as remodelling the estate and the business. The implementation date of the Triennial Review decision is April 2019.

As previously announced, we expect this change to reduce Retail's annual profitability by c£70-100m following mitigation measures, including c£15m of central cost reductions. Retail's 2019 profits are likely to reduce to c£50-70m as mitigating actions will primarily benefit H2 2019 onwards. Exceptional cash costs of remodelling Retail are expected to be c£40-60m, predominantly relating to shop closures, and it will be necessary to restructure other parts of the Group as well given the scale of this change.

Philip Bowcock
Chief Executive Officer

1 H2GC.
2 Oxford Economics.
3 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 24 to the financial statements.

Q&A: Responding to change

Q Are you happy with the 2018 performance?

Philip Bowcock Underlying performance was good in terms of Online seeing strong growth in actives and new accounts and the US Existing business having a record year but Retail, like many UK high street businesses, is having a tough time. Beyond that, Online introduced enhanced customer due diligence processes this year that reduced profitability by £17m and will have a similar additional impact in 2019, and the new US Expansion business recorded a loss – without those elements we would have grown profit by 4% year-on-year. The big EPS loss principally relates to the impairment of Retail after the UK Government decided to change B2 stake limits on gaming machines.

Q What has been the biggest challenge this year?

Ruth Prior Dealing with uncertainty. Waiting for two big regulatory decisions to land wasn't easy but the teams stayed focused and positive throughout. Regulatory change is a fact of life for us and we have to focus on what we can affect, not worry about what we can't. Once we had clarity, we were able to move fast to define a new strategy and communicate that internally and externally.

Q How are you keeping your people motivated during a period of change?

Philip Bowcock There's no doubt the last year has been tough for our colleagues given the level of uncertainty. But now we have clarity from a regulatory perspective and we've been able to give our teams not only a clear strategy but also a powerful ambition – in terms of both growing our profits and protecting our customers. We've actually seen our employee net promoter score increase in 2018 – which speaks to the resilience, passion and determination of our people and teams.

Q Do you foresee more change in the marketplace?

Philip Bowcock Always, whether that's regulatory change or changing consumer preferences or disruptive technological innovations. That's what presents us with opportunities. More customers are adopting online gambling – though that's still only 12% of the global gambling spend. More countries are regulating online gambling – though there are still only c20 that have regulated so far. Both trends say there's a lot more to go for, which is why we're focusing William Hill on digital and international expansion.

Q Where does the biggest opportunity lie?

Ruth Prior Long term, in the US. That's a greenfield market with wall-to-wall sports, a great betting culture and only one sports betting incumbent – William Hill. Near term, our own biggest value driver is Online. Over the next five years, our goal is to double profits in Online, making it our largest division.

Q What has been the biggest impact from all the regulatory change?

Philip Bowcock There's no doubt implementing the Triennial Review is going to change the face of betting on the high street. We're expecting Retail's profit to reduce by c£70-100m, and almost 40% of our shops could become loss-making. As a Group, we have to think about 2019 as a transition year for William Hill because we'll have to remodel Retail and also right-size other parts of the business – at the same time as investing to rebuild our business through the digital and international opportunities.

Q Nobody Harmed is a bold ambition, is it realistic?

Ruth Prior This is a big and bold response to something that is a big – and often hidden – issue. One that affects not just gamblers but their family, friends and communities. It's an ambition that says 'this is how we would like the world to be'. That recognises we're part of an integrated and joined-up response to an incredibly complex issue. And it reflects a long-term commitment that starts with every small change we make today.

Q What is going to drive future performance?

Philip Bowcock We've set ourselves the ambition of doubling 2018 Group profits by 2023. That's ambitious but very achievable if we drive the kind of growth we expect from Online and the US market opens up as expected. The William Hill of 2023 will look very different. It will be predominantly digital and it will be geographically much more diverse. Both drive more highly valued revenues and profits, and both will help to make the business much more sustainable over the long term.

We've set ourselves the goal of doubling Group profits by 2023. That's ambitious but very achievable if we drive the kind of growth we expect from Online and the US.

Philip Bowcock Chief Executive Officer

Nobody Harmed is a bold response to something that is a big issue. It reflects a long-term commitment that starts with every small change we make today.

Ruth Prior Chief Financial Officer

Marketplace

Key trends in our industry

Increasing regulation

see p 58

Almost every country around the world already has land-based gambling legislation in place.

Governments are now responding to customer demand for digital by introducing online regulations, providing the industry with both challenges and opportunities.

In the US there has been a recognition that a prohibition on sports betting is no longer constitutional or effective at stopping such betting and a huge new legal market is opening up with a diversity of new regulation on a state-by-state basis.

Other markets such as the UK, Italy and Australia have seen regulatory tightening with greater restrictions being introduced, most recently with the decision to limit stakes on B2 gaming products in betting shops to £2.

B2 gaming product stakes are to be limited to £2 in betting shops

Migration to digital

see p 20

Today, only 12% of total worldwide gambling happens online[1]. However, the continued shift by customers from retail channels towards online and mobile is unmistakable.

Across different sectors and in virtually all countries there is a migration to digital taking place. Operators must adapt to this if they are to thrive.

Competitors in the digital betting market include traditional land-based companies who have moved online and companies that began life online.

National and sometimes state markets vary significantly in terms of whether digital is permitted and if so how it is regulated, but the trend is towards greater acceptance of digital and greater regulation.

1 H2GC.

Customer expectations

see p 21

The wider migration to online is so widespread beyond the sector and across the world that consumers have become accustomed to enjoying a seamless online experience in all areas of their lives.

This means that our customers' expectations are not just set by those within our industry, but are influenced by some of the most successful and pervasive tech companies in the world, like Amazon and Facebook.

Consumers expect to be able to easily search for what they want on mobile devices and reach the content they want straight away and with the same ease, whether they are on social media or a betting app.

Data-driven personalisation

see p 59

The effective utilisation of data is key for personalisation that enables customers to only get offers they want and to enjoy an online experience that is specifically designed for them.

Tailoring the customer experience to each individual through data profiling makes it possible to make bespoke offers and personalised marketing.

The effective use of data is crucial if gambling companies are to stay relevant in an ever more competitive environment where consumers expect online offerings to adapt to their preferences.

Protection of personal data

see p 58

As technological capabilities for the use of data have become increasingly sophisticated, people have increasingly demanded assurances from companies that they will properly safeguard these data and use them in a responsible way.

This has been reflected in the General Data Protection Regulation (GDPR) brought into law in the UK in 2018.

Companies across many sectors of the economy have historically often failed to meet customers' and regulators' expectations.

This is an issue that transcends our industry, but it is clear that only companies that protect personal data, reassure consumers and win their trust will succeed.

3 million

Data of over 3 million customers protected

Customer protection

see p 58

It is in everybody's interest for gambling companies to meet and exceed the expectations placed upon them by society.

There are general measures that all good corporate citizens need to take, such as complying fully with GDPR data protection requirements.

Others are industry-specific, including more sophisticated ways to determine whether a customer may be at risk of gambling-related harm.

In both cases customers need to believe that a company is behaving in an ethical and responsible way or they can easily take their business elsewhere.

OUR AMBITION IS NOBODY HARMED BY GAMBLING

Internationalisation

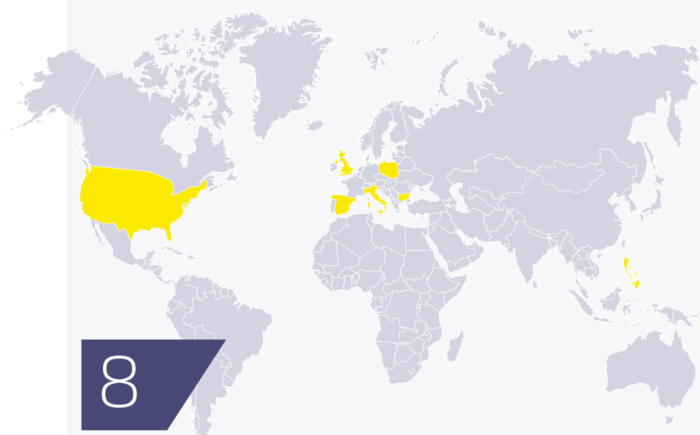
see p 59

The biggest players in today's industry have an increasingly international focus.

This is a response to the growing importance of scale in the industry, as well as a result of the dynamic regulatory environment.

An internationally diversified business spreads regulatory risk, can be best placed to capitalise on opportunities presented by new markets and enables the cost of common capabilities to be shared across operations, thereby reducing the costs of operating in each one.

William Hill operations



8

We have a presence in eight countries and take revenues in over 100

Consolidation

see p 59

There has been substantial consolidation across the industry in recent years, particularly in the UK.

However there was no new consolidation of major UK betting industry participants in 2018 as the focus was more on regulatory change.

Last year much M&A was focused on businesses seeking to build capability to capitalise on the sports betting opportunity in the US and to internationally diversify businesses.

This contrasted with M&A in previous years, much of which aimed for value creation through UK consolidation and opportunities for cost synergies.

c£242m

c£242m offer to acquire Mr Green

See detailed market analysis by business area in the divisional overview.

see p 18

Our business model

How we create value

Operational excellence

People
Our people are passionate about William Hill. Our continuous improvement culture encourages them to keep their eyes on the customer to deliver an exciting experience while ensuring nobody is harmed by gambling. As we evolve into an increasingly digital and international business, we are tapping into talent pools in different locations and are investing to create work environments that appeal to and meet the needs of our diverse colleague population.

see **p 42**

Brand and reputation
Over 85 years, our brand has grown to become one of the most trusted and most recognised in gambling, supported by our long track record, our UK high street presence and investments in marketing. We are careful to manage the reputation that comes with this heritage brand and with being a market leader in the UK, which is often looked to globally as one of the most respected regulated gambling markets in the world.

see **p 21**

Intellectual property
Our business calls for highly specialised skills, from trading and risk management to product development, data management, digital marketing and regulatory compliance. We invest in technology and people to build and maintain a wide range of capabilities across the business, and where appropriate we have built proprietary and bespoke technology systems to support competitive differentiation and a great customer experience.

see **p 43**

Partnerships
Where it is more efficient to tap into capabilities developed by third parties, we establish long-term partnerships that complement our in-house expertise. We have built a network of specialised partners within the gambling industry and beyond, such as suppliers of pictures and data feeds, marketing platforms and gaming product developers.

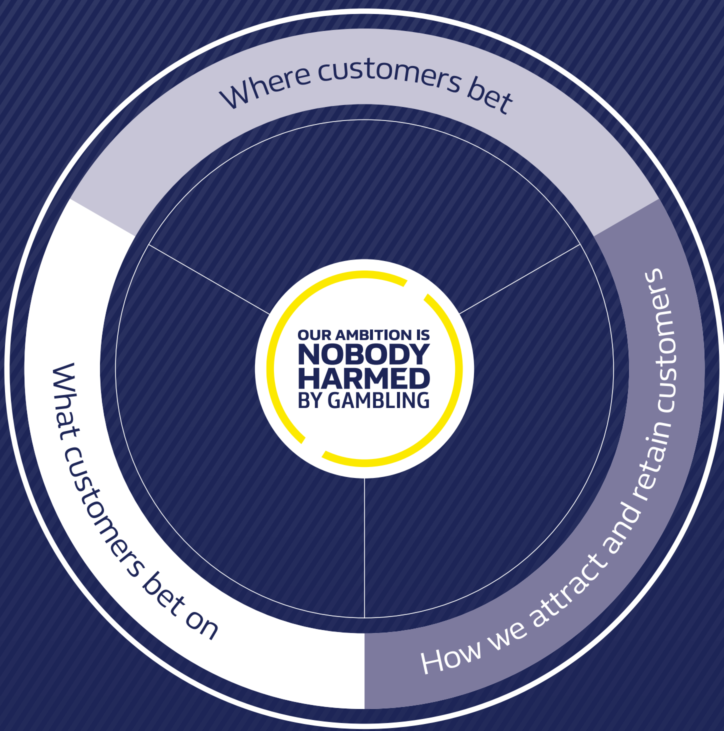
see **p 56**

Financial capital
We fund our investments in people, product, marketing and technology from cash generated from our own operations and, where necessary, from external providers of capital. These are, principally, banks for short-term debt facilities, and bond and equity holders for longer-term funding requirements.

see **p 50**

The customer experience

We provide customers the choice of betting in a **shop environment**, **SSBTs**, **online** via traditional devices or increasingly **mobile apps**. By offering a variety of channels we enable our customers to bet whenever, wherever and however they want.



Customers primarily come to us for **sports betting** where we offer a price for different outcomes which has a profit margin built in. **Gaming** extends the opportunity for customers to enjoy our products, with more regular opportunities to play and more stable but lower margin outcomes.

Our **brand** is highly recognised and trusted. We strive to complement this with strong customer relationships, built through excellent customer service in our shops, a seamless digital experience and increasingly targeted marketing and sponsorships.

Our Nobody Harmed ambition

All gambling products have the potential to cause harm. We want to encourage and help all customers to stay in control, using tools to set time or spend limits, to be aware of their spend or to restrict the products they use. We identify patterns of play that suggest a customer is not in control and intervene in a variety of ways, and enable customers to self-exclude if they are experiencing harm.

The financial model

The value we create

For customers

Sports bets placed in 2018

>600 million

New games released in 2018

557

Responsible gambling interactions

c150,000

For society and employees

Jobs

c15,500

Community contributions

£31.4m

Taxes

£413.5m

For shareholders

Dividends

£113.5m

Adjusted earnings per share[1]

20.6p

1 Adjusted EPS is calculated using adjusted profit after tax and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements.

Key Performance Indicators

Driving our performance

Key Performance Indicators (KPIs) enable us to empirically track business performance over time.

The following three Group KPIs measure financial growth and profitability of the business, and the three corporate responsibility KPIs provide non-financial measures that track engagement with employees, customers and community. The KPIs that are linked to Directors' remuneration are highlighted.

Over time, these KPIs provide an objective measure of business performance, though in a given year they can be affected by factors beyond the control of the business. We have reported these KPIs consistently for a number of years and present them here for 2018.

With our new strategy now defined, we will be reporting new KPIs for 2019 and beyond. These include measures relating to Online revenue growth rates, market entry in the US, the valuation of William Hill US, cash generated by Retail and sustainability goals. The Remuneration Committee has also aligned these to Directors' remuneration.

Group KPIs

Net revenue[1] R

(£m)

+2%

2018	1,621.3
2017	1,592.8
2016	1,490.0

Net revenue[1] is the key indicator of the Group's top line growth. It is the revenue retained from the amounts staked after paying out customer winnings and deducting free bets. In 2018, Group net revenue was up 2%. Within this, Online net revenue grew by 3%, with good wagering growth partially offset by the impact of enhanced customer due diligence measures. Retail net revenue reduced 2% with a gross win margin above historical averages but Sportsbook wagering down 5%. Net revenue in the US increased by 62% in local currency, with strong growth in US Existing supplemented by US Expansion.

Adjusted operating profit[2] R

(£m)

-15%

2018	233.6
2017	273.8
2016	246.1

Adjusted operating profit[2], which gives a picture of underlying performance, is a key indicator of the Group's success in delivering top line growth while controlling costs. In 2018, this decreased by 15%, as a result of the introduction of enhanced customer due diligence measures in Online, lower profitability in Retail and the losses associated with investing in US Expansion.

Basic, adjusted EPS[3] R

(pence)

-21%

2018	20.6
2017	26.1
2016	20.6

Basic, adjusted EPS[3] is a key indicator of the Group's growth after allowing for all costs, including interest and tax, but excluding exceptional items and adjustments. The decrease in EPS principally reflects the reduced adjusted operating profit[2] this year. In addition to this, net finance costs were up 8% and there was an increased tax charge. The number of shares remained broadly stable during the period.

1 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.

2 Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on exceptional items and adjusted measures is provided in note 3 to the financial statements.

3 Adjusted EPS is calculated using adjusted profit after tax and is used for remuneration purposes (see page 87 onwards) and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements. The calculation of EPS measures is shown in note 11 to the financial statements.

For 2018 these KPIs reflect the 53-week period up to 1 January 2019.

R This performance metric is linked to Directors' remuneration.

William Hill employees in our Manila office volunteering as part of our Close to HOME programme. See page 36 for further details.

Corporate responsibility KPIs

Employee engagement participation
(%)

-1 ppts

2018	88%
2017	89%

This KPI reflects the proportion of our colleagues who participate in our annual employee survey 'Your Say', which measures our colleagues' satisfaction in working for William Hill and highlights areas we can address to improve. In 2018, the overall engagement score improved by 4% and our eNPS by 16 percentage points. Over 13,000 colleagues participated in the survey, with the participation rate remaining high at 88%. The results showed significant improvements in questions relating to recognition of achievements and happiness with work environment. There was also a 10 percentage point improvement in the perception of William Hill as a responsible company, with colleagues responding positively to our Nobody Harmed ambition. This survey was introduced in 2017, hence there is no data for 2016.

Retail net promoter score (NPS)
(%)

+0 ppts

2018	76%
2017	76%
2016	68%

This KPI addresses the overall satisfaction of our Retail customers with their experience of our shops, reflecting the quality of our customer service, product range and in-shop experience. The NPS is based on the likelihood of customers recommending our shops. In 2018, the NPS remained stable at 76%, which was a positive outcome after NPS increased materially during 2017 following improvements to our customer service training programmes.

Community contributions
(£m)

+3%

2018	31.4
2017	30.6
2016	27.6

This KPI reflects our financial contribution to responsible gambling and our support for other related organisations and industries, some of which are heavily reliant on the success of our industry. It includes: our annual donations to the Senet Group and to GambleAware to fund research, education and treatment (RET) of problem gambling; levies on our UK horseracing and greyhound racing revenues; sponsorships; and charitable donations, including matched donations for colleagues' fundraising efforts. In 2018, community contributions amounted to £31.4m, including £1.35m in RET funding, £29.4m in sponsorships and levies, and £42,594 in matched funding.

Driving digital growth in the UK and internationally

Online gambling revenues in the UK in 2018 were £5.3bn[1], meaning this is still the largest and most important regulated online gambling market. However, other international markets offer the potential for faster growth.

1 H2GC.
2 In constant currency.

Our ambition is to reach £1bn in revenue and to double profits from our Online business by 2023[2].

Driving digital growth in the UK and internationally

Marketplace

The UK is our largest market

The online betting market in the UK is now 20 years old. Growth has started to slow as the market matures but online and particularly mobile continues to be the fastest growing segment of the UK gambling industry.

William Hill took its first online bet in 1998 and those early years of digital gambling were dominated by the known and trusted high street betting brands. As the market developed, purely online companies challenged the incumbent operators and gained market share, forcing the more established brands into digital transformations to become competitive once again. Today William Hill is the third largest operator in the UK online betting market as measured by revenue for any single brand.[1]

The market is highly competitive, with 888 remote gambling activities licensed last year[2]. This is in part due to low barriers to entry. However, regulatory tightening is raising these barriers and scale is also increasingly important as technological complexity and the costs of marketing grow. The market has over recent years consolidated and now the top five online operators account for 74% of the market.

Online gambling revenues in the UK in 2018 were £5.3bn. This represents the largest regulated market for online gambling in the world, and it continues to grow. Over the last five years the market has grown at a CAGR of 12% and growth of 2% is expected next year. The market is split approximately 39% sports betting and 61% gaming.

Substantial potential in international markets

The potential global online betting market is huge. Only 12% of estimated total global gambling currently happens online, but this number will clearly continue to grow. In the UK, online has become the single largest segment, accounting for approximately half of the market.

Gambling is organised and managed differently in different countries, from government-run operations to licensed monopolies or open commercial markets, or combinations of these. Some countries try to enforce an outright ban on gambling, with varying degrees of success.

Legal betting products range from lotteries to sports betting, casino games, poker and bingo. Historically, gambling regulations were written for land-based formats, from clubs, pubs, casinos, or betting shops to race tracks. With digital gambling enabling customers to access websites across physical borders, governments are gradually moving to update their legislation and regulations to make them appropriate for online and mobile gambling.

As opportunities continue to arise in new markets for international companies with digital expertise, companies that became established in early markets like the UK are well placed to expand.

1 Market statistics on this page are from H2GC unless otherwise stated.
2 Gambling Commission Industry Statistics, April 2017 to March 2018, published November 2018.

Strategy

Our goal is to build William Hill into the world's most trusted digital gambling brand. Across the gambling sector, whether in the US, the rest of Europe or in the UK, trust is important for our customers.

Our products should excite and engage our customers in a safe and easy to use way, and we must always remember that it should be fun to gamble. We measure this through a whole range of net promoter measurements and various touchpoints in our product. At the same time, we are continually improving ways to protect against gambling-related harm.

With this approach we aim to grow in the UK and internationally and to increase operational efficiency and effectiveness.

Grow UK market share

The UK remains our principal market and we continue to focus on growing at or above market growth rates. The UK will likely represent the majority of our Online business for some time to come.

To ensure we are competitive, we continually work to improve our product, to provide our UK customers with a seamless and enjoyable experience whenever or wherever they choose to bet with us.

We listen to our customers about what matters to them and we make improvements where they tell us is important. This includes the speed of placing a bet and withdrawing winnings, the ease of navigation and of the user experience, and the reliability of placing a bet.

Our marketing is increasingly targeted, with our technology enabling more attribution-based marketing whereby customers are treated individually or as part of a small group. This means directing our marketing resources more effectively towards relevant customers with relevant messages.

We are committed to using our technology and experience to provide a safe and responsible place where people can enjoy our products without experiencing gambling-related harm. We believe that putting in place the right safeguards and processes can reinforce our relationships with our customers and support the long-term sustainability of our business.

Diversify internationally

One of our strategic goals is to diversify our Online revenues internationally. This is important because it reduces our reliance on the UK where growth is slowing and regulation is tightening. The risks from this have been demonstrated by the increase in Online's annual UK contribution in gambling-related taxes by c£85m since 2013. Simultaneously, the international digital gambling market presents attractive opportunities, with the potential to leverage the capabilities of the Group across a larger and broader range of markets with faster growth rates than the UK.

85 years

Trust in William Hill has been built up over 85 years operating as a sports betting business

Driving digital growth in the UK and internationally

We have taken important steps over the last year to advance our UK and international goals. Ulrik Bengtsson joined the business in February to lead our digital strategy, following six successful years as CEO of a Scandinavian online gambling company. He brings with him a deep understanding of the gaming industry and the international marketplace.

William Hill has had a licence in Italy since 2011 and Spain since 2012. Combined revenues from both countries accounted for 12% of Online's revenues in 2018. The regulatory environment has been changing in both countries, and in 2018 this included new restrictions on advertising in Italy and tax decreases in Spain.

Mr Green increases the diversification of our digital and international revenues and gains us access to a ready-made hub of operations in Malta.

Ulrik Bengtsson
Chief Digital Officer

William Hill also accepts customers from many other countries and these accounted for 12% of Online's revenues in 2018.

In January 2019, we completed the acquisition of Mr Green, a deal which increases the diversification of our digital and international revenues and gains us access to a ready-made hub of operations in Malta, inside the European Union. The resources here are being used to focus purely on international expansion, enabling our existing team in Gibraltar to focus on growing the UK business.

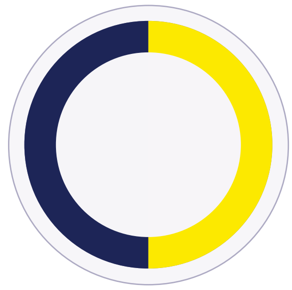
Increase operational efficiency and effectiveness

Our ambition is to reach £1bn in revenue and to double profits from our Online business by 2023.[1] That implies roughly 10% CAGR in revenues and 13% CAGR in profits each year over the next five years.

We expect to achieve faster profit growth rates primarily through recalibrating our cost base, and further improving the efficiency of our marketing spend.

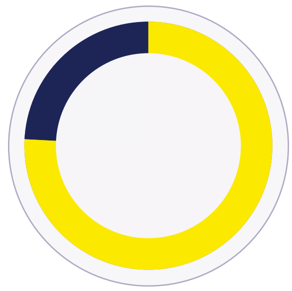
1 In constant currency.

Online net revenue – split by product
(%)



Sportsbook	**50%**
Gaming	**50%**

Online net revenue – split by market
(%)



UK	**76%**
International	**24%**

Mr Green

Mr Green is a high-growth gambling company which has operations in 13 countries and holds licences in seven of these.

We have acquired a portfolio of strong global brands, including Mr Green and Redbet, which will enable us to pursue a multi-brand strategy should it be beneficial to do so.

On a pro forma basis our proportion of 2018 international revenues in Online would have increased from 24% to c35% following the acquisition of Mr Green.

The majority of Mr Green's revenues are generated in the Nordics and mainland Europe, increasing our pan-European footprint.

There are opportunities to cross-sell the strong William Hill Sportsbook offering to Mr Green customers as well as to broaden the offering of Mr Green's gaming products in the UK.

Since 2017, Mr Green has won four industry awards recognising its commitment to responsible gambling, establishing itself as one of the leading online operators when it comes to sustainability and corporate responsibility and therefore a perfect fit with our ambition that nobody is harmed by gambling.

c35%

On a pro forma basis our international revenues would have increased from 24% to c35% following the Mr Green deal

Key performance indicators

Sportsbook margin
(%)

+0.4 ppts

2018	8.0%
2017	7.6%
2016	7.2%

This KPI gives an indication of how sporting results have affected our performance during the year. Our normalised range for Online is 7-8% for gross win. In 2018, the gross win margin was 0.4 percentage points higher at 8.0%, reflecting a good period in terms of sporting results. This comprised an in-play margin of 6.2% (2017: 5.8%) and a pre-match margin of 9.4% (2017: 9.0%). This KPI is an industry term and is described in the glossary under 'gross win margin' on page 174.

Revenue per unique active player
(£)

-18%

2018	213.0
2017	258.3
2016	242.6

This KPI reflects the average revenue generated from customers who have used our products during the year. It demonstrates our effectiveness in growing the value of customers. Total Online net revenue[1] was up 3% this year, with Sportsbook up 3% and gaming up 2%. Within this, revenue per unique active player was down 18%, reflecting a large increase in active customers this year and the reorientation of our Online business toward a more mass market customer base.

Unique active players
('000)

+25%

2018	2,979.1
2017	2,388.4
2016	2,245.9

This KPI reflects the number of individual customers who have used Online's products during the year. This demonstrates how successful we have been in recruiting and retaining Online customers. In 2018, the number of unique active players was up 25% as we benefited from investment in offers and incentives to attract more mass market customers and improved our retention rates.

Our performance

In 2018, we focused on building our digital structure and capabilities.

Following the appointment of our Chief Digital Officer, we appointed a Global Brand and Marketing Director to lead our brand strategy, a Data Director rolling out our first high-impact use-case to enable personalisation and real-time data capabilities towards the end of 2018 – and a Product Director to create and operationalise a new way of managing product prioritisation and development.

We also meaningfully reshaped our compliance approach to address concerns raised by the Gambling Commission in a regulatory settlement we agreed in February 2018.

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

Gross win margins were up 0.4 percentage points, with strong football results but weaker horseracing margins, particularly during the summer. Free bets over the year accounted for 1.2% of amounts wagered (2017: 1.1%), including our popular 'Scratch of the Day' offer during the World Cup and activities in H2 to attract and retain a more recreational customer base. As a result, Sportsbook net revenue[1] rose 3% to £318.7m (2017: £308.3m).

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

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

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

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

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

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

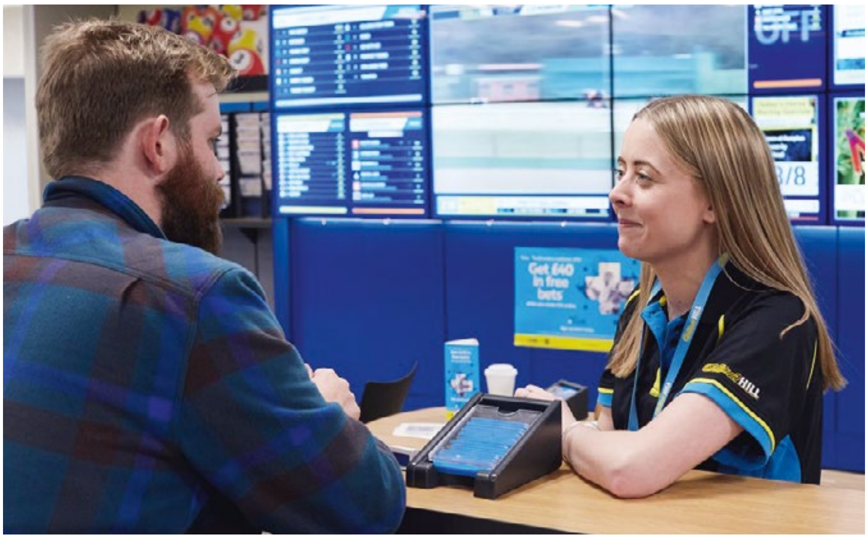
1 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.
2 Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail in exceptional items and adjusted measures is provided in note 3 to the financial statements.

Remodelling UK Retail

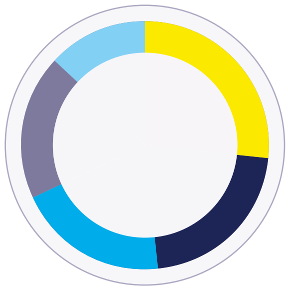
First established in the 1960s, betting shops remain a well-loved and well-regulated environment for betting and gaming.


We are the largest single gambling brand on the UK high street.

Remodelling UK Retail



UK market share – by number of LBOs[1]
(%)



William Hill	27%	Coral	19%
Ladbrokes	22%	Other	12%
Betfred	20%		

Marketplace

A rich heritage with a history of evolution and adaptation to change

LBOs were first legalised more than half a century ago, with William Hill one of the oldest having operated shops since 1966. The Retail gambling industry was originally licensed in order to reduce widespread illegal gambling. This objective has been a success and betting shops remain the safest place for people to place a bet.

The number of betting shops reached a peak of c16,000 in the 1970s and since then has almost halved to the 2018 level of c8,500. The LBO market has consolidated over the decades and four brands now account for 88% of shops. William Hill is the second largest operator, after LadbrokesCoral, but we are the leading individual brand by number of shops.

Revenues from the LBO sector as a whole have proved resilient, despite the rapid growth of digital gambling. Customer experience is a key reason for the LBOs' continuing popularity with customers, reflected in the fact that 64% of regular retail gamblers view 'friendly staff' as an important factor when choosing where to bet[2]. The sector has adapted over the years in order to stay competitive in an increasingly digital world. William Hill has been at the forefront of this evolution, from developing our own broadcast studios to produce content for the shops, to developing our own SSBTs and harmonising the digital and shop experience.

Although there has been a shift by consumers to increased betting on football, horseracing still contributes almost half of revenue from sports betting, and remains a vital part of William Hill's DNA. We are a proud supporter of the industry, and we have a presence on 36 out of 60 racecourses in the UK.

As a well-regulated industry, betting shops provide a positive environment for responsible gambling activities. Colleagues are regularly trained to identify potentially harmful gambling behaviour and to engage with customers to encourage responsible gambling. In 2018 colleagues in William Hill shops received over 120,000 hours of training, of which 12% was specifically spent on responsible gambling although it is a consistent theme throughout.

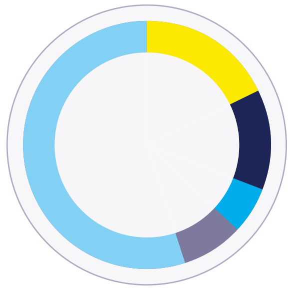
OUR AMBITION IS NOBODY HARMED BY GAMBLING

120,000

hours of training for our Retail colleagues

1 Gambling Commission Industry Statistics, April 2017 to March 2018, published November 2018.
2 Betscope – Usage and Attitudes: Q1'18-Q4'18 Base.

Retail net revenue – split by product
(%)



Horseracing	18%	Other	8%
Football	13%	Gaming machines	55%
Greyhounds	6%		

Well placed to deal with the challenges ahead

Our Retail business is an important part of the Group, strongly competitive in the UK retail market and generating cash flows that support the Group's investments.

We are confident that we will successfully adapt the Retail channel and create a sustainable and competitive business for the future.

Nicola Frampton
Managing Director, UK Retail

Impact of the Triennial Review
In 2018, the UK Government announced that the maximum stake on B2 gaming products would be reduced from £100 to £2 in April 2019. This is expected to have a significant negative impact on revenues and could result in a substantial number of shop closures across the industry. As a result we recorded an £882.8m impairment of our Retail business due to reduced future cash flow expectations.

Nobody can say with any certainty what all the effects of the £2 stake limit will be as it is not possible to predict the customer response with accuracy. Our estimates are that, of the approximately 50% of gross win from gaming that will be lost, we can aim to recover 10-20% as customers migrate to other products. In addition, where shops close across the industry, we estimate 20-30% of the lost gross win that remains in the market can be recovered. The net impact of the new £2 limit will, we estimate, therefore be a reduction in Retail's operating profit on an annualised basis of approximately £70-100m. At these levels we forecast that up to 900 shops could become at risk of closure.

This is a significant challenge for our Retail business. However, we are confident that we can adapt to ensure the business remains viable and competitive. We have past experience working to manage the negative impact from regulatory change, such as introducing new gaming-style products following the launch of the National Lottery in the 1990s.

Uncertainty, but also opportunity
Substantial planning has gone into facing into these challenges and careful management of the estate has shortened average lease lengths, thereby reducing expected costs. With an average remaining period to end of lease or break of around three years, it is expected that exceptional cash costs will be in the range of £40-60m, mainly for shop closures. Additional central cost savings of £15m are planned for the Retail business by the end of 2020.

Despite these challenges, we know that during uncertain times there will also be opportunities. We are the largest single gambling brand on the UK high street and we are confident that we will be able to leverage our scale to not only withstand the tough trading conditions but also capture market share from our competitors. There will also be opportunities to diversify our business in order to recapture some of the lost revenues from the stake cut to £2. We have a number of strategies, not least development of our product offering to customers, which will mitigate some of the impact from the Government's decision, though the impact will clearly be very significant.

Remodelling UK Retail

Strength of Retail
Even after the impact of the Triennial Review changes, we expect Retail to remain a profitable and cash-generative business.

We estimate that, after the £2 stake limit is introduced, the LBO gambling market in the UK as a whole will still be worth approximately £1.5bn in revenues a year.

We approach this new competitive landscape from a market-leading position. On average, we have approximately 300,000 customers in our shops each week[1]. Our customer base is extremely loyal, with many of our customers having a relationship with William Hill that spans decades. We continue to invest in our proprietary SSBTs, increasing their availability in shops and widening the range of products they offer.

Our expertise and innovation was recognised when we were awarded 'Racing Bookmaker of the Year' this year in the SBC Awards.

Retail will continue to deliver positive cash flows to the Group on an annual basis, which can be reinvested in high-growth opportunities in our Online and US divisions.

611

Our SSBTs remain popular with our customers and over the last year we added a further 611 to our estate

SSBTs

Our SSBTs enable us to bring more of the choice and breadth of markets experienced by our Online customers into our shops.

William Hill's proprietary SSBTs were launched in 2016. Initially they offered football, but since then we have added 17 more sports. We now have over 3,700 machines and the average amount wagered on each machine per week increased by over 60% in 2018. SSBTs now account for 15% of total amounts wagered and over 50% of football amounts wagered.

For a typical 3 pm football kick-off on a Saturday afternoon, our customers have the choice of over 250 bets per match, and we take over 140,000 bets on an average Saturday solely on our SSBTs.

Our customers clearly love them, and these machines will only become more important in 2019 as we continue to increase the range of sports and the functionality of the machines, and as gaming options reduce as a result of the Government's restriction on gaming machine stakes to £2.

On-course betting shops

Horseracing is embedded in William Hill's heritage and remains popular with bettors.

In 2018, we took the difficult decision to sell our on-course bookmaking business. However, we were also pleased to operate the betting shops at 36 of the 60 racecourses across the UK, ensuring we continue to provide an outstanding service to c6 million racegoers a year.

In what has been a tough year for our Retail colleagues, it was great to see so many volunteer to join the teams at these racetrack shops to share their expertise and join the fun in the thick of the action.

1 Betscope - Market Sizing: Q1'18-Q4'18.

Key performance indicators

Sportsbook margin
(%)

+0.2 ppts

2018	18.2%
2017	18.0%
2016	17.6%

This KPI gives an indication of how sporting results have affected our performance during the year. At 18.2%, the gross win margin was 0.2 percentage points higher than the prior year and outperformed against our normalised range of 17-18%, reflecting favourable sporting results, particularly towards the end of the year.

Average profit per LBO
(£)

-5%

2018	64,419
2017	68,120
2016	68,299

This KPI reflects the average profitability of the shops. Retail net revenue[1] was 2% lower this year, with Sportsbook net revenue down 4% and gaming net revenue broadly flat. Cost of sales reduced broadly in line with revenue, while operating costs were flat. Overall, adjusted operating profit was 7% lower at £150.3m. Average profit per LBO was down 5% at £64,419. The average number of shops was slightly down at 2,333 (2017: 2,362) with 23 shops closed in the period.

Average gross win per machine per week (£)

-1%

2018	1,015
2017	1,028
2016	998

This KPI reflects the trends in the underlying growth in gaming machines net revenue. There are a maximum of four machines allowed per shop, and this year there was an average of 9,229 machines across the estate. The average gross win per machine per week (net of free bets) was 1% lower at £1,015, while gaming machine net revenue remained flat this year.

Our performance

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

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

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

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

Retail net revenue[1] declined 2%, with Sportsbook down 4% and gaming flat.

Operating costs were flat as we continued to focus on controllable costs in light of tough high street conditions and pressure on the top line. As a result, adjusted operating profit[2] fell by 7%.

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

A sense of community

William Hill shops have always been more than just a place to put a bet on for our customers. The betting shop is an established and important part of the high street and of local communities, where people can go for a chat and in a lot of cases build individual bonds and friendships over a sustained period of time, sometimes spanning decades. Around 600,000 people visited our shops at least once a month last year[1], and drank 7,000,000 cups of tea made by our colleagues!

1 Betscope – Market Sizing: Q1'18-Q4'18.

1 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.

2 Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail in exceptional items and adjusted measures is provided in note 3 to the financial statements.

Growing a business of scale in the US

William Hill is rapidly responding to growth opportunities in new states.

1 Fox Custom Study, 2017.

Americans watch 2.2 trillion minutes of sports and 11,000 live sports events were aired last year[1].

Growing a business of scale in the US

Marketplace

A potentially huge emerging market

The US market has been transformed by the decision taken in May 2018 by the Supreme Court to overturn PASPA.

Since 1992 this federal law had effectively banned sports betting except in four states, of which the most prominent was Nevada. The Supreme Court's decision opened the door for each state to decide for itself whether to legalise and regulate sports betting. By the end of 2018, seven states had legislation and regulations in place that allowed sports betting in their state, and it is expected that many more will do so in the years ahead.

The US opportunity has the potential to be truly transformative for the gambling industry worldwide.

While it is too early to accurately gauge Americans' appetite for sports betting, their appetite for watching sports is clear: Americans watched 2.2 trillion minutes of sports and 11,000 live sports events were aired last year, dwarfing the UK on a per capita and absolute basis.

Each US state can be expected to approach the legalisation of sports betting differently. The complexity is therefore likely to increase as more states open up over time. Different states may be land-based only, 'tethered mobile' (meaning a mobile account must first be opened by a customer in a casino or licensed location) or fully mobile, where account opening and payments can be undertaken remotely (as in the UK).

Currently, in Nevada, sports books must operate out of casinos, either managed by the casino itself or outsourced to a specialist partner. William Hill is the largest such outsourced specialist partner in Nevada, operating 109 out of 191 sports books in the state as at the end of 2018. Some states may approach the issue of how they should allow and regulate sports betting by permitting state lotteries to manage a sports betting monopoly in the state, as seen so far in Delaware and Rhode Island.

From a sports betting operator's perspective, the key components of the US market will be market access through partnerships, flexibility of operating model to adapt to the specific requirements in each state, and ability to deliver operational excellence in different models, whether in retail, mobile, both retail and mobile or in a different kind of partnership model such as with a state lottery.

It is our intention to enter every US state market we can, offering retail and mobile sports betting if allowed by the law in each state, with the goal of being the nationwide US market leader in sports betting.

Estimating the size of the prize

In addition to the seven states that have legalised sports betting we estimate that further states are likely to legislate for sports betting in 2019 and beyond, with potentially up to 27 states being live in the first three years[1]. Recent independent market estimates of future total US sports betting revenues range from $5bn to $19bn by 2023. This compares to approximately £5bn total online gambling in the UK[2].

109

William Hill operates 109 out of 191 sports books in the state of Nevada

1 Eilers & Krejcik Gaming research reports (26 September, 2017 and 3 October, 2018).
2 H2GC.

14 May 2018

Supreme Court overturns PASPA
The US Supreme Court voted 6-3 in favour of overturning the federal ban on sports betting, thereby paving the way for states to regulate sports betting at a state level.

14 June 2018

Legal sports betting commences in New Jersey
William Hill US strikes first bet at Monmouth Park racetrack.

28 June 2018

Ocean Resort opens sports book in New Jersey
William Hill US launches at Ocean Resort Casino in Atlantic City.

2 September 2018

New Jersey mobile launched
William Hill US takes online sports bets through our bespoke mobile app.

26 November 2018

Rhode Island legalises sports betting
William Hill US provides exclusive risk management services to the state lottery.

15 November 2018

Pennsylvania regulates sports betting
William Hill US takes the first legal sports bet.

30 August 2018

Legal sports betting commences in West Virginia
William Hill US acts as both operator and service provider and handles the first bet placed.

5 June 2018

Delaware takes first bet in a post-PASPA world
William Hill US provides risk management to Delaware State Sports Lottery.

17 August 2018

Mississippi operations begin
William Hill US act as service provider to local partners.

Strategy

Seizing the opportunity

Between 2012 and 2018 William Hill US grew its capabilities, reputation and profitability. Before PASPA was overturned in May 2018, substantial preparations had already been made so the business would be ready to take advantage of the opportunity should the Supreme Court decision be favourable.

By the end of 2018 William Hill was able to set up operations, receive regulatory approval and take sports bets in each of the seven US states that had legalised sports betting. This included taking the first post-PASPA sports bets in Delaware and New Jersey in June, and West Virginia in August. The only state, outside Nevada, to develop mass market unrestricted mobile sports betting so far has been New Jersey.

Between PASPA being overturned and the end of 2018, William Hill's US Expansion business, outside Nevada, had generated 2018 amounts wagered ('handle' in the US) of $430m and opened 20 sports books. As a result, by the period end William Hill was responsible for 109 sports books in Nevada and 20 elsewhere in US Expansion states.

By 2023, we estimate that, depending on the rate of opening up of states and the growth of the market, the William Hill US business could be generating c$300m EBITDA.

Gaining access to new markets
Market access will be crucial as the US opens up to sports betting on a state-by-state basis, but as each state chooses for itself whether to legalise sports betting, each may approach the issue differently. In the majority of cases, we expect that only land-based casino operators will be granted sports betting licences, and without partnership deals with them it would not be possible to operate. William Hill has secured access to 17 states, 15 of which are among the 27 states that are expected to legalise over the first three years, following partnership deals with Eldorado Resorts, Golden Entertainment and IGT. These partnerships are long term and, as well as delivering market access to states across the US, the partners also provide local expertise and resources.

Our US casino and lottery partners have chosen William Hill because they trust our track record in sports betting.

Growing a business of scale in the US

In September 2018 we entered into an exclusive 25-year nationwide partnership with Eldorado Resorts, Inc, for digital and land-based sports betting and online gaming in the United States. Eldorado is a leading casino entertainment company that owns and operates 27 properties in 13 states. The partnership extends William Hill US's leadership in sports betting through access to Eldorado's leading regional casino portfolio and customer base of 23 million people and widens William Hill's reach to 13 states where sports betting is either legal or sports betting bills are tabled. Under the terms of the deal, Eldorado received a 20% stake in William Hill US, subject to a 3-5 year lockup, a grant of $50m of shares in William Hill PLC, based on the value of the shares at the time the deal was agreed, and a share of profits attributable to its licences. This deal completed in January 2019.

William Hill has been operating a successful sports betting business in Nevada since 2012, and in 2018 we had 32% of the market by revenue and 57% by number of outlets. Our existing US business grew revenues at a CAGR of 26% in the six years since 2012 when we acquired and merged three small Nevada sports betting businesses and rebranded them as William Hill.

We were the market leader even before the ruling overturning PASPA and our brand has come to be synonymous with sports betting in Nevada. No other company can match our experience or track record of sports betting in the US market.

The US opportunity has the potential to be truly transformative for the gambling industry worldwide.

Joe Asher
CEO, William Hill US

Building our brand profile outside Nevada

Over the years since William Hill was launched as a brand in Nevada in 2012 it has become the leading sports betting brand across the state.

In states where there is retail only or tethered mobile sports betting, it is expected that retail presence and effective operational delivery combined with relatively modest marketing investment, as in Nevada, will all contribute to building market share and brand awareness.

However, competing effectively in states that newly allow mobile sports betting accounts to be opened freely, as in New Jersey, requires a significant investment in marketing to build brand awareness. William Hill is recognised as a dedicated sports betting brand and, in the first months after mobile betting was allowed in New Jersey, brand awareness grew rapidly, supported by the marketing delivered by our new US marketing team based at our New Jersey digital hub. Marketing and associated promotional work, including with sports organisations, is expected to be a key factor contributing to success.

Delivering operational excellence

We are currently investing in a new technology platform to support the scalability of the US business. The aim is to deliver a technology stack that will be market leading across US sports betting, supporting efficient entry into new states, future product innovation and high levels of operational performance. This technology will also be flexible to suit different operating models, enabling us to adapt to the nuances of the US market depending on how each state chooses to regulate sports betting.

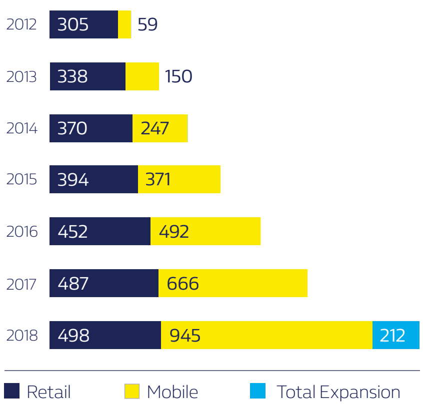
32%

Nevada market share by revenue increased to 32% in 2018
(2017: 29%)

Where necessary, we have also incurred central costs in order to support the US expansion, which amounted to c$35m in 2018 and is expected to be c$55m in 2019. This will build resources essential for rapid expansion into new states: marketing, customer service, regulatory and compliance, operational and technical, human and others. The speed of the expansion of William Hill to offer sports betting in new states will be determined by the progress of legislation and regulation by individual states to allow sports betting.

While we expect mobile to be loss making for the initial years due to start-up costs, our retail operations in expansion states are likely to be profitable immediately and we foresee a positive contribution in 2019 from retail operations in states that first allowed sports betting in 2018.

Sports Handle
($m)



Key performance indicators

Nevada sports book margin
(%)

+0.9 ppts

2018	7.2%
2017	6.3%
2016	6.2%

This KPI gives an indication of how sporting results have affected our performance during the year. Our normalised range in Nevada is 6-7%. In 2018, sporting results were favourable, with margin 0.9 percentage points higher at 7.2%. Within this, mobile margin was 5.7% and sports book margin was 10.1%.

Nevada revenue share
(%)

+3%

2018	32%
2017	29%
2016	26%

This KPI shows how well our existing US business is performing relative to the rest of the market. In 2018 our business in Nevada had 32% of the market share in terms of revenue. This reflected growth of three percentage points compared to last year, with William Hill US remaining the market leader in Nevada.

Number of states in which we are taking sports bets

+5

2018	7
2017	2
2016	2

This KPI shows the numbers of states where we are taking sports bets. The Supreme Court overturned PASPA in May 2018. Since then we have moved quickly to be in every state that has regulated and we have begun operations taking sports bets in an additional five states in 2018. In addition to this we have expanded our sports betting offering in Delaware. It is our ambition to be in every state that regulates.

Our performance

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

US Existing

Amounts wagered in our US Existing business were up 25%, driven by significant growth in mobile, up 42%, while retail remained broadly flat. Mobile wagering was driven by a combination of an increase in customer numbers – with new customers up 20% and unique actives up 29% – and an increase in the average bet size, up 46%.

This strong wagering performance was complemented by a good margin, up 0.9 percentage points, primarily due to favourable American football and basketball results. This resulted in net revenue[1] growth of 42%, with mobile up 48% and retail up 38%. This was the sixth consecutive year of net revenue growth. Operating costs increased 16% as we invested in people and growing our capacity in anticipation of and in response to the Supreme Court's decision to overturn the Professional and Amateur Sports Protection Act (PASPA) decision in May 2018. Adjusted operating profit[2] was $43.6m, an increase of 91% year-on-year.

US Expansion

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

Since the PASPA decision in May 2018, we have launched or expanded operations in six states: New Jersey, Delaware, Rhode Island, Mississippi, Pennsylvania and West Virginia. We have generated total wagering across these six states of c$430m, made up of $212m wagered directly with us and $218m wagered with our partners where we receive income as a service provider.

The average gross win margin was 10.4%, with margins varying across the US Expansion states but, on average, broadly in line with those we have seen historically in Nevada; however, it is too early to predict long-term trends.

Operating costs were $56.9m, including investments in New Jersey to support the mobile launch and brand awareness. This resulted in an adjusted operating loss[2] of $43.7m in this first year of operations.

+74%

Increased amounts wagered on ice hockey in Nevada, coinciding with the William Hill sponsored Las Vegas Knights reaching the Stanley Cup final

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Towards nobody harmed by gambling

Customers

£5.0m

In 2018, we spent £5.0m on compliance and customer protection, training of our Board and colleagues in responsible gambling research, education and treatment programmes, and in our work on our Nobody Harmed ambition

Colleagues

16 ppts

Our employee net promoter score (eNPS) improved by 16 percentage points in 2018, the result of a sustained programme over recent years of responding to colleagues' priorities and concerns

Community

6,905

hours of colleagues' time – equivalent to 287 days – was given over to supporting their chosen community programmes during the year

Today, almost all of our revenue comes from regulated gambling markets and the regulation of further markets is driving strong growth in digital gambling. However, there has also been regulatory tightening in some key countries, including the UK. This has challenged us over the last year to address what it means at William Hill to be a sustainable business, for our customers, our colleagues and the communities in which we operate.

In July 2018, we took a new direction in responsible gambling with our ambition that nobody is harmed by gambling. Public trust in gambling has declined over the last five years. We want gambling to be a fun part of people's spare time, which adds to the excitement of the sports they love. That is why we must recognise the hidden side of gambling and keep getting better at helping our customers to stay safe, in shops, sports books and online, in the UK and around the world.

During the year, we have focused on addressing historical compliance failures in our Online business. These failures led to a regulatory settlement with the Gambling Commission in February 2018 when we were fined £6.2m because our former policies did not ensure we complied with regulatory requirements, including identifying people gambling with proceeds of crime. We have materially changed our compliance model and invested in more resource to improve.

The gambling environment is changing rapidly and colleagues are responding to that change. Within William Hill, we now have three businesses at very different stages of development but our colleagues are still very much one team. This business – which celebrates its 85th birthday in 2019 – has been building a better work environment with more modern ways of working, a clearly defined culture and greater diversity of background, experience and thought.

Our Close to HOME programme has been a force for good across our communities over the last three years. Now, under the William Hill Foundation, we are taking a new direction, building on these successes to increase our impact over the next three years, particularly on mental well-being.

This Sustainability report highlights the main activities we have undertaken over the last 12 months. For more information on our day-to-day activities, please visit www.williamhillplc.com/sustainability.

Key Performance Indicators

Customers

Performance		2018	2017	Comments
Customer protection	Number of self-exclusions – Retail	**11,024**	9,881	A customer experiencing gambling-related harm is able to ask to be 'self-excluded' and we will do everything we can to prevent them from gambling with us. Shop customers exclude from multiple shops via MOSES. Since June 2018, we have been live with GAMSTOP for online self-exclusion.
	Number of self-exclusions – Online	**38,913**	29,191	
	RIDDOR reportable accidents – customers	**1**	3	RIDDOR requires all accidents to be reported.
Customer satisfaction	Retail Net Promoter Score	**76%**	76%	Mystery shopper scores in Retail remained stable after improving significantly in 2017.
	Disputes referred to IBAS IBAS disputes found in customer's favour	**331** **2.4%**	315 1.0%	We want customers to feel they are treated fairly and openly. When they disagree with our decisions, they can refer to IBAS, an independent arbitrator. In 2018, in 97.6% of referred cases our original decision was upheld. We also addressed concerns raised by the Competition & Markets Authority (see page 40).

Colleagues

Performance		2018	2017	Comments
Protection	RIDDOR reportable accidents – colleagues	**2**	7	RIDDOR requires accidents to be reported when they result in absence from work for over seven days.
	Incidents of violence in the workplace	**466**	340	Betting shops experience security issues due to their position as a cash-based environment on the high street, and the safety of our colleagues, customers and local communities is a continuous priority. Through robust security measures, we have significantly reduced crime over the last decade. Against 2008, robberies are down 74%, burglaries are down 72% and cash-in-transit incidents are down 69%. Incidents of violence in the workplace remain a concern and we held around 100 anti-social behaviour workshops for shops teams and other colleagues each year. Average cash loss increased as the number of incidents reduced by 10%.
	Number of robberies	**87**	97	
	Number of burglaries	**51**	53	
	Number of cash-in-transit incidents	**8**	15	
	Average cash loss from OTC robberies (£)	**369**	233	
Training and development	Total number of training days Value of training investment (£'000)	**26,639** **2,158**	25,062 1,345	We invest in training both to ensure our colleagues are well equipped to deliver our goals and to give our people the opportunity to grow and develop. Training is available on a wide range of role-specific topics, generic skills and leadership. A key focus has been strengthening our approach to compliance training with the launch of a Responsible Gambling programme completed by 92% of our people.
Engagement	Employee Engagement Index – participation	**88%**	89%	Participation in our annual colleague survey, 'Your Say', remained very high at 88%. More importantly, our eNPS improved by 16 percentage points. Engagement increased by 4% in what was a difficult year.
Support	William Hill Foundation grants (£)	**24,646**	28,004	The William Hill Foundation's hardship fund supported colleagues across the Company, making 13 grants in 2018.

Community

Performance		2018	2017	Comments
Environment	Total CO_2 equivalent (tonnes)	**31,853**	41,275	Our tonnes of CO_2e decreased by 23%, as we introduced LED lighting to our shops.
Industry relationships	UK horseracing levy (£m) Sports sponsorship (£m)	**18.5** **9.1**	19.1 11.4	We support sports through sponsorship, media rights and horseracing and also greyhound racing levies.
Community engagement	Employee charity matching scheme (£)	**42,594**	56,219	Our colleagues participated in 137 events for which we matched their fundraising in 2018.
	Research, education and treatment contributions (£'000)	**1,350**	1,350	Our principal donations were to GambleAware and Senet.

Customers

In July 2018, we published our new sustainability ambition – that nobody is harmed by gambling – and this underpins the strategy we have outlined for each of our divisions.

Towards our ambition: Nobody Harmed by gambling

Every type of gambling product has the potential to cause harm to our customers. Around 430,000 people in the UK are classified as problem gamblers. That's too many but it is also the tip of the iceberg: around two million people are considered to be at risk and another six people are impacted for each person experiencing gambling-related harm. Anyone can become at risk of problem gambling and some people are especially vulnerable because problems with gambling are deeply connected to a whole host of other social factors, like substance abuse and mental health conditions.

In the past, we have fallen short on this issue and over the last five years public trust in gambling has declined. Over that same time, we have been on a journey to improve the protections we have in place but what is also true is that we must face more bravely into the issues.

Our efforts are focused on four crucial areas through which we can tackle problem gambling and protect those who are at risk of harm from gambling:

- Support all customers to stay in control through how we design and market our products;
- Create new ways to identify people at risk and intervene effectively through new technology and the expertise of our frontline colleagues;
- Strengthen the system of support for those who do experience harm; and
- Empower all our colleagues with the understanding and skills to make a difference.

There aren't short-term answers but there are steps we can take quickly. We have made nine initial commitments as we put in place the new strategy, including immediate actions such as stepping up training in partnership with responsible gambling experts, long-term programmes including a responsible gambling innovation fund and areas requiring wider collaboration, for instance to drive change on TV advertising and come together to pursue new ideas (see the 'Fresh Perspectives' case studies on pages 39 and 40).

Revealing the hidden side of gambling

Problem gambling can often stay hidden longer than other issues like problem drinking. As one of the largest gambling companies, we are lending our voice to raising the profile of this hidden problem. Read more about our ambition at www.williamhillplc.com/nobodyharmed.

Strengthening compliance and customer protection in Online

Following the settlement with the Gambling Commission in February 2018, we undertook a number of internal and external reviews and, based on their recommendations, we established an improvement programme to implement changes rapidly and effectively.

We have refocused our overall compliance structure to better embed a 'three lines of defence' model. The first line of defence is our operations teams as it is important that every part of our business considers and addresses these issues, day in, day out. The second line of defence is our specialist teams in compliance, anti-money laundering and responsible gambling, who are responsible for setting the policies and procedures implemented by the operations teams, and for tracking and monitoring performance against these. The third line is our Internal Audit team, who provide risk-based independent audit and assurance across both the first line and second line functions.

Alongside this, we have invested in expanding and enhancing our capabilities, and appointed people into a number of senior roles who have extensive gambling sector experience, including a Customer Operations Director, Director of Compliance and Head of Anti-Money Laundering.

We have standardised the documentation of our approaches to increase transparency and understanding, and subsequently revised our policies and procedures for responsible gambling, anti-money laundering and activities by higher spending customers. These are subject to continuous review and improvement.

Training of all colleagues is critical to successfully delivering the right standards in our business. We have invested in new technology and partnerships, with better training modules and record systems. Colleagues have since been trained in the General Data Protection Regulation (GDPR), responsible gambling and anti-money laundering.

Technology will also support us in better engagement with customers. Management of customer data is made complex by the number of different systems and databases that currently generate and capture that information. We are implementing an automated case management tool that, over time, will improve access to and integration of customer records. This will enable us to have higher quality, more appropriate interactions with customers.

As part of our ongoing customer protection efforts, we are developing systems, tools and approaches to identify at-risk customers and to intervene more effectively with them at the right time and in the right way. We have revised our internal systems algorithm that is used to identify customers we may need to engage with, for instance through analysis of their playing patterns. We have also been working with other major operators via the Senet Group to establish a shared understanding of 'markers of harm' that can serve as part of an early warning system.

In June 2018, we went live with the GAMSTOP cross-operator self-exclusion system, which is enabling online customers to go through a single self-exclusion process to suspend their online accounts. All licensed UK online operators will be required to be part of the system from 2019. We also joined Italy's new self-exclusion scheme. These are pivotal steps forward in protecting some of the most vulnerable customers.

Following the settlement with the Gambling Commission, we undertook a number of internal and external reviews... and established an improvement programme to implement changes rapidly and effectively.

Harry Willits
Group General Counsel

Fresh Perspectives: Philip Bowcock on advertising

Along with other operators across the industry, William Hill has given its support to a whistle-to-whistle ban on TV betting adverts during pre-watershed live sport. This move is important. It is an industry-wide initiative that's been agreed ahead of any regulation.

This issue is one I have been speaking about for some time. I was on the record in 2016 saying I had concerns about the level of gambling advertising, for example, at 4 pm on a Sunday afternoon. The tone of the adverts, the number of them and the potential impact on young people have all been raised as concerns.

To have an impact on advertising, we need the entire industry to work together. We know the public is concerned about advertising. It may come as a surprise to you that over the past three years there has been more media coverage on gambling advertising than on gaming machines.

Most of our advertising is during live sport and it's then that we find young people are most likely to see gambling advertisements. The average under-18 audience of a Premier League match on Sky Sports is 96,000. Major events like the World Cup attract hundreds of thousands more young viewers. That is far too many young people seeing a product that isn't appropriate for them.

This is also a big and visible step towards our ambition that nobody is harmed by gambling. When we launched this ambition in July 2018, one of our first commitments was to look at how we advertise. This ban shows publicly that we are committed to keeping our customers safer.

We know that there will be short-term commercial impacts from actions like this. However, our sustainability relies on keeping customers safe and gambling with us for the long term, as part of our Nobody Harmed ambition. To be the trusted company and brand that we want to be, we must show that we are stepping up to the plate on this issue.

Philip Bowcock
CEO

Customers

From Q2 onwards, we implemented enhanced customer due diligence checks for some higher risk customers to ensure they are gambling with appropriate funds. As a result of this process, which included an increased requirement for customers to provide evidence of the source of their funds, we closed a number of customer accounts. This reduced Online's profits in 2018 by £17m and we will see a similar additional amount in 2019 as this impact annualises.

Whilst this is a significant negative impact on the financial performance of the business, we believe it is the right thing to do to protect customers and to ensure we have a more sustainable profile going forward.

Through the end of 2017 and into early 2018, we engaged with the Competition and Markets Authority's enquiry into unfair terms and conditions in the gambling industry, which involved several operators. In February 2018, we implemented a number of changes, including making our terms and conditions clearer and more transparent, and revising the wagering requirements associated with free bet promotions so that customers have an easily accessible 'cash in my bonus' feature. The CMA's approach is now being embedded across the rest of the UK gambling industry via the regulator, the Gambling Commission.

£1.35m

in donations to support research, education and treatment of problem gambling

Fresh Perspectives: Ruth Prior on the shared challenge

The William Hill today is very different from when I joined a year ago. At that time William Hill had just announced our new corporate values and there were two that really captured my imagination – give a damn and leave a legacy.

At our Nobody Harmed crowd-sourcing event on 7 November 2018, that same energy was present in the room. It was the end of Responsible Gambling Week, which had sought to raise the profile of this important issue and to encourage gamblers to think about how they can gamble safely.

Achieving our Nobody Harmed ambition is a shared challenge. Many people are dedicating effort and imagination to tackling gambling-related harm. That's why working with external partners and researchers was part of our first commitments when we launched our new sustainability strategy.

The event brought together over 100 leading players – from academia and research to policy makers, the gambling industry, adjacent experts, frontline support organisations and those with lived experience – with insight into the challenges, ideas for solutions and aspirations for the future to explore how we can collaborate on this shared agenda.

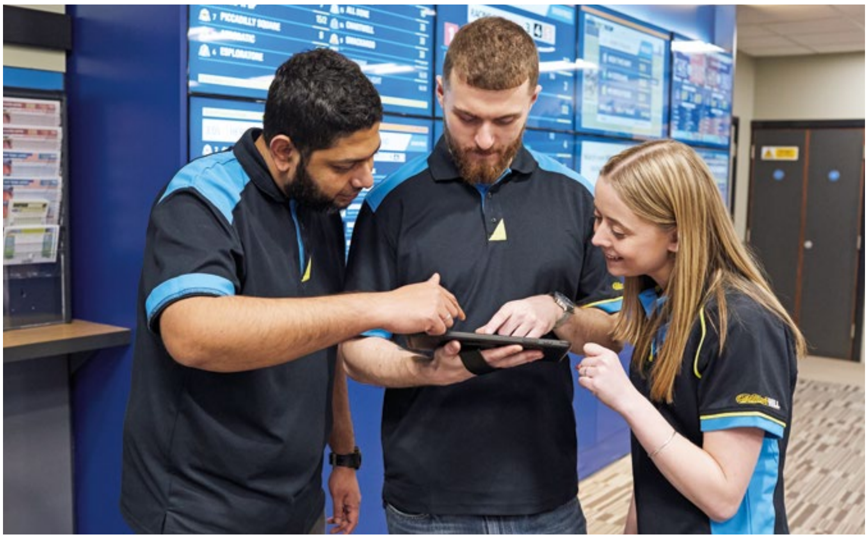
The wide variety of voices resulted in some great ideas and thinking across the Group, and there were a few big themes that jumped out to me: better use of data, the importance of collaboration and culture change, and the need for relationships right across the issue.

Now we need to turn these ideas and these insights from the eco-system into action. We're taking the ideas coming out of this event back into the commercial teams in our business – to identify where we can act in the near term.

A significant barrier has been the potential commercial impact that these decisions may make. That's why we've built this into our business planning and created a £150,000 Responsible Gambling Innovation Fund to test and pilot new ideas.

We can't do this alone. Together, we can create an environment that means that nobody is harmed by gambling. We'll be open and transparent, so you can judge whether we are actually making the improvements we need to. And we're counting on everyone to keep our feet to the fire.

Ruth Prior
CFO



Continuous improvement in our betting shops

In 2017, we introduced tablets into every shop to help us communicate better with our colleagues. This year, they have also helped us to improve our responsible gambling service for customers.

In May 2018, we digitised our system for compliance reporting, covering everything from age verification challenges to responsible gambling interactions (RGIs) and self-exclusions.

With real-time reporting in place, both the Retail line management and our central Compliance team have been able to provide more immediate support and advice where needed. It will also help us to develop our knowledge and understanding of what gambling-related harm means to customers, and how we might intervene earlier and more effectively.

As part of delivering this goal, the team at Betknowmore, a specialist problem gambling support organisation whose own lived experience gives them a unique perspective on how we can provide better support, helped us to refresh the guidance for colleagues on conducting RGIs. We include this in our Compliance Manual on the tablets so colleagues have a good understanding of the issues customers face and a clear framework for conducting RGIs to have maximum impact for customers.

Following a pilot of a tablet-based self-exclusion form in 2017 that made the process clearer and easier for customers, we rolled this out in 2018. The number of self-exclusions has increased as we have reduced this friction point for customers experiencing harm at a critical point for their well-being. At the same time, we have increased the number of recorded breaches by improving colleagues' alertness to and ability to identify self-excluded customers through the tablets.

Via an e-learning platform, the tablets are also enabling regular and more engaging refresher training for the shop teams, line managers and licence holders, complete with tracking and assessment results. This will support learnings for continuous improvement.

Colleagues

At William Hill, we are experiencing a period of unprecedented change, driven by regulatory changes like the Triennial Review, consumer changes such as the adoption of mobile gambling and societal expectations of how we should respond to gambling-related harm.

We are adapting to these important changes by establishing the strategy outlined on page 38, by changing our culture, building talent, evolving ways of working and increasing our diversity.

Changing our culture

Our new strategy sets out different goals for each of our three divisions but we remain 'one William Hill', united by our brand and our values.

Our culture is shaped and underpinned by our values. These are designed to protect what is already great about our business while providing the aspiration we need to drive change. They are provocative, simple and direct, and define what is expected of all our colleagues every day. These have been embedded into our people processes from performance management to how we recruit and recognise colleagues.

Culture change starts at the top so we have also created leadership 'vitals', which are the additional behaviours we expect of our leaders. Leadership is critical through this period of change. We have created a new leadership forum which meets monthly and face-to-face at least once a year to keep leaders connected to the business priorities and to each other.

Each division and function also holds regular stand-ups bringing together colleagues from across multiple locations, both face-to-face and virtually. As well as providing an opportunity to hear from leaders about strategic priorities and performance, we have introduced a Q&A and polling app which has helped transform levels of interaction and dialogue across the business.

Reward and recognition are an important part of the culture we are building. We have invested in an online recognition platform, Mo, which is accessible to all colleagues, including via the tablets in shops. In six months, more than 40,000 thanks messages were sent and openly shared on Go2, our colleague website. Our annual Excellence Awards were rebranded as 'Go One Better' Awards in 2018 and aligned to our values. More than 4,000 nominations were received by colleagues with our finalists recognised at ceremonies in the UK, Gibraltar, Krakow, Sofia and Manila, attended by the Executive team.

Building talent

In April 2018, Ulrik Bengtsson joined us from Betsson Group to lead our digital strategy, overseeing the build-out of our international Online business, together with global data, brand, marketing and customer experience. During the year, we enhanced the Product and Data teams, combined customer-facing teams into one 'customer experience' function and invested in improving our compliance, as described on pages 38 to 39.

We have responded rapidly to the opportunity presented by the expansion of regulated sports betting in the US, building a digital hub in Hoboken, New Jersey, and recruiting highly experienced individuals into the new roles of President of Digital and Chief Marketing Officer for William Hill US.

William Hill values and leadership vitals

Leave a legacy
Create the new
Grow our people
Walk the talk
It's on you

Go one better

Eyes on the customer
Give a damn
Own it
On the same side
"It'll do" will never do

In April we launched our new talent strategy, and strengthened our ambition to become a place where talented people would choose to work to build their potential. We partnered with YSC on their globally recognised JDI potential model – judgement, drive and influence – to ensure we had a consistent approach and language to identify and develop our talent. Talent discussions and focused development activities are scheduled into a regular rhythm of reviews overseen by the Executive Committee.

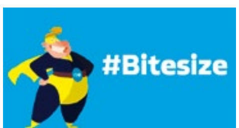
In our first 'C-suite' programme, 17 colleagues identified as having the potential to be future executive managers participated in a 16-month programme with the London Business School. Our focus in 2019 is to create bespoke development programmes for the four talent pools we have identified across the business to ensure that we can maximise our people's potential and drive strong internal succession opportunities.

Our goal in 2018 was to enhance leadership capability by providing a high impact, behavioural development programme that colleagues want to take part in. In January 2018, we engaged with over 300 leaders from across five global locations to deliver learning through workshops, action learning sets and coaching. Built around our values and vitals, this leadership upskill programme was delivered to all of our senior leader population to support the important shift to agile ways of working.

We invested in Accelerate, a digital platform for training, creating an academy style of learning where all training and development is brought into one place and available whenever an individual needs to access it. Thousands of 'always on' training tools are available, including our weekly 'Bitesize' leadership development sessions. Bitesize has proved a huge success with over 2,000 people attending sessions run by their colleagues over the last year. In 2019, our focus will be to create bespoke learning Academies for specific roles focused on developing the critical capabilities required for success. Our Product Academy is scheduled to go live in March.

Accelerate has also supported the improvements we have made to our compliance training, with full ability to track completion of the compulsory training components. We rebuilt our training from scratch, working with a wide group of stakeholders to make it more relevant and practical. In working with a global partner, we will be able to develop this capability across all parts of the Group, ensuring one baseline level of expertise across all jurisdictions, supplemented by tailored training for specific countries and individuals. Compliance-related training was undertaken by all colleagues outside the US during the year, either as part of their annual refresher training or as part of the enhanced programme.

In 2018 we extended our Apprenticeship programme in the UK and now have 97 people in the process of completing a programme that will help them to develop their potential and achieve their longer-term career goals. Our aim is to increase participation by 100% in 2019.



2,000+

Over the last year over 2,000 people have attended leadership development sessions run by their colleagues

Colleagues

Having someone challenge my thinking makes me realise how important it is to bring your own stamp to what you do and not just accept the norm. You want to be happy about the legacy you leave, not just ticking generic boxes on the way.

Emily Morgan
Head of Reward and a mentee under the 30% Club programme

Evolving our ways of working

During 2018, we continued to transform our operating model, creating digital hubs for our US business in New Jersey and our Online business in Krakow, optimising critical talent pools and improving cost efficiency. We are continuing to invest in both technology hubs through expanding recruitment in the US and moving pivotal tech and data teams to Krakow.

In January 2018, we opened a new office in London and successfully built a team of 130 people in marketing support and technology. As a result, we were able to close our legacy Tel Aviv office. The acquisition of Mr Green, in January 2019, will see our new Malta office become the hub for international expansion outside the UK and the US.

We have also changed our working environments with offices now open plan for all colleagues, including the Executive management. The look and feel of our new London office, which includes in-built technology that supports the virtual meetings and stand-up forums required by a fast-paced, agile and collaborative business, has now been rolled out to all offices. Investment in new Finance and HR systems, which go live in 2019, will further improve our efficiency.

Superior communications are critical to improving our ways of working. The tablets in Retail have proved this during one of our most challenging years. The decision on the Triennial Review – originally expected in spring 2017 – was delayed for more than a year, creating a sustained period of uncertainty for colleagues. The Retail leadership team under Nicola Frampton used multiple channels to keep colleagues well informed and reassured, and to give them a voice. As a result, we saw a positive and powerful response across Retail both when the decision was announced and again when the implementation timeline was accelerated.

Encouraging gender diversity

In 2017, William Hill joined the 30% Club as part of our goal of encouraging gender diversity across all levels of our business. We joined the 30% Club's mentoring programme, providing 17 mentors into the programme's pool and registering as mentees 17 William Hill women from more junior roles who show high potential.

During the year, we promoted gender diversity through a number of channels. As part of International Women's Week, women from across the Group and all levels of the business recorded videos about why they work for William Hill.

These – and our 'Behind the Bet' videos – have helped to break down preconceptions about our business, and have been shared internally, on social media and on our corporate website. LinkedIn has been a strong platform for us in this and we have more followers than any other major UK gambling company.

In November, Ruth Prior, our CFO, talked about diversity at GambleAware's annual conference, highlighting the importance of all forms of diversity, not just gender, to encourage what she described as "diversity of thought".

30% Club
GROWTH THROUGH DIVERSITY

Increasing diversity

We continue to pursue ways to foster and increase diversity and inclusion across the Group. Through a diverse colleague population, we can achieve the diversity of thought that delivers better outcomes for customers, colleagues and, ultimately, our shareholders.

While many might assume gambling is a male-dominated industry, overall our colleague gender split is approaching 50:50 (see the chart to the right). However, like many companies, our diversity decreases with seniority so in 2017 we joined the 30% Club and are the only one of the major UK gambling companies to sign up to this. We set an aspiration to increase the proportion of women in leadership roles from 22% in 2017 to 30% by the end of 2020. We have hit that target for women in our senior leadership population a year early. Our focus now is on achieving the same uplift in our middle managers to hit the overall target.

In 2018 we joined the 30% Club's cross mentoring scheme designed to help high potential women develop their capability and move into senior roles. We currently have a cohort of 34 people participating in the programme.

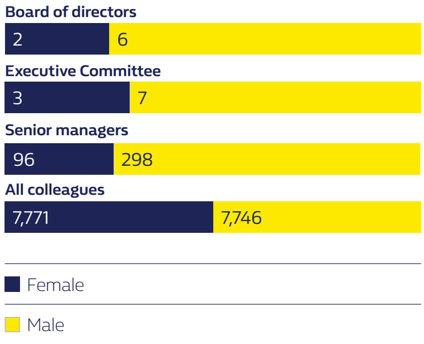
We have launched a women in leadership programme as part of our global leadership curriculum. The programme, which has been designed by one of our own high potential female technology leaders, is targeted towards any female who aspires to be a leader or female leaders who want to build their confidence and capability.

Our WOW (Women of William Hill) network continues to go from strength to strength. We now have 235 active members who regularly share good practice and ideas via social media and virtual sessions. We used the opportunity of International Women's Day in 2018 to put a spotlight on our internal female talent and hear from a number of key note speakers via face-to-face and digital workshops across our different locations.

We publish our gender pay statistics on our corporate website (www.williamhillplc.com/sustainability). Our median pay gap is 5.71% and the mean is 16.60%. As this is based on the average hourly pay by gender, this gap reflects the fact we have fewer women working in higher paid, more senior roles – changing that remains a priority.

In our 2018 colleague survey, 82% of women strongly agreed or agreed that William Hill treats all employees fairly irrespective of gender, age, race, disability, religion or sexual orientation. This was an increase of 10 percentage points from last year.

Gender diversity
(as at 1 January 2019)



Legislation requires that we define 'senior managers' as the directors of our subsidiary companies. However, the Board believes this information does not provide a meaningful analysis of how the Group operates so the data shown reflects the proportion of senior managers by our own internal grading system.

For reporting purposes there were 47 subsidiary companies as at 1 January 2019, comprising 29 men and 18 women.

Increasing engagement

The Executive Committee has focused on improving engagement, recognising the power of engaged colleagues in delivering change.

Through an annual engagement survey and periodic 'pulse surveys', we have been able to identify areas that colleagues wanted to see improve and that are the biggest drivers of engagement. These have translated into action plans with a continuous focus on improvements now delivering results. In 2018, our eNPS score improved by an unprecedented 16 percentage points.

There were improvements in 27 of the 31 questions with a comparable historical score. Significant increases have been seen in recognition for achievements and happiness with work environment. Colleagues also responded very positively to our Nobody Harmed ambition, with the score for William Hill being a responsible company improving by 10 percentage points.

Our colleagues come to work so that people can enjoy gambling. To build awareness of the risks of gambling and to empower them, we invited former gambling addicts to talk to our colleagues as part of Responsible Gambling Week.

We work in an exciting industry that's going through huge amounts of change. The engagement of our people is critical to our future success, we want them to be proud to work for William Hill, and this means we are continually raising the bar. Focusing on our talent, creating a diverse and inclusive environment, and creating a culture where colleagues can go one better.

Karen Myers
Group Human Resource Director

Community

With around 15,500 colleagues living and working in nearly 2,500 communities across four continents, we have a real opportunity to have a significant positive impact in the areas in which we operate.

Our community contribution

William Hill's contribution to our community manifests itself in multiple ways. As an employer, we offer a wide range of employment opportunities, ranging from those at entry-grade requiring limited qualifications but offering both development opportunities and flexible working hours, to highly specialist roles that draw on technology and mathematical skills.

As a gambling company, our financial contribution is substantial as we pay gambling duties and levies as well as employer and corporation taxes. In 2018, we paid £413.5m in taxes, £29.4m in sponsorships and sports levies, and £113.5m in dividends to shareholders.

As part of our efforts to protect customers from gambling-related harm, we continue to support charities and other bodies working on research, education and treatment. We donated £1.35m in 2018, £1m of that to GambleAware, a charity that distributes funds to other charities that support customers experiencing harm, including GamCare – who provide the national gambling helpline – and Gordon Moody – who provide residential support.

Our links to sport remain strong. Racing and betting have always been intrinsically linked and the sustainability of the horseracing and greyhound industries is important to us. In 2018, we provided £20.3m in levies as direct support, and also paid £96.9m for the right to broadcast live sports events in our shops and online, much of which flows back through to the race tracks that hold the events.

We support boxing at the grass roots level – as sponsors of the Haringey Box Cup, Europe's largest amateur boxing event – through to the highest level, with Anthony Joshua, one of our William Hill ambassadors. We support darts, a much loved sport, through our sponsorship of the PDC World Championships. Furthermore, our betting partnerships with Tottenham Hotspur, Chelsea and Everton football clubs have led to wider projects supported by us in their respective local communities.

£29.4m

paid in sponsorships and sports levies

Protecting the integrity of the sports we love is crucial – for the sports, their fans and our customers. As a member of ESSA, an international sports betting integrity body launched by regulated sports betting operators, we monitor and report suspicious betting patterns. We have memoranda of understanding in place with several sports governing bodies to encourage sharing of best practice and we are a member of the Sports Betting Integrity Forum, established to develop and enhance Britain's sports integrity approach.

Supporting colleagues – in good times and bad – is a core part of our community ethos. In addition to the Employee Assistance Programme available to colleagues, through the William Hill Foundation we provide a hardship fund that any colleague can access. The fund provided 13 grants in 2018, totalling £24,646. We also matched colleagues' fundraising efforts for charities and community initiatives to the tune of £42,594. Colleagues themselves volunteered 6,905 hours to support 'Close to HOME' projects during the year, bringing the total to more than 20,000 hours since the programme was launched in 2015.

essa
SPORTS BETTING INTEGRITY

£413.5m

paid in taxes

Close to HOME

As part of our Close to HOME community commitment, we continued to support our colleagues in 2018 in giving their time and skills to make a positive difference in their local communities. Our corporate level partnerships with other charities also aim to have an impact within the same framework.

This support focuses on three key areas:

– Creating opportunities through sport;
– Promoting skills and opportunity; and
– Improving the local environment.

In March 2018, we hosted our third successive International Community event, which involved teams from across our locations supporting local initiatives around the globe. For instance, Retail colleagues in Sunderland spent the week volunteering at 'Hospitality and Hope', a homeless shelter, as well as organising a beach clean-up in Blyth, and colleagues in the US volunteered at 'Spread the Word Nevada', an initiative looking to improve literacy rates across the local area.

Our colleagues' volunteering efforts continue to be recognised at our Excellence Awards, with individual and team awards for community contributions.

Employability

Providing those in our communities with the support and skills they need to find employment is a core area of focus for our Close to HOME commitment, and will continue to be a priority for the relaunched William Hill Foundation in 2019 (see page 49).

In 2018 we partnered with the Tottenham Hotspur Foundation, Chelsea Foundation and the social enterprise 'Our Club' to deliver bespoke work experience programmes. These programmes offer candidates workshops that build confidence and employability skills as well as a two-week work experience period at the company, with a final interview at the end of the programme for a job at William Hill.

Through these programmes 160 people have found work with William Hill since 2015.

Bobby Moore Fund

For the third year running, we sponsored and took part in 'Football Shirt Friday', a campaign run by the Bobby Moore Fund, which took place on 27 April. Colleagues and customers paid £2 to wear their football shirts to work to raise money for the Fund; our international locations were also involved in the day to fundraise for their respective Close to HOME charities.

William Hill ambassador Robbie Savage featured on the campaign promotional materials and we also distributed bowel cancer awareness information in all of our shops.

Our campaign raised over £28,000 for the Bobby Moore Fund, bringing our total contribution to the charity in sponsorship and fundraising to over £250,000. This amount is helping to fund a significant piece of psychological research to help increase uptake in a national bowel cancer screening programme.

£250,000

Over £250,000 in total contributions raised for the Bobby Moore Fund

Community

Prostate Cancer UK

We ran a four-month partnership in Scotland with Prostate Cancer UK to raise awareness and funds for the charity.

Prostate cancer information and leaflets were made available within all 308 William Hill shops in Scotland and colleagues received training on key prostate cancer messages to bring up in conversation with customers.

Fundraising activity took place through selling the charity's 'Man of Men' pin badges over-the- counter, and also hosting collection tins in every shop. Colleagues arranged numerous fundraising events, taking part in 'Kilt Walks' across the region.

In total, the partnership raised £25,000 for Prostate Cancer UK, which we presented to the charity at our UK Excellence Awards at Ayr Racecourse.

SFA 'Support within Sport' Mental Health Programme

In 2018, for the third year running, we continued our support for the Scottish Football Association's (SFA) 'Support within Sport' programme.

The programme looks to support those in the game who may be suffering from mental health concerns, by providing a confidential helpline to discuss any issues, and offer follow-up specialist treatment to those who make contact with the service.

To date, the programme has engaged with over 160 people, with those undergoing treatment continuing to show a significant reduction in symptoms of anxiety and depression as a result of the three- to six-month treatment.

Haringey Box Cup

As the main official supporter of the Haringey Box Cup, the largest international amateur boxing competition, we help provide an opportunity to young boxers from across the world to compete in the three-day annual event at Alexandra Palace.

This was the fourth year William Hill has sponsored the event, continuing our commitment to promote our Close to HOME ambition to attendees of the tournament.

We ran an activity stand over the three days, which included the return of our Close to HOME map competition. Visitors to the event and boxing clubs submitted their suggestions as to how William Hill could support their club or local community through our Close to HOME commitment. As a result our colleagues raised £1,400 for 'Rumbles Boxing Academy', based in Kent, after their gym was burnt down in an arson attack.

£25,000

raised by our shops in Scotland for Prostate Cancer UK

Environmental impact

Our environmental impact is not substantial as our product is essentially virtual. So our carbon footprint largely relates to the amount of electricity we consume in our shops and offices. The Corporate Responsibility Committee of the Board receives updates on environmental initiatives and policy, and the Group's Environmental Policy is currently under review. We are focused on continuous improvement and succeeded in further reducing our carbon footprint (as measured by CO_2 emissions) in 2018 by 23%, principally as a result of changing to LED lighting in our shops.

We report an emissions figure based on tonnes of CO_2 equivalent (tCO_2e). This includes Scope 1 and Scope 2 emissions, including natural gas consumption, electricity consumption, refrigerant emissions and fuel from company cars. In 2018, we saw a 23% decrease to 31,853 tCO_2e (2017: 41,275 tCO_2e). Within this, Scope 1 emissions were 2,225 tCO_2e (2017: 2,696 tCO_2e) and Scope 2 emissions were 29,355 tCO_2e (2017: 38,579 tCO_2e).

Since 2013, we have used an intensity measure – tonnes of CO_2 equivalent per £1m of net revenue – to track our performance. In 2018, we saw a year-on-year decrease of 18% to 19.68 (2017: 24.12) as we saw a material reduction in our emissions. These data points were calculated using DEFRA guidelines and conversion rates.

Human rights

The Board considers that it is not necessary for the Group to operate a specific human rights policy at present. Our policies already operate within a framework to comply with relevant laws, to behave in an ethical manner and to respect the human rights of our employees and other stakeholders in the business. Most of the Group's business is focused in the UK and in jurisdictions where human rights are generally observed.

The Corporate Responsibility Committee, on behalf of the Board, is satisfied that William Hill's policies operate in a way that is consistent with the UN's Global Compact, covering areas of human rights, labour, the environment and anti-corruption. The Group also operates its own bribery and corruption policy.

The Group's statement on the Modern Slavery Act 2015 was reviewed and updated during 2018. The statement is available via the Group website (www.williamhillplc.com) and the statement and underlying processes will be reviewed again in 2019.

23%

reduction in emissions based on tonnes of CO_2 equivalent

The William Hill Foundation

The William Hill Foundation was established in 2011 to administer the hardship fund for colleagues and other charity programmes, the first of which was the five-year Project Africa, which ran from 2012 to 2017. In 2019, the Foundation is being relaunched with a new and expanded focus on mental well-being.

Mental health is a major issue that touches all our lives. In the Foundation's first partnership in this space, we are working with The Alzheimer's Society, which focuses on the leading cause of dementia in the UK. In a ground-breaking three-year partnership – the first of its kind in the gambling sector – we will raise awareness, fundraise in support of significant advances in treatment and draw on the charity's expertise to help us improve mental well-being across William Hill's customers, colleagues and communities.

The Foundation will continue to administer the hardship fund and matched funding for William Hill colleagues. It will also take over the community programmes that William Hill supports and I'm excited to say it will run a new £150,000 Responsible Gambling Innovation Fund that the Group has started to provide seed funding to new ideas to prevent or treat gambling-related harm.

Over the next three years, the Foundation will be supported by £2m of funding from the William Hill Group with the aim of achieving significant improvements in mental well-being.

Karen Myers
Chair of the William Hill Foundation

Adjusting to material headwinds while investing in long-term growth

Ruth Prior

Chief Financial Officer

We see three business areas in really different stages of maturity. Online growth continues in the UK and we will be diversifying internationally. Alongside this, we are growing a business of scale in the US, while we will be reshaping our Retail business in response to the Triennial Review outcome.

2018 has been a significant year in the history of William Hill. Our overall performance reflects the impact of a number of headwinds, primarily the recognition of the impairment of our Retail segment of £882.8m, giving a statutory loss from continuing operations of £716.1m. Despite these challenges, underlying trading has remained strong, giving us an adjusted operating profit[1] of £233.6m. When adjusting for the investment into the expansion of the US business, with an adjusted operating loss of £33.2m, and the impact of Online's enhanced customer due diligence processes (c£17m), the Group's performance was in line with our expectations during the 53-week period this year. Whilst Retail was impacted by challenging high street conditions, the US Existing operations and Online have outperformed to offset this.

As outlined in the Chairman's and CEO's reviews, the significance of the year is driven by two material pieces of regulation: PASPA was overturned to enable legalised sports betting across the US and the outcome of the UK Triennial Review with the stake limit on B2 gaming products reducing from £100 to £2, with the consequent increase in Remote Gaming Duty (RGD) from 15% to 21%. Both of these were announced in May and provide greater clarity over the future of the business.

When we stand back, we see three business areas in really different stages of maturity. Online growth continues in the UK and with the acquisition of Mr Green we will be diversifying internationally. Alongside this, we are growing a business of scale in the US from the relatively small but well-established foundations in Nevada. In contrast, we will be remodelling our Retail business in response to the Triennial Review outcome, which will focus on mitigations including product substitution and activities to capture business from our competitors.

Underpinning all of this is our ambition that nobody is harmed by gambling. I am really proud of the work we have started this year to change the focus in this area and show greater leadership on the issue of gambling-related harm.

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

Looking ahead to 2019, we will see our revenues grow but the consequence of the revised regulatory environment and increased RGD tax rate will be a reduction in our like-for-like profits across our Online and Retail businesses. It will also take time for the mitigation measures to come through in Retail. In the US, our ambition is to be in every state that regulates sports betting and, whilst we continue to invest in that roll-out, we would expect to be loss-making in the combined William Hill US division by $0-$20m. Mr Green results will improve our position through both operating profit contribution and, to a small extent, cost synergies.

However, despite these challenges and as outlined in our Capital Markets Day, our ambition is to double our profits over five years through achieving a 13% CAGR in Online and becoming a market leader in the US.

Our strong balance sheet (cash at year end of £420.8m) and low leverage (net debt to EBITDA ratio of 1.0x) underpins this ambition by giving us the ability to fund expansion while balancing equally the interests of our creditors and shareholders. Liquidity and borrowing headroom are both strong as a result of significant cash reserves and an undrawn £390m 5-year revolving credit facility, signed in October 2018. Throughout 2018 our net debt to EBITDA ratio has remained within our publically stated policy of between 1.0 and 2.0 times EBITDA. In the year our credit rating was again affirmed at Ba1 and BB+ by Moody's and S&P respectively.

The expansion in the US and the continued focus on Online requires investment. We expect to spend around $70m in total across two years on our US technology platform with a further $45m on the retail estate as we expand into new states. In Online, we expect to spend £40-£50m in 2019 to ensure we provide the right products to continue to build a sustainable and competitive Online business.

In 2018, the Board applied our dividend policy to underlying earnings excluding US Expansion. For 2019 and 2020, the Board believes it appropriate that dividends are paid out of true underlying earnings and, as such, US Expansion will be included in the calculation. However, we have also committed to underpin the overall annual dividend at not less than 8 pence per share, regardless of underlying earnings, until the Group's earnings growth brings it back into line with the policy to pay out 50% of underlying earnings.

As well as acquiring Mr Green in early 2019, the Group has entered into agreements with a number of US organisations, including a strategic partnership with Eldorado Resorts and other partnerships with Golden Entertainment, Inc. and IGT, in order to gain access to the US market.

The acquisition of Mr Green will see the move of our International Online operations to Malta from Gibraltar. As Malta remains part of the EU post Brexit, we anticipate that the impact on our ongoing operations will be limited. The Group has considered the extent to which operations will be affected by Brexit and this information is available on page 60.

Earlier in the year, we completed a strategic review of the Australian operations, which resulted in the sale of the business. In addition, we sold our investments in NYX. In both instances the decision to divest was aligned to the strategic direction of the Group and the proceeds will be used to invest in the US expansion opportunity.

As we execute our strategy, we have incurred exceptional costs this year related to the transformation programme. This programme has outperformed our expectations and driven meaningful improvements to our digital capabilities.

The final stages of this programme are focused on investing in our support functions by providing better systems and processes, combined with the creation of a single shared service centre in Leeds to deliver improved HR and Finance support to our business.

2018 has also seen us impair our Retail assets by £882.8m as we recognise the reduced future cash flows from this division due to the Triennial Review decision. This is a non-cash item and the balance sheet remains in a net asset position with a Retail asset base that more accurately reflects the expected future earnings potential.

Looking ahead to 2019, as guided we will incur exceptional costs related to the Triennial Review mitigation programme. These costs will relate to shop closures and redundancies both within the Retail division and the wider business as the quantum of the regulatory impacts requires a Group-wide response. This is expected to incur cash costs in the range of £40m to £60m in Retail and an additional £15m of central costs over a two- to three-year period.

Ruth Prior
Chief Financial Officer

1 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 24 to the financial statements.

Adjusting to material headwinds while investing in long-term growth

Consolidated income statement

	Statutory results			Adjusted results		
	2018 £m	2017 £m	%	**2018 £m**	2017 £m	%
Revenue	**1,621.3**	1,592.8	+2	**1,621.3**	1,592.8	+2
Cost of sales	**(385.6)**	(400.6)	-4	**(389.7)**	(383.5)	+2
Gross profit	**1,235.7**	1,192.2	+4	**1,231.6**	1,209.3	+2
Net operating expenses	**(1,923.6)**	(1,014.8)	+90	**(998.0)**	(935.5)	+7
(Loss)/profit before interest and tax	**(687.9)**	177.4		**233.6**	273.8	-15
Net finance costs	**(34.0)**	(30.9)	+10	**(33.4)**	(36.4)	-8
Tax	**5.8**	(4.1)		**(24.1)**	(13.5)	+79
(Loss)/profit after tax from continuing operations	**(716.1)**	142.4		**176.1**	223.9	-21
Profit/(loss) from discontinued operations	**3.8**	(225.6)		**4.5**	13.0	-65
(Loss)/profit for the period	**(712.3)**	(83.2)		**180.6**	236.9	-24
(Loss)/earnings per share from continuing operations	**(83.6)p**	16.6p		**20.6p**	26.1p	

Note the analysis below considers only continuing operations unless specifically stated otherwise. The Group disposed of William Hill Australia, the Group's Australia segment, in April 2018. This has been classified as a discontinued operation and therefore not included within the below analysis.

The difference between statutory results and adjusted results is due to exceptional items and other defined adjustments, principally relating to an impairment charge of £882.8m recognised in the Retail segment following the results of the Triennial Review. Further detail on adjusted results is provided in note 3 to the financial statements.

The Group grew revenue by 2% to £1,621.3m, although this is from a 53-week trading period in 2018. With costs of sales decreasing by 4%, this led to gross profit of £1,235.7m, an increase of 4% or £43.5m. Net operating expenses grew by £908.8m (90%) on a statutory basis, mainly reflecting the impairment of the Retail segment of £882.8m.

On an adjusted basis, net operating expenses grew by £62.5m (7%) to £998.0m. This includes the cost of investment in expanding the US business since PASPA was overturned in May 2018 (referred to as the US Expansion segment) with net operating expenses of £43.4m and a net adjusted operating loss of £33.2m.This led to a decrease in the Group adjusted operating profit of 15% to £233.6m. Excluding the impact of the US Expansion segment, adjusted operating profit has decreased by £7.0m (3%).

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

We remained strongly cash-generative in the period with net operating cash flows of £197.1m, although this was a decrease of £75.5m or 28% compared to 2017. This decrease was driven by the 15% decrease in adjusted operating profit and an increase in working capital. The operational cash flow coupled with net cash receipts of £141.6m from the disposal of the Australia business and £100.7m from the sale of NYX investments led to a reduction in net debt for covenant purposes to £308.1m from £515.2m. Consequently, the ratio of net debt to EBITDA for covenant purposes reduced to 1.0 times (2017: 1.5 times), within the target ratio of 1-2 times.

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

Income statement by segment

	Revenue			Adjusted operating profit		
	2018 £m	2017 £m	%	2018 £m	2017 £m	%
Online	634.4	616.9	+3	130.2	132.5	-2
Retail	895.2	913.1	-2	150.3	160.9	-7
US Existing	79.7	57.9	+38	32.6	17.7	+84
US Expansion	11.8	–		(33.2)	–	
Other	0.2	4.9	-96	0.3	(0.2)	
Corporate	–	–		(46.6)	(37.1)	+26
Group	1,621.3	1,592.8	+2	233.6	273.8	-15

The commentary below on divisional performance reflects adjusted results, since that is the basis on which they are reported internally and in our segmental analysis. An explanation of our adjusted results, including a reconciliation to the statutory results, is provided in note 3 to the financial statements. The current period was a 53-week period compared to a 52-week comparative. This has not been adjusted for in the analysis below.

Revenue was £1,621.3m, an increase of 2% on 2017. Online revenues increased by £17.5m or 3%. Online Sportsbook net revenue increased by 3% although staking decreased by 1% with a stronger margin offsetting the impact of customer account closures following enhanced customer due diligence checks. Gaming net revenue increased by 2%. Retail revenue fell £17.9m or 2%. Within this, Retail Sportsbook saw a £16.5m (4%) decrease, driven by a 5% decrease in wagering, while revenue from gaming machines decreased by £1.4m (0%) with declines in footfall on the retail high street offsetting increasing product launches of B3 content.

In the William Hill US division, which comprises the US Existing segment (with all operations existing before PASPA was overturned in May 2018) and the US Expansion segment (with all operations in new jurisdictions since PASPA was overturned) revenue grew 58% to £91.5m. Revenue includes service provider revenue, where William Hill US provides sports books to the operator. The Group previously recognised this through other operating income. Further detail is provided in note 1 to the financial statements. The US Existing segment revenue grew £21.8m, or 38%, to £79.7m driven by significant growth in mobile. In US dollars the increase in revenue for US Existing was 42%.

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

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

Adjusting to material headwinds while investing in long-term growth

Exceptional items and adjustments

Exceptional costs	2018 £m	2017 £m
Restructuring costs		
Transformation programme	**31.2**	54.4
Portfolio shop closures	**(0.3)**	7.3
Triennial mitigation	**4.6**	–
	35.5	61.7
Other		
Impairment of Retail segment	**882.8**	–
Indirect taxation	**(4.1)**	17.1
Corporate transaction costs	**1.8**	–
Guaranteed minimum pension equalisation	**1.4**	–
Disposal of Australia operations	**0.6**	–
Legal fees	**0.6**	1.3
Disposal of investments in NYX	**0.4**	–
Cost in respect of refinancing	**0.6**	–
Other 2017 exceptional items	**–**	18.7
	884.1	37.1
Tax		
Tax on exceptional items	**(37.6)**	(8.3)
Exceptional tax items	**8.0**	–
	(29.6)	(8.3)
Total exceptional items	**890.0**	90.5

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

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

There were two restructuring programmes in the period. First, there was a continuation of the transformation programme with costs of £31.2m incurred in the period. This programme began in 2016 and is still expected to finish in 2019, with the benefits continuing to underpin the future growth of the business.

This programme has incurred costs of £95.8m up to the period end of 2018 and expects to incur c£10m of costs in 2019. The costs incurred relate to revenue generating and cost saving initiatives, which have an estimated allocation of cost of £43.3m and £41.6m respectively as well as a specific Retail restructuring programme (£10.9m).

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

The remaining exceptional items within operating expenses included the loss on disposal of our Australian business of £0.6m; corporate transaction costs mainly related to the acquisition of Mr Green and the partnership with Eldorado, which both completed in 2018; and the recognition of a provision for guaranteed minimum pension equalisation. There is also the continuation of certain exceptional items from the previous period for specific US legal fees (£0.6m); the loss on disposal on completion of the sale of the NYX shareholding (£0.4m) and adjustments to the provision for shop closures (£0.3m credit).

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

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

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

During 2019 we will adopt IFRS 16 Lease accounting. This will have a material impact on the balance sheet as the leases for our Retail estate get reflected on the balance sheet. The impact on profit is less material.

Taxation

On a statutory basis, the Group recognised a tax credit of £5.8m on losses before tax of £721.9m, giving an effective tax rate of 0.8% (2017: 2.8%). The rate is adversely impacted due to the non-deductibility of certain exceptional costs (principally the impairment of the Retail segment). On an adjusted basis, the Group recognised a tax charge of £24.1m on adjusted profits before tax of £200.2m, giving an adjusted effective tax rate of 12.0% (2017: 5.7%).

Cash flows and net debt

	2018 £m	2017 £m
Cash flows from continuing operations	**197.1**	272.6
Investments	**(20.5)**	–
Disposals	**242.3**	9.8
Net capital expenditure	**(117.3)**	(84.1)
Dividends	**(113.5)**	(108.1)
Cash flows from discontinued operations	**(1.9)**	8.7
Other movements in cash	**6.4**	4.8
Net cash inflow	**192.6**	103.7
Net debt (for covenant purposes)	**308.1**	515.2

The adjusted tax charge includes a provision in respect of uncertain tax provisions of £8.0m (2017: £nil) in respect to the unwinding of the intragroup lending on the disposal of the Australian operations. This rate is lower than the UK statutory rate mainly due to lower tax rates on profits earned in Gibraltar.

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

Earnings per share

Basic EPS declined to a loss per share of 83.6p from an earnings per share of 16.6p in the prior period, reflecting the loss after tax made of £716.1m, due predominantly to the £882.8m impairment of the Retail segment, compared to a profit after tax in 2017 of £142.4m. Adjusted EPS[1] decreased by 21% to 20.6p, due to the 21% decrease in adjusted profits after tax to £176.1m.

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

Statement of Financial Position

The impairment of the Retail division of £882.8m was allocated firstly against goodwill (£680.7m) and the remaining impairment charge, once goodwill had been decreased to nil was taken against licences within intangible assets (£151.5m) and property, plant and equipment (£50.6m).

The impairment charge, coupled with the disposal of the Australian business and investments in NYX, has led to a decrease in non-current assets of £1,030.8m from £1,968.6m at 26 December 2017 to £937.8m. These disposals of investments have led to an increase in cash and cash equivalents of £193.5m, which explains the £180.5m increase in current assets to £573.9m.

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

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

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

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

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

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

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

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

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

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

The Board committed to pay the 2018 full-year dividend from underlying earnings excluding US Expansion. Moving forward, now that the Group's US ambitions are clearer, the Board believes it is appropriate that dividends are paid out of true underlying earnings, i.e. including US Expansion costs, from 2019 onwards. However, reflective of the Board's confidence in the Group's strategy, strong capital position and future cash generation prospects, the Board has committed to underpin the annual dividend to be not less than 8p per share until such ime as the earnings come back in line with the pay-out policy.

1 Adjusted EPS is calculated using adjusted profit after tax and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements.

Non-Financial Reporting Directive

In accordance with the EU Non-Financial Reporting Directive, the following chart summarises where you can find further information in this Annual Report on each of the key areas of disclosure that the directive requires.

EU Non-Financial Reporting Directive

Environmental, social and employee related matters

- We operate corporate policies in these areas, which comply with or exceed legal and regulatory requirements in our markets.
- Good employee relations are a vital part of our business. We prioritise these through our policies and engagement, development and recognition programmes.
- We discuss each of these areas in the Customer, Colleague and Community sections of this report on pages 36 to 49.

Business model, policies, principal risks, KPIs

- The Group has already integrated non-financial inputs and outputs into its business model and strategic planning. This is discussed further in the business model on pages 14 and 15.
- Non-financial risks are routinely considered by the Audit & Risk Management Committee, and are disclosed where deemed material in the 'Managing our risks' section on page 57.
- KPIs are monitored by the Group and are described on pages 16 and 17.

Human rights and anti-bribery related matters

- We discuss our approach to Human Rights, which is not deemed a material issue for the Group, on page 49.
- The Group operates anti-bribery policies which support compliance with the UK Bribery Act. These are discussed further on page 74.

Diversity policy and approach

- We discuss our approach to diversity on pages 63 and 70.
- The Board places great importance on the positive benefits that diversity of experience, background and viewpoints can bring and is supportive of the objectives of the Hampton-Alexander review and other reviews on diversity.
- Policies and initiatives are operated throughout the business and these will be monitored to assess progress.

Managing our risks

This year has seen change sweep across the industry, presenting new and material opportunities in the US, continuing consolidation and partnerships amongst new and existing businesses, and ever-evolving regulatory environments globally.

In addition, the landscape for UK PLCs has been challenging and remains uncertain from a political standpoint for the foreseeable future. It follows that all businesses such as ours face evolving, and arguably growing, risks. As a global, regulated, listed and ethical business, William Hill must continue to be aware of the risks we face and take steps to mitigate them, to ensure they remain at an acceptable level, aligned to our risk appetite.

Our approach to risk must take account of the commercial realities, but be sufficiently clear as to the limits of our appetite for risk, and where stronger action is required. No system of control or governance can give absolute certainty over the mitigation of risk and it is the intent of the William Hill risk management programme to highlight risks, ensure management are aware of the ongoing position and act accordingly to keep risk under control.

Our approach

The Board is responsible for the oversight and approval of appropriate responses to potentially significant risks in pursuit of the Group's strategic objectives. During the year the Board re-affirmed the existing risk appetite as being appropriate. The Board confirms that its assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and which are set out in this 'Managing our risks' section, was robust.

Each defined business unit has fully considered their own risk profile which has been appraised, challenged and approved by the Group Executive, with a consolidated view presented to the Board. The Executive are charged with managing risk and undertake these duties through specific review of the business unit risk registers, and through maintaining key risk indicators, as well as formally considering risk as part of the investment appraisal process, Group and regional capital expenditure and project appraisals, review of key changes and a thorough discussion with the Board as part of Group strategy days.

Throughout 2018 we undertook detailed bottom-up risk assessments in business divisions and support functions, highlighting key risks, their current mitigations and areas which required further action. This was presented to the Group Executive in late 2018 to make Group-wide assessments and prioritise areas for action and assurance.

Set out below is our view of key risks currently facing the Group, along with commentary on how this directly affects our strategic goals. Setting these risks out in priority order, we provide a view on the likelihood of these risks crystallising in the coming year and the potential impacts, along with an indicator of the change in risk compared to the prior-year assessment.

An explanation of how the Group manages its various financial risks is provided in note 24 to the financial statements.

Area of risk

Regulatory and political risk

Likelihood	Impact	Change
High	High	Increasing

Impact on strategy

Diversification into further regulated markets is a cornerstone of our growth strategy. To succeed in this aim, it is important that we maintain our commitment to upholding the standards required of a regulated business. This expansion in our footprint brings increasing complexity as we seek to maintain the standards required by multiple regulatory bodies, each with differing regulations and approaches to compliance. Whilst we believe that an increasingly diverse market mix reduces the impact and influence of any one regulatory regime, it undoubtedly increases complexity. This is especially true in the US, where we are operating with multiple regulatory bodies as new States open up. These bodies may be largely aligned and our experience operating in Nevada helps ensure alignment, however there are inevitable differences and local reporting requirements.

Our 2018 regulatory settlement with the UK Gambling Commission, which related to historic failures, particularly around sources of funds, brings sharply into focus the need to continually test and monitor how we conduct our business and ensure we remain aligned to the expectations of regulators and our shareholders.

We not only look to meet the requirements a regulatory body sets us, but also through our Nobody Harmed ambition we are setting expectations that William Hill will continue to strive to be seen as a leader when it comes to operating responsibly and in a sustainable manner.

Further the regulatory and taxation environments are not static. Political changes can materially alter our risks and the rules we abide by. Looking forward we now have certainty over the timing of the changes arising from the Triennial Review, however there remains continuing political uncertainty over Brexit and how this will impact the European licensing of the Group or possibly taxation, and there have been recent changes to TV advertising with a voluntary 'whistle-to-whistle' ban. Further evolution in 2019 is inevitable.

What are we doing to address the issue?

Due to the breadth and scope of our business maintaining and ensuring a compliant position is challenging, but this remains our absolute goal. We have significantly bolstered our Compliance functions, addressing areas where improvements can be made to ensure that roles, responsibilities and processes remain efficient, effective and aligned to our licensing requirements. A full review of our compliance and anti-money laundering responsibilities, processes and operations has been led by the Group Counsel with external expertise to support, and will continue throughout 2019. We have made a commitment to 'go one better' in our responsible gambling processes and procedures through the publicly announced Nobody Harmed ambition which is being used to drive improvements to the way we protect and support customers throughout the business.

We have clear plans around the mitigation of the impact of the Triennial Review on the Retail business, and despite the short-term impact of the review, we remain committed to the successful and profitable operation of the Retail estate.

The Group has increased diversification of operations to reduce the impact of changes in any one market through expansion in the US and the acquisition of Mr Green, opening up further European markets. We maintain relationships with regulators, tax authorities and other stakeholders in our licensed territories internationally, continually monitoring the legal landscape and adapting our strategy on a country-by-country basis to changes in regulation.

We have well-resourced in-house Compliance functions which have been boosted throughout 2018 and have compliance officers in all our strategic business units who are aligned to and engaged with local management teams, ensuring compliance retains a voice at the top table in each location. Our Compliance functions operate independently of operational management to both support management's compliance obligations and provide ongoing assurance over adherence to local requirements.

We also engage with governments and regulators on a pro-active basis when changes to regulation are proposed and actively contribute to public consultations to promote the consideration of the interests of the Group and the industry before regulation is finalised. The Group Risk and Audit function also considers regulatory compliance as a core part of audit delivery, reporting directly to the Audit and Risk Management Committee, as an independent third line of defence.

Area of risk

Cyber crime and information security

Likelihood	Impact	Change
High	High	Stable

Impact on strategy

The ability to provide a leading offering to retain and attract customers, and the associated complex back-office functionality we require, is underpinned by significant investment in proprietary technology and carefully selected third-party offerings. In the course of operating these technologies and delivering services to customers, we also need to store and process a wide range of data, including customer and employee data. Increasing threats to these technologies, and the privacy of associated data, from cyber crime or malicious activities requires sophisticated protection techniques and growing investment to mitigate against them.

Furthermore, this threat landscape continues to evolve and ongoing investment is required to mitigate the risks. The nature of the sports betting and online gaming industries, and the increasing digital footprint of our global operations, means that this risk is a material threat facing the Group.

What are we doing to address the issue?

As a large multi-national, technology-based business, we remain a target for attacks such as sustained DDoS activity or account enumeration attacks. We continue to work with leading prevention and mitigation partners globally to prevent and react to such attacks. The level of threat activity continues to be high across the Group, but steps taken to prevent or to swiftly and successfully address rapidly emerging threats continue to support the value of investments made in this area.

As well as working with a range of specialist security firms to enhance, review and test our defences against these threats, we continue to invest internally. We have also undertaken changes to our network structures to reduce our exposure to external threats. Cyber threats have had continuing prominence at Executive meetings and Board or Committee meetings throughout the year. The threat continues to evolve and it is clear that no company or sector is immune. We believe our exposure is being well managed and continue to be vigilant and not complacent.

Key:

High · Medium · Low · Stable · Increasing · Decreasing · New risk

Area of risk

Competitive landscape

Likelihood	Impact	Change
Medium	High	Stable

Impact on strategy
2018 has seen material and unprecedented changes in the industry, specifically with PASPA being overturned in the US. This opportunity has seen a series of strategic partnerships formed across the industry between European operators with established sports betting platforms and operators with a local presence. Our strategy has been to tailor our response on a state-by-state basis, enabling William Hill to have a presence in all relevant states to date. Whilst results to date are encouraging, there remains a risk that the opportunity is not fully grasped and investments made do not meet expectations.

Our existing digital business continues to operate in a crowded and competitive market. With respect to the gaming element, our investment in Mr Green provides access to further European markets, new content, a Malta operator's licence and additional expertise and capability through the colleagues who have joined.

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

The need for investment to secure these opportunities is clear and the business must carefully manage both the cost and the financial implications of such investments and any subsequent implications for its funding arrangements.

Of course as we make such changes, so do others in the market, emphasising the continuing competitive nature of the industry and the significant interest in the US opportunity.

What are we doing to address the issue?
Through carefully selecting strategic partners and key suppliers in the US we have been able to diversify into all states currently regulating sports betting and have the ability to expand quickly into other states as they regulate. Further relationships are constantly under review to allow us to increase our footprint in existing markets or ensure we are in a position to be at the front of the queue when new markets open up.

The partnerships we have entered into are free from onerous, restrictive terms which allows us the flexibility to look at future strategic options as the details of each new state emerges.

As well as having an established brand name in the US through our existing Nevada business, we became the first business to agree a sponsorship deal with a major US sport franchise in the form of the Vegas Golden Knights ice hockey team and have a similar agreement with the New Jersey Devils.

We continue to develop our marketing activities in order to increase our brand awareness and develop market share in both our Retail and Online channels in the US.

Our response to the Triennial Review decision includes product innovation to offer alternatives to B2 gaming, as well as remodelling the estate and the business.

We continue to invest in improving our product and the customer experience across our Online business. The utilisation of data analytics drives insights that help us to understand our customers and tailor our offering and marketing accordingly.

Our acquisition of Mr Green further reduces our reliance on the core UK market and increases the online share of Group revenue. A strength of the Mr Green management team lies in growing international markets, allowing best practices to be shared across all our brands. Both the US and Mr Green businesses benefit from the support they receive from William Hill management, central functions and technical teams.

The Group will continue to carefully manage its investments, which are well controlled and governed. However, it is feasible that the Group would seek to consider other options for investment in new US states should the need arise, which is made possible through our flexible strategy in the US to date.

Area of risk

Delivery of IT strategy

Likelihood	Impact	Change
Medium	High	Stable

Impact on strategy
To succeed we must develop our services from commodity-driven offerings. It remains important to enhance customer experience through our time to market, front-end flexibility and performance, customer analytics and personalisation. Our global technology footprint comprises a sophisticated combination of core central services and capabilities and more targeted, more localised and business-specific capabilities, delivered from multiple locations, to meet specific local business needs.

Specifically, as our US business grows we must ensure that our technology platforms are fit for purpose to deal with high volumes and varying local requirements, as the offering in each state differs between channels and partnerships. The complexity of our technologies and our changing business needs means that execution within IT is a key area of management focus.

What are we doing to address the issue?
We continue to evolve our technology services and throughout the year have invested significantly to ensure that the right technology foundations are put in place to meet our customer needs. This includes progressing delivery of a new US technology solution to go live in 2019, incorporating the newest elements of the Group's existing platform and a bespoke Player Account Management system from NeoGames, whose solution is more feature-rich than any sports betting platform currently live in the US.

We also continue to invest in our Krakow team to further enhance our development capabilities and increase the efficiency of core operations. Additionally, the investment in Mr Green adds fresh development capabilities to the Group.

Area of risk

Talent engagement and retention

Likelihood	Impact	Change
High	Medium	New

Impact on strategy
We have already talked to the high levels of change across the industry, and the changing focus of the business as we continue to diversify geographically. Further, regulatory changes, specifically the Triennial Review, have instigated the need to take tough decisions around core parts of the existing business.

We have also acquired key talent through Mr Green, and continue to align our development and technology teams across our Group footprint.

The recruitment needs of the US business are challenging and, as with all large employers, the maintenance and development of our existing teams is a big task.

As such, there is a risk that if we do not fully engage with and support our human resources we may suffer the loss of key individuals, and the knowledge/capabilities they hold. There is a clear cost related to keeping such talent, as well as associated costs when they have to be replaced.

What are we doing to address the issue?
This risk was acknowledged on the 2016 and prior corporate risk assessments. In 2017, given the transition to a revised core leadership team and upscaling of HR capabilities, including changes to the talent development and retention programmes, this risk was removed as a top corporate level risk, although it remained as a priority of operational management.

As such, whilst we add this back into our assessment of principal risks due to the factors noted above, we remain confident in our ability to resource our business effectively and efficiently. We have significantly upskilled our HR capability, including the talent development model, over recent years whilst continuing to supplement our home-grown talent with external hires to bring in new thinking and ideas from the industry and beyond.

The US opportunity also provides secondment and promotion opportunities for high-achieving employees, and similarly in the long term will increase the available talent pool back to Group.

Talent risk management is focused on engagement with staff, and supporting staff through the changes in the business so that key staff in particular are retained to help drive the business forward.

Area of risk

Programme optimisation

Likelihood	Impact	Change
Low	Low	Decreasing

Impact on strategy
During 2019 our transformation programme will be formally brought to a close and projects which remain open have already been transferred into the core business for ownership and oversight. The formal transformation programme delivered material change across the business, but that is not to say that the William Hill environments are now in a steady state. We continue to drive change where required and make key decisions to deal with our rapidly evolving competitive, technological and regulatory environments.

Delivering a continuing level of change as the 'norm' has the potential to impact core business if not properly managed. The business faces into change in Retail as we mitigate the impact of the £2 stake limits on B2 gaming products announced through the Triennial Review; there are resource requirements to support the expansion of our US business; this growth must be aligned to our ongoing tech developments, and the integration of Mr Green all represent a level of change which have the potential to draw resource and focus away from business as usual.

What are we doing to address the issue?
We have transitioned control over our portfolio of work from a third-party consultancy firm, bringing programmes back into our core business units and under the management of William Hill staff and Executive sponsors. Solid discipline in programme and portfolio management has been enhanced through working with the third party and stronger governance models on all project-style work is a beneficial legacy of that period of change. Better, simplified programme and project reporting is now embedded and a clearer picture is presented to our business leaders as part of business as usual.

Programmes with significant business impact are also prioritised under the Internal Audit plan with multiple reviews scheduled throughout the year, as well as considering the need for external specialist support. With these developments in mind, we believe the likelihood of this risk having a significant impact has decreased compared to the prior year.

Key:
High | Medium | Low | Stable | Increasing | Decreasing | New risk

Brexit

The Group Executive and the Board are monitoring the UK's withdrawal from the European Union (Brexit) and the potential impact this may have upon the business, in particular in the event of an unfavourable outcome in respect of any final agreements between the UK and EU. Management have reviewed and considered that Brexit is likely to have limited impact on William Hill. However, three particular risks have been identified and are being considered.

Firstly, much of the Company's current Online operations are based in Gibraltar, with many colleagues commuting regularly from mainland Spain. The Company is monitoring how Brexit may impact upon such commutes and has considered mitigating actions to address any near- or longer-term operational issues.

Secondly, in light of the UK Parliament's overwhelming rejection of the Prime Minister's Brexit 'Deal', and the EU's subsequent indication that it will not renegotiate, the likelihood of a 'no-deal' Brexit has increased. Management will monitor closely the potential impact on the Group's workforce of the UK Government's skills-based immigration and 'settled status' proposals, including a salary threshold, all of which may apply from 29 March 2019 in the absence of a transition period.

Thirdly, Brexit uncertainty has raised questions about the status of Gibraltar as a British Overseas Territory. However, it is likely that Gibraltar will also no longer be within the single market following Brexit, which may give rise to certain regulatory and tax issues. In particular, William Hill may require a licensed operation within the EU to conduct business with customers within the EU. The Company therefore considered a location strategy to mitigate this risk. In early 2019, the Company completed its acquisition of Mr Green, which has operations and holds a remote gambling licence in Malta. The acquisition also complements our location strategy and creates an international hub in Malta, enabling the Group to access European markets on the same basis as currently enjoyed. It is anticipated that Gibraltar will remain a key part of the Group's overall location strategy. Online gambling services to UK customers will continue to be provided primarily from Gibraltar. The new Malta hub will provide support for our international businesses servicing customers beyond the UK.

Our 'Going concern' and 'Viability statement' assessments reflect the potential impacts of Brexit on the Group.

Viability statement

The following statement is made in accordance with provision C.2.2 of the 2016 UK Corporate Governance Code.

After considering the current position of the Company, the Directors have assessed the prospects and viability of the Company over a three-year period to December 2021. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company both individually and in aggregate, including those risks that would threaten William Hill's business model, future performance, solvency or liquidity. The principal risks facing William Hill and how the Company addresses such risks are described in this Strategic Report and the key risks are summarised in this section 'Managing our risks'. The most relevant of these risks to the viability of the Company were considered to be:

- Regulatory risk and specifically the impact of the £2 maximum stake on B2 gaming being significantly worse than currently forecast;
- Compliance risk with reputational damage and fines from regulators if we fail to continually test and monitor how we conduct our business and ensure we remain aligned to the expectations of regulators, our shareholders and broader stakeholders;
- The failure to compete effectively particularly given the material and unprecedented changes to our industry in 2018;
- Cyber crime and information security risk through data breaches or a major business continuity event; and
- The impact of Brexit as explained on page 60.

The principal risks of Delivery of IT strategy; Talent engagement and retention and Programme Optimisation have not been modelled within the viability scenarios given the impact of these risks is to lead to an increased likelihood of one of the principal risks modelled above crystallising.

Although longer-term forecasts are prepared to support the strategic planning process, the nature of the risks and opportunities faced by the Group (in particular, the actual or possible impact of future fiscal and regulatory changes, regulatory actions and the pace of technological change) limits the directors' ability to make reliable longer term predictions.

Accordingly, the Board has agreed to maintain a three-year horizon to allow for a greater degree of certainty in our assumptions.

The Directors' assessment includes a financial review, which is derived from the Group's two year budget, being the most recent approved Board-approved forecasts, extrapolated to a third year using plausible and sensible assumptions. It identifies the expected cash flows, net debt headroom and funding covenant compliance throughout the three years under review. These forecasts also incorporate severe but plausible downside case scenarios, modelling the potential impact on viability of one or more of the Group's principal risks crystallising during the period, both individually and in combination. As a result, a number of different scenarios were considered and modelled, including:

- the adjusted operating profit impact of the maximum stake on B2 gaming machines of £2 being £125m per annum compared to the c£70-£100m range with incremental cash exceptional shop closure costs 25% greater than the forecast c£40-60m range for Retail;
- poorer than expected performance through a failure to compete with no growth forecast in Online; William Hill US expected to remain only break-even and Retail to have a long term annual rate of decline of 10% after the impact of the Triennial Review; and
- the Group being unable to refinance its 2020 bond which expires in the three-year horizon.

A number of other reasonable assumptions are included within these assessments, including:

- commitments announced regarding dividend policy (see page 3) and further investments to fund expansion in the US;
- that, following a material risk event, the Group would adjust strategic capital management to preserve cash, but would not curtail normal capital investment or
- adjust its dividend policy; and
- that the Group will be able to effectively mitigate risks through enacted or available actions, as described in this section 'Managing our risks'.

Sensitivity analysis was undertaken to stress test the resilience of the Group. The sensitivity analysis considers all of our principal risks, although our assumption that we will be able to effectively mitigate some of our risks leads to a greater emphasis on those risks that are beyond our control.

Through this analysis, the directors have concluded that we do not face a risk to our viability, defined as our ability to continue in operation and meet its liabilities as they fall due over the period of the assessment, except in the event of a combination of material events within the three-year window which are deemed highly improbable.

Philip Bowcock Chief Executive Officer	**Ruth Prior** Chief Financial Officer
1 March 2019	1 March 2019

Introduction to Governance

Roger Devlin

Chairman

During my first year as Chairman, the Board has made some key decisions and has reacted to industry developments which are fundamental to our business. Board composition and succession planning continue to be reviewed and refreshed in order to ensure we have the right blend of leadership for the business for the long-term.

Dear shareholder,

I am pleased to present our Corporate Governance report for 2018.

Board delivering on our strategy

2018 was a year of vital change for William Hill and the Board made some important strategic decisions to strengthen the long-term sustainability of the Company. Externally, uncertainty regarding the UK Government's decision on B2 stake limits was resolved and we welcomed the decision of the US Supreme Court to overturn the Professional and Amateur Sports Protection Act (PASPA). We disposed of our Australian business and committed operational and financial resources to support US expansion. Management focused on preparing the Retail business for life after the implementation of the £2 maximum stake limit, and the Board will continue to monitor progress. The acquisition of Mr Green, which completed in January 2019, provides an opportunity to drive further international diversification and digital growth and the Board will monitor integration of that business in 2019.

Clarity on the regulatory changes in the UK and the decision to overturn PASPA in the US also allowed the Board to consider and approve related issues, including an update to our dividend policy see page 76.

During such a busy and important year, I would like to thank the Board for their commitment to help drive the business forward and for their help and support in my first year as Chairman.

William Hill colleagues

I have now met many colleagues across the business and I have been impressed by their dedication, expertise and commitment to the Company's values and strategy. On behalf of the Board I extend my thanks to our colleagues during a busy and pivotal year. The Board has seen how our colleagues have taken on new challenges and embraced better ways of working.

Governance and Board composition

The Board remains committed to achieving high standards of corporate governance to optimise performance and management of our strategy and, to support this, we have continued to strengthen and refresh the Board as part of our approach to longer-term succession planning. In October, we were delighted to announce that Gordon Wilson would join the Board as a Non-executive Director in January 2019. Gordon brings extensive experience of the development and use of proprietary technology and data at scale, together with knowledge of the US business market. This will support our strategic priorities as we seek to expand in the US and grow our international and digital revenues. The Board continues to focus on longer-term succession planning as Georgina Harvey approaches her nine-year appointment term in 2020 and following the announcement that David Lowden will step down as a director on 4 March 2019. The Board remains aware of the need for an appropriate combination of diverse skills, experience and knowledge, and the Nomination Committee is considering potential candidates for appointment as an additional Non-executive Director. Further details are included in the report from the Nomination Committee on page 85.

On page 3, I refer to the other changes on the Board during the year. With these changes in place, we now have a blend of experience from the longer-standing members of the Board and an infusion of fresh thinking from newer directors. I believe this will serve the Company well as the Board considers the challenges and opportunities facing the business.

Since I have joined William Hill, I have been impressed by the energy and capability of our Group Executive, which continues to be ably led by Philip Bowcock with Ruth Prior in support. Philip has strengthened the calibre of the Group Executive, which remains focused on achieving our strategic aims whilst maintaining good operational governance.

UK Corporate Governance reform

The governance landscape in the UK continues to evolve and the Board has reviewed the key changes arising from the revised version of the Financial Reporting Council's (FRC) UK Corporate Governance Code (the Code) and has considered actions to be taken in response. The new Code takes effect for accounting periods commencing from 1 January 2019 and so will apply to William Hill's 2019 Annual Report. This 2018 Annual Report has been prepared against the 2016 version of the Code. The Board has also been well informed of other significant new disclosure obligations in respect of our key stakeholders. In particular, during the year the Board and Board Committees approved our first disclosures in respect of Payment Practices reporting regarding our trade suppliers and on Gender Pay reporting regarding our colleagues. We shall continue to apply and develop our mechanisms to ensure the Board has due regard and exercises appropriate oversight of all of our key stakeholders.

I am pleased to report that we were in full compliance with the requirements of the FRC's UK Corporate Governance Code (2016).

Diversity

The Board recognises the benefits of a diverse composition, including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, and a range and balance of skills, knowledge and experience. Individuals should be able to work together as a team, but also draw on different backgrounds and experiences in order to challenge each other. In respect of gender diversity, as at 2 January 2019 (following the appointment of Gordon Wilson), female representation on the Board was at 25%, which is slightly below the target level set in the Hampton-Alexander review of 33% by the end of 2020. As explained above, a search process has commenced to consider the appointment of additional Non-executive Directors and so this ratio may change again in the near term. As at 1 January 2019, women represented 30% of the Group Executive, again slightly below the 33% target set in the Hampton-Alexander review. The Board (through the Nomination Committee) continues to monitor initiatives in the business to improve the proportion of women in managerial positions.

Board evaluation

The Board made good progress on the actions arising from the internal performance evaluation conducted in 2017. A further internal evaluation was conducted in late 2018 and I shall oversee an action plan to implement the outcomes of that review. Further details are provided later in the governance report.

Sustainability

In July 2018, we published our new sustainability ambition – that nobody is harmed by gambling – and this underpins the strategy we have outlined for each of our divisions.

The Board continues to be fully committed to our sustainability strategy and ambition and has spent much time and focus on this during the year.

In February 2018, William Hill confirmed that its Online business had entered into a regulatory settlement with the UK Gambling Commission following the identification of a number of cases where former policies were insufficient to ensure full regulatory compliance, particularly in relation to the identification of the possible proceeds of crime. As a result, William Hill agreed to pay £6.2m. The Board reviewed the circumstances which led to this and continues to monitor the introduction of new and improved resources, policies and processes so we can better identify risk and protect our customers.

Culture and values

Our values and leadership vitals drive the culture we are building and underpin our new strategy. The Board and management continue to monitor aspects of our culture through employee surveys and other engagement channels, and are encouraged by recent survey results. This remains an important area of focus and the Board will continue to monitor action plans in order to drive even better engagement.

The key work of the Board and its Committees is discussed in the following reports.

Our next Annual General Meeting will be held on 15 May 2019 in London. Further details are available on our website and I look forward to welcoming all shareholders who can attend in person.

Roger Devlin
Chairman

This governance section of the Annual Report describes how William Hill has applied the principles of the 2016 UK Corporate Governance Code and complied with its provisions.

A statement on compliance with the Code is given on page 76.

Leadership: Board of Directors

A diverse Board with complementary expertise to provide strategic direction for William Hill. The Executive Directors are responsible for the implementation of the Company's strategy. Non-executive Directors provide independent challenge, scrutiny and support.

Roger Devlin
N

Chairman

Responsibilities:
Chairman of the Board. Responsible for good practice and governance of the Board

Year of appointment: 2018

Key skills:
Leadership; sector experience; strategic and transactional background; industry liaison and external representation; network

Focus in 2018:
Induction, leadership on key strategic and governance decisions

Current directorships:
Persimmon plc (Chairman)

Former roles:
Chairman, Marston's plc; Senior Independent Director, Football Association; Non-executive Director, National Express Group plc; Senior Independent Director, RPS Group plc; Chairman, Sports Information Services (Holdings) Ltd; Chairman, Gamesys Limited; Group Corporate Development Director, Hilton Group plc

Philip Bowcock
C

Chief Executive Officer

Responsibilities:
Group strategy, operational management, leadership of the Group Executive

Year of appointment: 2017 (CEO)
(CFO – November 2015; Interim CEO – July 2016)

Relevant qualifications:
Chartered Management Accountant

Key skills:
Experienced executive; financial background; strategic formulation; leadership; network

Focus in 2018:
Executive leadership on key strategic decisions; ongoing implementation of the transformation and change programme; development of corporate strategy; executive responsibility for the 'Nobody Harmed' ambition; composition and integration of the Group Executive

Former roles:
CFO, Cineworld Group Plc; Finance Director, Luminar Group Holdings Plc; Financial Controller & Head of Corporate Development, Barratt Developments PLC; Property Finance Director, Tesco PLC; Vice President Finance, Hilton Group plc

Georgina Harvey
C R N

Independent Non-executive Director

Year of appointment: 2011

Key skills:
Performance leadership; significant experience across consumer-facing markets; delivery of transformational change and business re-engineering projects; network

Focus in 2018:
Assuming the chair of the Remuneration Committee; executive incentive arrangements for 2018/9; changes in the remuneration governance landscape

Current directorships:
Big Yellow Group PLC (Non-executive Director)
McColl's Retail Group plc (Senior Independent Director)

Former roles:
Managing Director of Regionals, Trinity Mirror plc; Managing Director of Wallpaper Group, IPC Media; Managing Director of IPC Advertising, IPC Media; Sales Director, IPC Magazines; Various sales and advertisement roles, Express Newspapers

David Lowden
A N R

Independent Non-executive Director

Year of appointment: 2011

Relevant qualifications:
Chartered Accountant

Key skills:
Financial expertise; breadth of corporate and international experience; leadership; network

Focus in 2018:
Leadership of the Audit and Risk Management Committee; developing a working relationship with the CFO (appointed in 2017); selection of a new lead partner for the external auditor

Current directorships:
PageGroup plc (Non-executive Chairman)
Morgan Sindall Group (Non-executive Director)
Huntsworth plc (Non-executive Director from 1 January 2019; Chairman from 6 March 2019)

Former roles:
Non-executive Director, Berendsen plc; Non-executive Director, Cable& Wireless Worldwide plc; Chief Executive, Taylor Nelson Sofres PLC; Chief Operating Officer, Taylor Nelson Sofres PLC; Group Finance Director, Taylor Nelson Sofres PLC; Group Finance Director, Asprey Plc; Chief Financial Officer, A.C. Nielsen Corporation; Various senior finance roles in Norcros Plc; Federal Express Corporation and KPMG

A Audit and Risk Management Committee
C Corporate Responsibility Committee
N Nomination Committee
R Remuneration Committee
● Chair

Ruth Prior
Chief Financial Officer

Responsibilities:
All aspects of the Group's financing, financial performance, and reporting; Board accountability for internal audit, tax and the transformation programme; the executive relationship with the external auditor; and leadership of the Group Finance and other corporate functions

Year of appointment: 2017

Relevant qualifications:
Chartered Management Accountant

Key skills:
Experienced executive, financial and strategic focus, financial services and digital background, driving corporate transformation programmes

Focus in 2018:
Transformation; capital allocation; development of corporate strategy

Current directorships:
Motability Operations Group PLC (Non-executive Director)

Former roles:
Chief Operating Officer, Worldpay Group plc; Deputy CFO, Worldpay Group plc; Group CFO, EMI Group; Finance Director, Portfolio Business, Terra Firma Capital Partners

Mark Brooker
A C N R

Senior Independent Non-executive Director

Year of appointment: 2017

Key skills:
Sector and markets experience; digital marketing and product experience; leadership; breadth of corporate experience, including financial markets background; network

Focus in 2018:
Refocus of the corporate responsibility agenda through chairing the Corporate Responsibility Committee; non-executive oversight on compliance issues arising from the Gambling Commission regulatory settlement; assuming the responsibilities of the Senior Independent Director

Current directorships:
The AA plc (Non-executive Director)
Equiniti Group plc (Non-executive Director)
Findmypast Limited (Non-executive Director)
Seedrs Limited (Non-executive Director)

Former roles:
Chief Operating Officer and executive director, Trainline; Various roles including executive director and Chief Operating Officer, Betfair Group; Various senior investment banking roles at Morgan Stanley and Merrill Lynch

Robin Terrell
A C N

Independent Non-executive Director

Year of appointment: 2017

Relevant qualifications:
Chartered Accountant

Key skills:
Multi-channel strategy and digital transformation; customer proposition and experience; leadership; breadth of commercial experience; network

Focus in 2018:
Deepening familiarisation with business; breadth of contribution to Group across Board operations and all formal Board Committees; technology and online specific advice, experience, challenge and scrutiny

Former roles:
Various roles including Chief Customer Officer; Interim Managing Director UK; Group Multi-channel Director, Tesco plc; Vice President and Managing Director, Amazon UK

Gordon Wilson
C N

Independent Non-executive Director

Year of appointment: 2019 (2 January)

Key skills:
Global electronic commerce at scale across all of the Americas, EMEA and Asia Pacific; global commercial payments and Fin Tech; business strategy and leadership at CEO level both public and private since 2011

Current directorships:
Travelport Worldwide Limited (President, Chief Executive and member of the Board of Directors)
eNett International (Chairman)

Former roles:
Various executive management roles at Travelport Worldwide Limited based in the UK, the USA, South Africa and Portugal; Head of Distribution, Air Europe/International Leisure Group

Report on Corporate Governance

Board role and structure

The Directors derive their powers and duties from various sources, including UK legislation, regulations and our Articles of Association. William Hill has an effective Board whose role is to take collective responsibility for both leadership and driving the long-term and sustainable success of the Company.

To support the Board in discharging its duties, there is a formal framework of Committees of the Board.

This section summarises the key roles and responsibilities of each Committee and how that committee supports the Board. Details of the work of each Committee are provided in the reports commencing on page 77.

The Board of William Hill remains committed to high standards of corporate governance, which we consider to be vital to the effective management of the business and to maintaining the confidence of investors and broader stakeholders. Our governance framework supports the Board's operations, and specific roles and responsibilities of the Board and its Committees are discussed below.

Corporate governance framework

Board

Role:

Responsible for the overall long-term success of William Hill, its strategic direction and setting the Group's culture and values.

Key focus in 2018:

Key decisions in pursuit of Company strategy; oversight of ongoing transformation; responding to changes in the regulatory environment.

See calendar of Board activities to the right of this page.

Audit and Risk Management Committee

Role:
Advises the Board on financial statements, policies, internal controls and risk management. Oversees the relationship with both the internal and the external auditors.

Key focus in 2018:
Financial reporting; key financial judgements; appointment of new lead external auditor from 2019.

Remuneration Committee

Role:
Sets the remuneration policy for the Company's most senior executives and the Chairman. Agrees awards and other terms of remuneration for senior executives.

Key focus in 2018:
Agreeing long-term incentive plan (LTIP) metrics for 2018 grants following consultation with key shareholders; review of current LTIP metrics for 2019 grant.

Corporate Responsibility (CR) Committee

Role:
Sets the Group's CR/ Sustainability policies and direction. Reviews how the Group achieves responsible behaviour on social, ethical and industry matters.

Key focus in 2018:
Establishing a more strategic focus for the Committee; review of Compliance arrangements following the Gambling Commission regulatory settlement; review of community relations and sustainability; Review of stakeholder engagement framework.

Nomination Committee

Role:
Advises on appointments to the Board and on Board composition and succession planning.

Key focus in 2018:
Review of Board composition and succession planning; Appointment of Gordon Wilson as a Non-executive Director from 2019; Appointment of Mark Brooker as SID; Review of gender diversity initiatives after joining the 30% Club.

2018 calendar of Board activity and key dates

January
Review of digital marketing; annual review of material corporate risks; internal 2017 Board performance evaluation

February
2017 full-year results and dividend; agreement to Gambling Commission regulatory settlement; discussion on potential options for Australian business

March
Approval to dispose of Australian business

April
Board Strategy Conference

May
AGM; review of Brexit planning; review of US market and expansion options

June
Review of US expansion options

July
2018 half-year results and interim dividend; sustainability review; review of corporate development and US expansion options

September
Board Strategy Conference; approval of US partnership with Eldorado Resorts; approval of renewed revolving credit facility

October
Approval of offer to acquire Mr Green & Co; review of Compliance; review and approval of dividend policy; review of corporate development

November
Board visit to Gibraltar offices – Online operations; initial discussion of 2019 budget and 2020 forecast

December
Approval of 2019 budget and 2020 forecast; review of Mr Green integration plan (subject to completion of the transaction); and review of results of annual colleague engagement survey

At every meeting the Board receives and discusses updates from the CEO, CFO, the General Counsel and the Company Secretary on progress against strategy, operational matters, financial performance, compliance and regulation, legal matters and corporate governance. The Board also receives monthly management accounts for the Group

Matters reserved to the Board

In order to support the Board's role to promote the long-term success of the Company and to promote a strong control environment, the Board continues to operate within a Schedule of Matters Reserved to it and this forms part of an overarching Group Delegation of Authority.

Only the Board may exercise any of the powers in the Schedule of Matters Reserved. Other powers are delegated to the various Board Committees and senior management via Committee terms of reference or via the Group Delegation of Authority. The Group Delegation of Authority and Schedule of Matters Reserved to the Board are reviewed and updated regularly.

The Group Delegation of Authority and Schedule of Matters Reserved to the Board are circulated by the Company Secretary to all members of the Group Executive and other senior managers to ensure the approved authorities are understood across the business.

Matters reserved to the Board include:

- the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the CEO;
- reviewing Group performance;
- reviewing the arrangements for regulatory and industry issues;
- approving the appointment and removal of a Board member and the Company Secretary;
- reviewing and approving the terms of reference of the Board Committees and receiving reports from Committee Chairs on a regular basis;
- approving changes to the Group's capital structure, any significant acquisitions and disposals, capital investment projects and material contracts;
- approval of the Group's annual plan, five-year strategic plan, Annual Report and Accounts, Half-Year Statement and setting the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide CR policies;
- undertaking reviews of Board, Committee and individual director performance; and
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee).

The authority delegated to senior management provides a practical framework to executive management, which seeks to achieve the dual objectives of maintaining effective financial and operational controls whilst providing sufficient flexibility to manage the business. Examples of areas of such delegated authority include: the release of capital expenditure against approved budgets; treasury activity within approved limits; payroll processing; property transactions; LBO activities; the setting of bet acceptance limits; and routine transaction processing.

How the Board operates

The Chairman with the support of the Company Secretary has established Board processes designed to maximise Board performance. At the heart of this is the flow of high-quality information on a regular basis which allows the Board to monitor the performance of the Group across a wide range of issues and to make informed decisions and approvals affecting the strategy and operation of the Group. The Board receives timely information on current and potential future matters affecting the business and the environment in which it operates so that the longer-term prospects of the Group can be considered in a strategic manner.

The Board also holds annual or ad hoc events which provide an opportunity to focus on certain issues or areas of the business.

In particular:

- an annual Board Strategy Conference (BSC) is held with the Board and selected senior management to review and develop the strategy and direction of the Company. In 2018, two BSCs were held as the Board reviewed its strategy against some key industry developments such as the Triennial Review, the decision to overturn PASPA and as the business adopted a new direction on sustainability. Wider market perspectives were also discussed with the Company's brokers. The Board also approves a medium-term five-year strategic plan which reflects over the longer-term the Company's strategy and the environment in which the business operates;
- visits are usually held annually, at which the Board can see one of the Group's business locations away from the head office. This gives the Board an opportunity to gain greater insight into the particular business location and provides an excellent opportunity for extended meetings and discussions with the broader management team. In 2018, the Board visited the Group's Gibraltar offices and received a detailed review of the Group's Online operations. Topics discussed included updates on Online product development, data strategy, technology platform development, customer operations and marketing performance. The visit included a tour of the major Online functions to further enhance the Board's understanding of the operations;
- On occasion, individual directors visit other business locations of the Company and report back to the Board; and
- In 2018, the budget for 2019 (i.e., the following financial year) plus a forecast for 2020 was discussed and approved by the Board. This budget sets the targets and agrees the key operational matters for each part of the business for the subsequent year and the forecast provides an additional medium-term context for the performance and environment for the business. Performance against the budget is reviewed regularly during the year.

The organisation and management of the Board is designed to support focused, healthy debate and constructive challenge, and to allow specialist advice and strategic guidance to be shared.

The Board of William Hill acts as a collective unit. However, in order to further optimise Board performance and governance, there are distinct roles, which are each explained further below.

Role of Chairman, CEO, Senior Independent Director and Non-executive Directors

No sole individual on the Board has unfettered powers of decision-making. Throughout 2018, the Chairman was responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The CEO was the executive responsible for the running of the business.

Sir Roy Gardner was the Senior Independent Non-executive Director (SID) up to 20 November 2018, when he retired from the Board and Mark Brooker succeeded Sir Roy as the SID. The main role of the SID is to satisfy the function outlined in the Code of being available to shareholders if there are concerns which normal contact has failed to resolve. The SID is also required to lead the process of evaluating the Chairman's performance and, towards the end of the year, Mark Brooker conducted this process. The role of the SID also includes, if needed, intervention to maintain Board and Company stability.

Information flows to the Board

Material policy decisions and matters reserved to the Board:

- Corporate reporting
- Board Strategy Conference
- Board operational reviews
- Annual budget, forecasts and five-year strategic plan

→ Annual/ad hoc items discussed by the Board

Updates from across the business include:

- Company performance
- Potential market opportunities
- Market, regulatory, legal and corporate governance developments
- Colleague engagement
- Investor Relations and other stakeholder reports

→ Standing/regular items discussed by the Board

→ Board oversight, decision-making, approval, strategic planning

The role of the SID has been reviewed and updated to comply with the UK Corporate Governance Code issued in 2018 and which takes effect for financial years commencing 1 January 2019 (the 2018 Code) and against the associated guidance which accompanies the 2018 Code.

All of William Hill's Non-executive Directors, including the Chairman and SID, are required by their role to perform certain functions to improve the effectiveness of the Board. In particular they:

- constructively challenge and contribute to the development of strategy;
- scrutinise the performance of management in meeting agreed goals and objectives;
- ensure compliance with regulatory requirements;
- through the Audit and Risk Management Committee, satisfy themselves that financial information is accurate and that internal controls and systems of risk management are robust;
- through the Remuneration Committee, take responsibility for determining appropriate levels of remuneration for senior executives;
- through the Nomination Committee, undertake the role of recommending the appointment, and where necessary, the removal, of positions on the Board and succession planning; and
- through the Corporate Responsibility Committee, consider how the Company manages relationships and decisions when considering key stakeholders.

Role specifications of the Chairman, CEO, SID and other Non-executive Directors are defined in writing so that their role requirements are clearly understood. The role specifications are either included in the terms of appointment or are otherwise approved by the Board.

Key aspects of the organisation of the Board

Board meetings are scheduled to consider issues requiring Board oversight and adequate time for discussion of each agenda item is provided. Agendas are set to provide the directors with opportunities to discuss the longer-term outlook of the business, but also, a regular and systematic opportunity exists for each director to add additional items which they consider to be important.

An annual calendar of scheduled Board meetings is structured to allow the Board to review cyclical and ad hoc agenda items, which are scheduled to coincide with relevant key dates and events, or the culmination of relevant projects. Examples of each can be found in the annual calendar of Board activities for 2018 on page 67.

Non-executive Board members make themselves available to the Group outside of the usual calendar of scheduled meetings should the need occur. During 2018, the Board approved the disposal of the Australian business; entered into a US partnership with Eldorado Resorts; and approved the acquisition of the Mr Green business, all of which required additional unscheduled Board meetings.

Comprehensive reporting packs are provided to the Board, which are designed to be clear, analytical and concise. Papers are distributed and retained in an electronic system which is managed by the Company Secretary and this provides directors with instant access to papers at any time.

Reporting packs are normally prepared and presented by the Executive directors and other senior managers. Packs are then distributed by the Company Secretary to the Board at least five working days in advance of Board meetings. This enables the reporting packs to be as up-to-date as possible whilst allowing sufficient time for their review in advance of the meeting. Verbal updates at Board meetings cover any material developments subsequent to the distribution of reporting packs.

Where a director is unable to attend, he or she is still provided with the papers in order to comment ahead of the meeting on the matters to be discussed.

A summary of the actions arising at each Board and Committee meeting is circulated by the Company Secretary following each meeting. The Company Secretary then ensures progress is made in respect of each action and a progress report against previously agreed actions is dealt with as a standing item at each meeting.

Financial updates with commentary are distributed to the Board on a regular basis. The Board regularly reviews risks and provides challenge where appropriate.

The development of strategy is led by the executives with input, challenge, examination and ongoing testing from the Non-executive Directors.

Good working relationships exist between Non-executive Directors and non-Board members of the senior management team, which are encouraged by the executive directors.

Board discussions are held in a collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge, where appropriate, and enabling decisions to be taken by consensus.

Report on Corporate Governance continued

Board composition

As at the date of this report, the Board comprised five independent Non-executive Directors, the Chairman, and two Executive Directors. Roger Devlin was appointed as Chairman Designate with effect from 1 February 2018 and Chairman on 2 April 2018 when Gareth Davis stepped down from the Board. Sir Roy Gardner served as a Non-executive Director and the Senior Independent Director up to 20 November 2018 when he retired from the Board and Mark Brooker succeeded Sir Roy as the Senior Independent Director from that date. John O'Reilly and Imelda Walsh also stepped down from the Board as Non-executive Directors on 30 April 2018 and 8 May 2018 respectively. Imelda was also Chair of the Remuneration Committee and Georgina Harvey succeeded her in that role from 8 May 2018. Gordon Wilson joined the Board as a Non-executive Director with effect from 2 January 2019. David Lowden will step down from the Board on 4 March 2019 and Robin Terrell will succeed him as Chair of the Audit and Risk Management Committee from that date.

Throughout 2018, and up to the date of this report, the Company satisfied the Code requirements that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent.

The proportion of women on the Board as at 2 January 2019 (following the appointment of Gordon Wilson) stood at 25%. During 2018, the Board reviewed the composition of the Board, and remains committed to ensuring that all appointments are made on the grounds of merit against specific role criteria. The Board is monitoring the various initiatives to further increase board diversity and is mindful of the considerable benefits that greater diversity offers.

Board independence

The Company regards each of Mark Brooker, Georgina Harvey, David Lowden, Robin Terrell and Gordon Wilson as independent Non-executive Directors. The independence of each director is reviewed annually. Georgina Harvey and David Lowden were appointed in 2011 and each of their re-appointments at the 2018 AGM was subject to rigorous review by the Board, in accordance with provision B.2.3. of the Code, which requires such a review of any term beyond six years for a Non-executive Director. The Board continues to regard each of Georgina Harvey and David Lowden as independent in accordance with provision B.1.1. of the Code.

Roger Devlin satisfied the independence criteria detailed in provision A.3.1 of the Code upon his appointment as Chairman Designate with effect from 1 February 2018 and Chairman with effect from 2 April 2018.

Board committees

The Audit and Risk Management Committee, the Corporate Responsibility Committee, the Nomination Committee, and the Remuneration Committee are standing Committees of the Board. The terms of reference for each committee are regularly reviewed and refreshed as appropriate and are available upon request from the Company Secretary or via the Group's corporate website (www.williamhillplc.com).

All Committees have access to independent expert advice as necessary. Appointments to Board Committees are for three-year terms extendable by no more than two additional three-year terms.

Board balance

The Board comprises individuals with broad business experience gained in various industry sectors. The directors' aim is to ensure that the balance of the Board reflects the needs of the Group's business and to ensure a thorough consideration of the important issues facing William Hill and its performance.

Roger Devlin
Leisure, betting and gaming industries, international business

Philip Bowcock
Leisure, construction and finance

Ruth Prior
Digital, regulated financial services, finance

Mark Brooker
Betting and gaming industry, international regulated business

Georgina Harvey
Media and publishing

David Lowden
International business and finance

Robin Terrell
Online, retail and technology

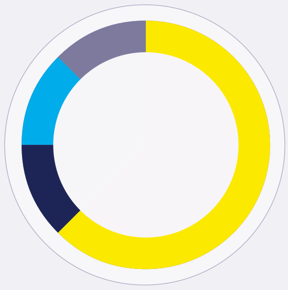
Gordon Wilson
International business, proprietary technology, data

Balbir Kelly-Bisla
Governance, Investor Relations

Board composition

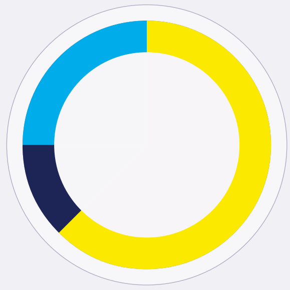
Composition of the Board as at 2 January 2019 (following the appointment of Gordon Wilson).

Composition of the Board
(%)



Male Non-executive	**62.5%**
Female Non-executive	**12.5%**
Male Executive	**12.5%**
Female Executive	**12.5%**

Length of service of Board members
(%)



0–3 years	**62.5%**
3–6 years	**12.5%**
6–9 years	**25%**

Attendance at Board and Committee meetings

Details of Board and Committee attendance during 2018 are set out in the table below. All directors are expected to attend all Board and relevant Committee meetings.

	Scheduled Board	Ad hoc/defined scope Board Committees[1,4]	Audit and Risk Management Committee[2]	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
Number of meetings held	6	17	5	4	5	7
Meetings attended						
Philip Bowcock	6	17	n/a	3	n/a	n/a
Mark Brooker	6	9	5	4	5	7
Gareth Davis[2]	3	4	n/a	1	1	2
Roger Devlin[3]	5	14	n/a	n/a	4	1
Sir Roy Gardner[2]	4	3	n/a	n/a	2	2
Georgina Harvey	6	9	n/a	4	5	7
David Lowden	6	13	5	4	5	7
John O'Reilly[2]	2	0	1	0	1	2
Ruth Prior	6	17	n/a	1	n/a	n/a
Robin Terrell	6	9	5	4	5	n/a
Imelda Walsh[2]	3	0	n/a	1	n/a	n/a

In the instances where a director was not in attendance, this was due to other unavoidable commitments, or because a director was unable to attend an ad hoc meeting which was convened at short notice. Directors who were unable to attend a Board or Committee meeting received the relevant papers and provided their comments to the Chairman of the Board or Committee, as appropriate.

In addition, any director who missed a meeting received the minutes of that meeting. In addition to attending Board and Committee meetings, each of the Non-executive Directors devotes sufficient time to the Company to ensure that their responsibilities are met effectively.

This includes preparation ahead of each meeting and, for the Chairman and Committee Chairs, holding planning meetings and discussions with the relevant executives or senior management ahead of a meeting to ensure that each meeting has been well-prepared. The Chairman maintains frequent contact with all members of the Board between meetings and has regular meetings with the CEO and Company Secretary to keep apprised of material developments in the business.

1 During the year there were 17 additional ad hoc or defined scope meetings of the Board or Committees established by the Board for specific purposes, for example to give final approval to the release of the Company's trading results. The defined scope Committees comprised any two of the Chairman, the Chairman of the Audit and Risk Management Committee, the Chairman of the Remuneration Committee and the CEO, and there was full attendance at each convened meeting.

2 Gareth Davis, Sir Roy Gardner, John O'Reilly and Imelda Walsh each stepped down from the Board during 2018. Apart from Sir Roy Gardner, each attended all meetings to which they were invited prior to the respective date when each stepped down from the Board. Sir Roy Gardner attended four of the five Scheduled Board meetings to which he was invited prior to stepping down.

3 Roger Devlin joined the Board with effect from 1 February 2018 and attended all meetings to which he was invited following his appointment.

4 The Board established the Transformation Oversight Committee in May 2017, which operated during 2018. The Committee was chaired by John O'Reilly, with Philip Bowcock, David Lowden and Mark Brooker appointed as members. The Chairman of the Board attended meetings by invitation but was not formally appointed to the Committee. The Transformation Oversight Committee has not been included in the table due to its project-specific remit.

Conflicts of interest

The composition of the Board means that many of the Directors have considerable experience, at board level, in industry and in other roles outside William Hill. Whilst this brings benefits to the stewardship of William Hill, controls are in place to ensure that suitable arrangements are made when a director's external role could come into conflict with their duties as a director of William Hill.

In accordance with the Companies Act 2006, the Company's Articles of Association include provisions reflecting recommended practice concerning conflicts of interest. The Board has in place procedures for directors to report any potential or actual conflicts to the other members of the Board for their authorisation where appropriate.

In deciding whether to authorise a conflict or potential conflict of interest only non-interested directors (i.e., those who have no interest in the matter under consideration) will be able to take the relevant decision. In taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the directors may impose conditions or limitations when giving authorisation if they think this is appropriate. The Board is confident that the appropriate checks and balances are in place to identify and minimise potential conflicts of interest.

Information and professional development

The Chairman, supported by the Company Secretary, takes responsibility for ensuring that the directors receive accurate and timely information across a wide range of matters relevant for the Board to operate effectively. In addition to receiving presentations and briefings from internal management, the Board also on occasion requests that external advisers provide briefings. This supports a wider awareness of issues and facilitates decision-making.

The Chairman is also responsible for taking the lead on issues of director development and encouraging all Board members to engage in Board and relevant Committee meetings by drawing on their skills, experience and knowledge.

Each newly appointed director participates in an induction programme which is tailored to suit the needs of the new director. During the year Roger Devlin completed an induction providing a range of in-depth general, industry and Group-specific information. The induction process also included meeting members of the Group Executive and visits to various business locations. An induction programme was also created for Gordon Wilson upon joining.

Each director has access to all required information relating to the Group and to the advice and services of the Company Secretary. The Board also obtains advice from professional advisers as and when required and directors may, as required, obtain external advice at the expense of the Group.

Performance evaluation

Follow-up from 2017 evaluation

The Board recognises that evaluation of its effectiveness can improve the performance of the Board. The actions arising from the internal evaluation undertaken in 2017 were addressed as shown below.

Actions arising from 2017 internal Board evaluation	Actions taken during 2018
Strengthen the interaction between the Board and the Group Executive.	Frequent presentations from the Group Executive have been made at Board/Board Committee meetings. Two Board Strategy Conferences (BSC) were held during 2018 with the Group Executive attending.
Acknowledgement of strategic areas which may become more of a priority. In particular, longer-term strategy following the transformation programme, ongoing industry consolidation and market opportunities, the regulatory environment and the Company's sustainability agenda.	The longer-term strategy was considered at the BSCs and other points were agreed and announced at the Company's Capital Markets Day presentation in November 2018. Market opportunities were considered and approved, including the acquisition of Mr Green and new US partnerships following the decision to overturn PASPA. A new direction was approved and launched on the sustainability agenda under our ambition that nobody is harmed by gambling.
Further improve longer-term succession planning, further refine and improve the content and timeliness of reporting to the Board.	Board composition was reviewed during the year. Georgina Harvey will reach her nine-year term in 2020 and a process has commenced to consider longer-term succession planning ahead of this. Information such as Group Management accounts are circulated to the Board immediately once finalised (rather than waiting for the next Board meeting).
The Board identified additional topic areas for further discussion and review.	Topic areas included further discussion on the US market and corporate development opportunities; additional briefings from the Company's brokers on wider market perspectives; and additional consideration of dividend policy. These were covered during the year.

2018 Board evaluation

The Board conducted an internal evaluation in 2018. The Chairman held individual meetings with each Director in order to ascertain their views on a range of topics and to discuss any other issues or recommendations for further improving the operation of the Board. The Chairman then discussed the output of the individual meetings with the Board so that an agreed view could be reached on the Board's current performance and so that actions for further improvement could be agreed. The Board concluded that it continues to operate effectively and the following positive attributes were noted:

– The composition and dynamics of the Board are improved and the Board continues to have good exposure to the Group Executive;
– Succession planning at Group Executive and Board level is well-managed; and
– The Board Committee structure is effective and discussions are focused on key areas of priority.

The Board did agree, nonetheless, that there was room for improvement. In particular, the Board should:

– Consider further deep dives of key areas of strategic focus;
– Review and monitor progress against the undertakings given at the Capital Markets Day in November;
– Further improve the Board's decision-making ability through making papers more concise, and highlighting issues and concerns;
– Consider the appointment of an additional Non-executive Director with sector experience;
– Continue to focus on management and education of the external analyst community;
– Continue to focus on putting Nobody Harmed into action; and
– Continue to focus on US growth opportunities.

The UK Corporate Governance Code recommends that the evaluation of the Board should be externally facilitated at least every three years. The Board followed this recommendation and the last external evaluation was conducted in 2016. The next external evaluation will therefore be undertaken in 2019.

Stakeholder engagement

The Board, in the performance of its duties listens to the views of shareholders, colleagues and other key stakeholders, recognising they are central to the long-term prospects of the company (see also page 45). Each year, the Investor Relations (IR) team prepares a scheduled programme of engagement between the Company and its largest institutional investors. This supports a regular dialogue with the Company's institutional shareholders, where the CEO and CFO meet with investors to discuss the business further. Great care is exercised during such meetings to ensure that any price sensitive information is not disclosed, as such information is only released in accordance with the requirements of the Market Abuse Regulation and Financial Conduct Authority rules.

Presentations are also provided to institutional shareholders and analysts following the publication of the Group's financial results or for other selected topics in respect of the business. Copies of such presentations are made available on the Group's corporate website, www.williamhillplc.com, at the time of the event. The Chairman is available to discuss strategy and governance issues with shareholders and Mark Brooker, as the Senior Independent Non-executive Director, is available to shareholders if they have concerns that have not been, or cannot be, addressed through the Chairman, CEO or CFO. Meetings between the Chairman, CEO and/or the CFO and shareholders can be held on request to discuss governance and corporate responsibility issues generally.

In November, the Company held a Capital Markets Day for analysts and investors. This included presentations covering each of the Group's three business divisions – Online, Retail and the US. In order to reach the largest available audience, the presentations were also webcast and the presentation materials were made available on the Company's website.

The Group also obtains feedback from its corporate brokers and other advisers on the views of institutional investors on a non-attributable basis and the CEO and/or CFO, supported by the IR team, communicate the issues and concerns of major shareholders to the Board.

As a matter of routine, the Board receives regular reports from IR and from the Company's external advisers on issues relating to recent share price performance, material changes in the Company's share register and trading activity, and general shareholder sentiment. The Board also receives copies of analysts' reports on an ad hoc basis via the Company's IR team. Updates on other matters of external and media interest are provided via the Corporate Communications team.

The Chair of the Remuneration Committee also facilitated a number of discussions with key investors during 2018 as part of the ongoing contact programme to discuss long-term executive arrangements. This is discussed further in the Directors' Report on Remuneration.

The Annual General Meeting

The AGM is an important opportunity for the Board to communicate directly with shareholders. At the AGM in 2018, the Chairman and the CEO summarised William Hill's performance and achievements in the prior year and provided a business update. Board members, including the chairs of the Remuneration, Nomination, Audit and Risk Management, and Corporate Responsibility Committees, attended the 2018 AGM and intend to attend the 2019 AGM to be available to answer questions.

At the conclusion of the AGM, shareholders are provided with an opportunity to discuss business matters informally with the directors and other senior managers in the business. This provides the Company with a further opportunity to understand and respond to the views of the shareholders.

In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the AGM held in 2018 were made available at the meeting and were published following the meeting on both the Company's website and to the London Stock Exchange.

Each of the resolutions at the AGM held in 2018 were passed with the requisite level of approval, however the Board noted opposition in excess of 20% to the advisory vote to approve the annual report on Directors' remuneration. In line with the recommendations of the Code, the Board released a statement acknowledging this significant opposition within the results of the AGM poll and had already conducted an exercise to gauge the root causes for the level of opposition.

As part of its ongoing dialogue with larger institutional shareholders and with proxy advisory agencies, the Board understands that the opposition was attributable in large part to concerns regarding the salary increase awarded to Philip Bowcock, CEO, on his acceptance of that position permanently in March 2017.

These concerns were raised by two proxy agencies in their voting recommendations reports ahead of the AGM. The Company engaged extensively with both the proxy advisory agencies and directly with institutional shareholders to discuss the matter. That process confirmed that whilst the majority of the Company's largest shareholders were supportive, a significant minority agreed with the proxy agency's recommendation.

The Board has considered those concerns carefully, and remains of the view that the processes followed and the decision taken in 2017 was appropriate and can be justified in the context of the key events and industry challenges at the time, many of which are still ongoing. The Board has continued to maintain an open dialogue with shareholders and with the advisory agencies on key remuneration decisions in 2018 and beyond.

The Board acknowledges that the opposition to the 2018 AGM resolution has been recorded by the Investment Association in its published public register of companies encountering shareholder opposition votes in excess of 20%, along with the Board's explanatory statement.

It is intended to continue with the Board's current practice that a separate resolution be proposed on each substantially separate issue. It is planned to post the Notice of the 2019 AGM to shareholders with the 2018 Annual Report and Accounts at least 20 working days prior to the date of the meeting. The website also contains the Notice of General Meeting and supporting explanatory notes.

The Articles of Association of the Company require that any newly appointed director will be subject to election at the following AGM. In accordance with the provisions of the Code, the Board has agreed that all directors will be subject to annual re-election by shareholders. Each director will be elected or re-elected by shareholders passing an ordinary resolution at a general meeting.

Board and corporate culture

The Board continues to focus on culture, recognising its importance and the need for a clear 'tone from the top' and together with management are responsible for implementing a strong culture across the Group. During the year, there has been an ongoing focus on the William Hill values (see page 42) expected of colleagues and this is fully supported by the Board. The Board also endorsed and supports the Company's ambition that nobody is harmed by gambling and both the Board and the Group Executive regularly discuss associated issues as well as monitoring progress on initiatives. Following William Hill's agreement to pay a £6.2m regulatory settlement to the Gambling Commission earlier this year, the Board further increased its focus on the introduction of new and improved resources, policies and processes as part of a corporate culture to better identify risk and protect our customers.

From the point of recruitment, all staff are made aware of existing Company policies and codes which are designed to encourage and support good conduct and our values, and these are reviewed on a regular basis. Reward mechanisms are also designed to incentivise good behaviours and good performance and not to encourage excessive risk-taking. In particular, malus and clawback provisions exist in the bonus and incentive arrangements for the executive directors and for other executive management. This is more fully explained in the Remuneration Report. Other levels of management are subject to reward mechanisms which are designed to promote our corporate values and strong personal performance.

A formal whistleblowing policy and procedure is in place for staff, suppliers and stakeholders to raise issues regarding possible improprieties. During 2018, the Audit and Risk Management Committee continued to monitor the use of the Group's whistleblowing arrangements and was satisfied that appropriate actions were being taken.

The Company also operates policies and procedures to prevent, detect and to report suspected fraud and money laundering, under the supervision of the Audit and Risk Management Committee. The Company has a policy in place regarding anti-bribery and corruption which is communicated to employees. The policy and its effectiveness is reviewed periodically by the Audit and Risk Management Committee.

Looking forward, our culture will evolve as we take into account more widely our key stakeholders.

Approach to risk management

The section 'Managing our Risks' outlines the Board's approach to the management of risks within the business and summarises the principal risks facing the business. The sections below provide further detail on the Board's actions to monitor the Company's risk management and internal control. The work of the Board in this regard is supported by the Audit and Risk Management Committee and further details of the activities undertaken by the Committee to support the risk management framework is provided in the report which appears on pages 77 to 82.

Internal control

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. Executive directors and senior management are responsible for making sure that risks are understood and they are also responsible for the implementation, monitoring and maintenance of the internal control systems, which are subject to regular review. The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in September 2014.

The Board continues to assess the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems). This is conducted through ongoing processes designed to oversee provision of effective internal controls and risk management systems, which include:

- regular scheduled meetings of the Board and its Committees, the Group Executive and Business Reviews for each business unit. This provides regular opportunities to assess performance and potential risks;
- established structures and delegations of authorities which set out responsibilities and levels of authority;
- ongoing procedures, including those already described, which are in place to manage perceived risks;
- regular reports to the Audit and Risk Management Committee which inform the Committee on the adequacy and effectiveness of internal control systems and significant control issues;
- the continuous Group-wide process for formally identifying, evaluating and managing the principal risks to the achievement of the Group's objectives; and

– reports to the Audit and Risk Management Committee on the results of internal audit reviews, work undertaken by other departments and where needed reviews undertaken by external third parties on behalf of management, the Board or its Committees.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems. The Board regularly reviews the actual and forecast performance of the business compared with the annual plan, as well as other key performance indicators (both financial and non-financial). Forecast performance is revised during the year as necessary, taking into account performance for the year-to-date and performance going forward, and any potential macro-economic or material industry factors.

The Audit and Risk Management Committee receives reports on a regular basis on compliance with the Group's policies and procedures as part of the ongoing work of the Risk & Audit team.

As is good practice, we continually evolve and enhance our control environment to account for business change or following review findings which highlight the need for changes. In line with this, following William Hill entering into a regulatory settlement with the Gambling Commission in 2018, the business introduced new and improved policies, controls and increased levels of resourcing to address issues highlighted by the Commission and following further internal reviews.

The Audit and Risk Management Committee were made aware of relevant control issues arising throughout the period and there is a robust process to capture, track and approve actions taken to remediate issues identified. We acknowledge the point raised by the external auditor in relation to exceptions in the IT control environment. Whilst this required a more substantive external audit approach in this isolated area, management place reliance on compensating controls. In the view of the Committee these compensating controls are sufficient to mitigate this operational risk. No significant failings or weaknesses were identified which may significantly impact the financial statements.

Assessment of risk

A corporate risk register is maintained and is regularly updated following detailed review by the Group Risk and Audit function and senior management during the year. The register is discussed with the Group Executive and is approved by the Audit and Risk Management Committee on behalf of the Board. An enhanced process commenced in 2018 to collate and consider risks at a business unit level and to support the Group risk assessment from a 'bottom-up' perspective.

The risk register records the key risks facing the business, the assessment of the likelihood of the risks crystallising and their potential materiality, and the Group's response to each risk, which is led by senior management.

The Board uses the internal control and risk management processes to identify and consider any significant risks arising from social, environmental and ethical issues. Further details of the Group's CR and Sustainability practices are described on pages 36 to 49.

Risks and opportunities are also considered where key decisions and approvals are required by the Board, taking into account impact upon the business in the near- and longer-term.

A key tool to ensure effective ongoing risk management throughout the business is to ensure that the executive directors are sufficiently involved and have oversight of the material aspects of the operation of each business division. This is accomplished through regular interactions between each business division with the executive directors, including regular scheduled Business Reviews which are held with the respective business division managing director and other senior business unit managers throughout the year. The Business Review meetings review all material operational aspects of the business unit, including risks.

Internal Audit

The Group Risk and Audit function includes an Internal Audit team which reviews the extent to which systems of internal control are effective, are adequate to manage the Group's significant risks, safeguard the Group's assets and, in conjunction with the Company Secretary, aim to ensure compliance with legal and regulatory requirements. It provides ongoing independent and objective assurance on risks and controls to the Audit and Risk Management Committee, the Board and to senior management.

The Group's financial and operational controls and associated procedures are subject to a schedule of risk-based reviews to provide assurance that they remain robust and fit for purpose. The Group Risk and Audit function's work is focused on areas of greatest risk to the Group, as determined by:

– a structured risk assessment process involving executive directors and senior management; and
– ongoing reviews to take into account new areas of focus and any material emerging issues which may arise during the year. The Audit and Risk Management Committee reviewed an assessment of the coverage of corporate level risks through the internal audits undertaken for the year. The assessment helped to support the Board's determination that an appropriate review had been undertaken of the effectiveness of the Company's system of risk management and internal controls, including principal risks and key controls.

The Internal Audit team also prepares an annual plan for the forthcoming financial year which is approved by the Audit and Risk Management Committee and is then reviewed during the year, allowing for further refinement or re-scoping as necessary.

In 2018, a formal external performance review of the Internal Audit function was undertaken by PwC, who presented a report to the Audit and Risk Management Committee. The report was highly supportive of the Internal Audit function, which was found to be effective, and the report also included some recommendations which will support the continuous development of the function's performance.

These recommendations will be progressed by management and monitored by the Audit and Risk Management Committee.

The Risk and Audit team also conduct a number of ad hoc reviews during the year at the request of management or the Audit and Risk Management Committee to provide live assurance over key projects or critical business areas. The Director of Risk and Audit reports regularly to the Audit and Risk Management Committee on work undertaken, the results of audit reviews, the adequacy of the Internal Audit function's resources and on progress against the annual audit plan. The Director of Risk and Audit also reports regularly on the actions taken by management in response to audit reviews and this process provided the Audit and Risk Management Committee with additional assurance that timely actions were being taken in response to audit reviews.

Going concern

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

As highlighted in notes 23 and 24 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until October 2023. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 57 to 61, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

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

Dividend policy and distributions

The Board closely monitors the appropriateness of its policy on dividend payments, dividend cover, and its capital structure and allocation priorities as cyclical agenda items and in response to any major developments which may affect the business. Each proposed dividend payment is also reviewed in the context of the Company's distributable reserves, prior to payment to shareholders following the Group's half and full-year results.

Both dividend payments in 2018 were approved in line with the Board's policy and reflect the Group's continued strong cash flow and confidence in delivery of the Board's strategic priorities.

Although authority exists for the Company to repurchase its own shares, the Board did not elect to extend the share repurchase programme completed in December 2016. An aggregated total of £113.5m was distributed to shareholders during the financial year, under the 2017 final and 2018 interim dividend payments.

In November, the Company announced its new strategy and its approach to managing its balance sheet, capital expenditure and an update to the dividend policy. The Group's investment behind its strategy is supported by a strong and flexible balance sheet. Capital expenditure in 2019 is expected to increase to approximately £120-130m as the Group invests in US expansion.

The Board of William Hill recognises the importance of the dividend alongside the opportunities to invest in long-term growth and driving substantial shareholder value. As previously stated, the Group's dividend policy is to pay out approximately 50% of underlying earnings and the Board committed that, for 2018, this would be calculated excluding US expansion. As the Group moves forward, and with its US ambitions now clearer, the Board believes it appropriate that dividends are paid out of true underlying earnings and, as such, US expansion will be included in the calculation of underlying earnings from fiscal year 2019 onwards. However, reflective of the Board's confidence in the Group's strategy, strong capital position and future cash generation, the Board has committed to underpin the overall annual dividend at not less than 8 pence per share from 2019 onwards, regardless of underlying earnings, until the Group's earnings growth brings it back into line with the policy. All future reviews will encompass periodic assessments of the future profitability of the Group, principal risks and asset valuations, as necessary, in accordance with best practice.

Group Executive

The CEO chairs the Group Executive, which met monthly during 2018. In addition, weekly calls are held by the Group Executive to ensure each member is up-to-date on recent performance and other operational matters. The Group Executive retains oversight on issues affecting the day-to-day management of the Group's operations, and also reviews certain matters prior to Board or Board Committee consideration.

Members and regular attendees at the Group Executive meetings are: Philip Bowcock, CEO; Ruth Prior, CFO; Joe Asher, CEO William Hill US; Ulrik Bengtsson, Chief Digital Officer; Paul Durkan, Chief Information Officer; Nicola Frampton, Managing Director, UK Retail; Karen Myers, Group HR Director; Crispin Nieboer, Group Corporate Development Director; Terry Pattinson, Group Trading Director; Ken Fuchs, President of Digital US (from 2019); Phil Walker, UK Online Managing Director (from 2019); Patrick Jonker, Online International Managing Director (newly appointed); and Harry Willits, Group General Counsel; and the Company Secretary.

Remuneration

The Directors' Remuneration Report is set out on pages 87 to 105.

Statement of Compliance

The Board supports the 'comply or explain' approach set out in the UK Corporate Governance Code, which forms part of the Board's governance processes. The Code is issued by the Financial Reporting Council and is available on the FRC's website at www.frc.org.uk. This report has been prepared against the version of the Code published in 2016, which is applicable for William Hill's 2018 financial year.

The Board can report full compliance with the Code during the 2018 financial year.

During 2018, the FRC released a revised version of the Code, which will apply to financial years commencing after 1 January 2019 (the 2018 Code). The Board has been briefed on the requirements and is considering the key changes arising in the 2018 Code. The Board already undertakes much of the activity highlighted in the 2018 Code and an assessment has been made of the other changes required to comply with the 2018 Code and this has been discussed by the Board. A report against compliance with the 2018 Code will be made in the 2019 Annual Report.

Roger Devlin
Chairman

1 March 2019

David Lowden

Chairman, Audit and Risk Management Committee

In 2018 the Committee focused on both improvements to the control environment and on reporting disclosures.

Membership and meetings

Set out below is the current membership of the Audit and Risk Management Committee. During the year, all the members of the Committee were independent Non-executive Directors.

Director
David Lowden, Chairman*
Mark Brooker
Robin Terrell

* David Lowden will step down from the Committee on 4 March 2019 and be succeeded as Chairman by Robin Terrell.

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chairman including: representatives of the external auditor, the Chairman, the CEO, the CFO, the Group General Counsel, the Director of Risk and Audit, the Head of Internal Audit and the Deputy CFO. In addition, members of the management team attend by invitation to report to the Committee on key matters as necessary. In view of the regulated nature of the Company's business, the Group Money Laundering Reporting Officer also provides a formal report at least annually on anti-money laundering to the Committee. The Committee also meets with the external auditor and the director of Risk and Audit without executive management present on a regular basis. The Committee met on five occasions during 2018 and details of attendance at Committee meetings are set out on page 71.

The Chairman of the Committee, David Lowden, has recent and relevant financial experience. He is a chartered accountant and has previously held senior financial positions within other international companies. Mark Brooker and Robin Terrell are financially literate and have significant general business experience of executive roles in both private and public organisations. Robin Terrell is also a chartered accountant. Mark Brooker has considerable sector experience, in accordance with the Code provision C.3.1. Biographical details of the Board are set out on pages 64 and 65.

Committee remit

A copy of the terms of reference for the Committee can be obtained at www.williamhillplc.com or by request to the Company Secretary. The Committee's principal responsibilities are to:

– review and advise the Board on the Group's half-yearly and annual financial statements and its accounting policies, and to monitor the integrity of the financial statements and announcements relating to financial performance;

– assist the Board in ensuring that the Company's Annual Report and Accounts is fair, balanced and understandable in accordance with applicable legislation and governance;

– review the major risks affecting the Group and, considering emerging risks, assist the Board with reviewing the effectiveness of the controls operating over the Group's financial and non-financial risks;

– review the nature and scope of the work to be performed by the external and internal auditors, the result of that work, management's response, and their effectiveness;

– oversee the relationship with the external auditor including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group. The Committee is also responsible for overseeing the rotation or tender of external audit services in accordance with legislation or good governance;

– meet with the executive directors and management, as well as privately with both the external and internal auditors; and

– report to shareholders annually on its role and responsibilities.

A whistleblowing policy and procedure for colleagues to raise issues regarding possible improprieties in matters of financial reporting or other matters is in place and operated during the year. Both the Committee and the Board monitor its effectiveness, and review notifications received under it, ensuring proportionate and independent investigation of any such matters and, if necessary, follow-up action. No material issues arose as a result of whistleblowing during the year, and further information can be found on page 74. The Committee has access to the services of the Group Risk and Audit function and Company Secretarial department and is authorised to obtain independent professional advice if it considers it necessary.

Main activities during 2018

The calendar of Committee activities below summarises the areas of focus for the Committee in 2018.

2018 calendar of Audit and Risk Management Committee activity

February
- Review ahead of 2017 full-year results, Annual Report and Accounts, and external audit report
- Annual review of the Group control environment and principal risks
- Review and approval of Non-Audit fees incurred in 2017
- Technology Security update
- Discussion of the annual Anti-Money Laundering Officer's Report
- Update on arrangements for the EU General Data Protection Regulations (GDPR)
- Private meetings of the Committee with the Group Risk and Audit team and the external auditor Deloitte (without management present)

May
- Technology Security update
- Business Continuity Planning update
- Update on arrangements for the GDPR
- Review of Treasury policies
- Tax update
- Updates on proposed accounting treatments
- Proposals for the Payment Practices and Performance Regulations

July
- Review ahead of 2018 half-year results and half-year external auditor report
- Update on the corporate Gifts and Hospitality policy
- Review of the FRC's Annual Quality Report on external auditors

October
- Technology Security update
- Initial review of period end significant accounting issues and disclosures
- Annual Tax update
- Approval of the external audit plan for the 2018 financial year

December
- Approval of 2019 internal audit plan
- Review of the effectiveness of the Internal Audit function
- Review of significant accounting issues and key financial judgements
- Initial review of the 2018 Annual Report
- Review of published tax strategy and update on the corporate offence regarding failure to prevent tax evasion

Standing items at each Committee meeting during 2018
- Review of reports from Group Risk and Audit function, including: key operational controls, internal audits undertaken, key open internal audit actions, whistleblowing reports and business continuity planning
- Progress updates on strategy regarding Data Centre and Disaster Recovery plans
- Review and approval of external auditor non-audit fees
- Review and update of a 12-month rolling plan for the Committee
- Approval of previous Committee meeting minutes and follow-up on outstanding actions

Approach to remit

Financial statements

During the year, the Committee reviewed and discussed the financial disclosures made in the full-year results announcement, the Annual Report and Accounts, and the half-year results together with any related management letters, letters of representation and detailed reports from the external auditor. Significant financial reporting issues and judgements were discussed.

There were no material changes to significant accounting policies during 2018. The Group complied with FRS101, which provides a reduced disclosure framework for reporting groups across the Group's subsidiary financial statements. During the year, the Committee reviewed updates on new accounting standards including IFRS 15 (revenue from contracts with customers), IFRS 9 (financial instruments) and IFRS 16 (leases). Each of these new accounting standards will be adopted in the 2019 financial year.

The UK Corporate Governance Code requires the Board to also confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable (FBU) and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. A robust process, which was reviewed and undertaken during the financial year, is operated whereby the Committee assists the Board in the discharge of this duty. The Committee provided assistance to the Board by overseeing the process by which the Annual Report and Accounts is prepared. In particular the Committee noted that:

- the Annual Report and Accounts follows a framework which supports the inclusion of key messaging, market and segment reviews, performance overviews, principal risks and other governance disclosures. Sufficient forward-looking information is also provided and a balance is sought between describing potential challenges and opportunities;
- management reported to the Committee regarding steps taken to ensure that the Annual Report and Accounts remains FBU for users of the financial information; and
- the Annual Report and Accounts was subject to final approval by the Board, following review by both the Committee and by individual Board members.

Internal control and risk management

The Committee closely monitored the Group's internal control and risk management systems and received regular reports and presentations from senior management covering the major risks and/or events faced by the Group, and the procedures established to identify, assess, manage, monitor and mitigate these risks. The calendar of Committee activities on the previous page provides further information regarding the areas covered by the Committee.

During the year, the Committee also regularly reviewed the Company's preparations ahead of the implementation of GDPR, as this required a material review of existing procedures, systems and controls. Following the enactment of GDPR, the operational effectiveness of associated controls was reviewed by our Internal Audit function and will be further reviewed in future as appropriate by specialists reporting to the Data Protection Officer.

The Committee, in conjunction with the Group Risk and Audit function, took responsibility for reviewing and approving the statements on internal controls on pages 74 and 75 on behalf of the Board. The statements applied any developments in practice regarding internal control and risk management to the disclosures within the Report.

Oversight of the external auditor

The Committee has responsibility for overseeing the relationship with the external auditor, Deloitte LLP, and it continues to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process. The policy to safeguard the independence of the external auditor, in line with the Statutory Auditors and Third Country Auditors Regulations 2016 (the 2016 Regulations), was maintained by the Committee. The policy covers the appointment, tendering and rotation of the auditor; restrictions on the employment of former staff of the auditor; ongoing independence criteria; and the supply of non-audit services. The policy explicitly prohibits a range of non-audit services in accordance with relevant legislation.

The policy applies across the Group, to ensure close monitoring of any material consultancy projects proposed to be delivered by either the current external auditor, or any potential tender participants. This ensures the continuing independence of all potential participating firms given the onerous pre-qualification requirements of the regulations in respect of the external auditor.

The 2016 Regulations provide for a cap on non-audit services of a maximum of 70% of the average of the audit fees paid on a rolling three-year basis. The first three-year measurement period, covering the 2017, 2018 and 2019 financial years, will be subject to reporting in 2020. Fees (including non-audit fees) payable to Deloitte LLP are provided in note 5 to the financial statements.

The Committee approved the external auditor's engagement letter, audit fee and the annual audit plan (including the planned levels of materiality) as usual during the year. Letters of representation were also reviewed and approved.

The external auditor regularly attended Committee meetings in 2018 and received all reading papers and minutes in respect of the meetings. The external auditor met at least once during 2018 with the Committee without executive management present. The Chairman of the Committee also met privately with the external auditor.

In 2018, the Committee reviewed both the Audit Quality Report (AQR) published by the FRC in respect of Deloitte, and Deloitte's response. The AQR showed no matters of material concern for the Committee, in which the FRC identified a number of recommendations for Deloitte to address. Deloitte confirmed in their response that they intend to follow-up on the recommendations made by the FRC.

The external audit engagement

The Committee monitors the ethical guidance regarding rotation of the external audit partner. In respect of the external audit of William Hill, Paul Franek is Deloitte's senior statutory auditor and in accordance with applicable professional standards, his five-year term will expire on completion of the 2018 audit. During 2018, the Committee reviewed with Deloitte a successor to Paul and, following a selection process, approved the appointment of David Griffin to succeed Paul in 2019. David began shadowing Paul in 2018, and attends key meetings as an observer. David and Paul are working with the Committee and with William Hill management to ensure that there is an orderly handover in 2019.

During 2018, the Committee received regular reports from the external auditor, including a formal report dealing with the audit objectives, the auditors' qualifications, expertise and resources, procedures and policies for maintaining independence and compliance with the ethical standards issued by the Auditing Practices Board. The Committee also considered the effectiveness of the audit process in respect of the financial year. In addition, the external auditor's management letter was reviewed, as was management's response to issues raised.

In accordance with the policy on the independence of the external auditor, the Committee regularly considers the relationship with the external auditor. In line with the policy, at each meeting the Committee considered and approved as appropriate any non-audit work undertaken by the external auditor involving fees in excess of £25,000. If no Committee meeting is scheduled within an appropriate timeframe, approval will be sought from the Committee Chairman and subsequently ratified at the next meeting.

All non-audit services provided by the external auditor are reported to the Committee and a record is kept and reviewed by the Committee on a cumulative basis so that the total costs regarding non-audit work during a financial year are monitored. During 2018 the Committee approved the provision of certain non-audit assurance services performed by Deloitte. Approved non-audit fees included £22,000 in respect of assurance work regarding horseracing and greyhound levies, which required the use of the Company's statutory auditor. The Committee is satisfied where non-audit work has been approved that the external auditor was best placed to undertake the relevant project and that no individual project was deemed sufficiently material to require detailed Committee review.

Audit tender

Deloitte were appointed to William Hill PLC in December 2001 to audit the financial statements for the period ended 1 January 2002 and subsequent financial periods; this was just prior to the listing of the Company on the London Stock Exchange. Prior to this, Deloitte provided audit services to other Group entities with the first engagement commencing in 1991. A tender in respect of the external audit has not been sought since William Hill was listed on the London Stock Exchange in 2002. There are no contractual obligations restricting the Group's choice of external auditor. The Committee confirms that it continues to be satisfied with the performance of the external auditor and with the policies and procedures in place to maintain their objectivity and independence. The Committee recommended that Deloitte be re-appointed at the forthcoming AGM and the Board accepted and endorsed this recommendation. The Committee notes and confirms compliance with the other provisions of the Competition & Markets Authority Order 2014 in respect of statutory audit services for large companies.

In the Company's 2016 corporate governance report, it was noted that the Committee had agreed to complete a formal tender of the external audit by no later than 2019, with the intention to appoint a different external auditor. Whilst this intention is still unchanged, in 2017 the Committee reconsidered the optimal timing of the process. In particular, during 2017 the success of the transformation programme was critical to the Company and a tender could have impacted on the programme, particularly as other potential candidate firms which could have succeeded Deloitte were undertaking work which could conflict them.

Following further review by the Committee and as explained in the 2017 Annual Report, the Committee remains of the view that, on balance, it would not be appropriate to change the external auditor during 2019, a year in which changes to the business strategy and structure and the results of the recent transformation programme are still being embedded by the Group. In reviewing this position, the Committee also considered the rotation of the lead external audit partner during 2019 with the appointment of David Griffin. The Committee will continue to keep the timing of the audit tender under review during 2019 and into 2020. The Company confirms that the change of auditor will be completed in line with the transitional arrangements permitted by the 2016 Regulations.

Internal audit

William Hill has a Group Risk and Audit function which includes an Internal Audit team. The Group Risk and Audit function has unrestricted access to all Group documentation, premises, functions and employees to enable it to perform its functions. The appointment and removal of the Director of Risk and Audit is the responsibility of the Committee. The Director of Risk and Audit has direct access to the Board and Committee Chairman. During 2018, the Director of Risk and Audit continued to meet regularly with the Committee Chairman without executive management.

Each year, the Committee approves the annual internal audit plan and monitors progress against the plan. The annual audit plan is amended during the year if needed to ensure it addresses emerging key areas of control identified by management or by the Group Risk and Audit function, and any material changes to the plan are discussed with the Committee and approved by the Committee if needed. Summaries of audit reports are circulated to the Committee after each audit and full reports are available upon request. The Committee monitors progress against actions identified in those reports.

During the year (and in particular regarding the approval of the internal audit plan for the forthcoming year) the Committee enquired as to the adequacy of the resources of the Group Risk and Audit function and received assurances that appropriate resources were available. If necessary, the work required to be undertaken by the Internal Audit function is supported by external professionals.

Disclosure of significant issues considered by the Committee

An important part of the Committee's responsibilities is to assess key issues in respect of published financial statements. This process is primarily focused on the key issues identified by management for consideration. However, each Committee member as a member of the Board receives regular updates on the performance of the business and in particular on material issues which may affect the finances of the business. This gives the Committee additional perspective to consider and to be familiar with significant issues which need to be considered.

In respect of 2018, the Committee reviewed and discussed with management the key issues which had been identified. In addition to a formal review at both the half-year results stage and again in respect of the full-year results, the Committee also held preliminary reviews at other times to ensure it was adequately informed of the issues which arose.

Each year the external auditor prepares a comprehensive forward plan in respect of their audit. Towards the end of 2018, the Committee reviewed the plan and discussed it with Deloitte. The plan explained:

- the scope and approach of the audit, including consideration of materiality thresholds;
- any key areas of change in the focus of the audit; and
- areas of significant audit risk which would be subject to particular audit focus.

The Committee endorsed Deloitte's plan for the 2018 audit.

The Committee pays particular attention to any matters which it considers may affect the integrity of the Group's financial statements, with a view to satisfying itself that each matter has been treated appropriately. The Committee found that there was a good level of alignment between the key areas identified by both management and by Deloitte. The Committee assessed each matter, which included reviews of:

- the carrying value of goodwill and intangibles across the Group. This review included an assessment of the valuation of the Retail business following the UK Government's announcement of a £2 maximum stake limit under the Triennial Review. Following consideration, a non-cash impairment charge of £882.8m was discussed with the Committee and with the external auditor and the impairment was included in respect of the Retail business in the 2018 half-year results. Management performed a further impairment review at the end of the 2018 financial year and this was discussed by the Committee and reviewed by the auditor. It was agreed that no further adjustment to the impairment charge was required;
- the accounting treatment in respect of the US expansion. In particular:
  - the treatment of revenue for each new agreement;
  - the treatment of investment costs. Consideration was required following the decision to overturn PASPA and it was agreed that costs be treated as non-exceptional, as part of an investment to grow our underlying business;
- the accounting treatment in respect of the disposal of the Australian business, which was sold in April 2018. In particular, following consideration it was agreed to treat the loss on disposal as an exceptional item. It was also agreed to classify and disclose the Australian business as a discontinued operation;
- items which had been categorised as exceptional items for 2018. It was agreed that the impairment of the Retail business (see above) should be treated as an exceptional item. Continuing and additional transformational restructuring costs and restructuring costs arising from the Triennial Review were also agreed to be treated as exceptional items. Further information on exceptional items and adjustments is provided in note 3 to the financial statements;
- matters relating to taxation. In particular the Committee assessed the recognition, derecognition and valuation of tax provisions. The Committee concluded that appropriate treatments had been applied in each case;
- the existence and disclosure of actual and contingent liabilities. The Committee was satisfied, following review of management disclosures, that such liabilities had been treated appropriately within the financial statements;

- the disclosures and supporting analysis in respect of the viability statement. The Committee reaffirmed the reasonableness of the assumptions and considered whether a viability period of three financial years remained most appropriate, and confirmed that it was as part of a recommendation to the Board;
- an annual assessment by the directors that it is appropriate to prepare the financial statements on a going concern basis;
- the accounting basis applied to the Group's pension schemes. In particular, consideration was given in respect of the valuation of assets and liabilities, the cost recognised during 2018 following the purchase of an insurance product to meet certain defined benefit pension liabilities, and consideration for a provision in respect of payments which may be required to equalise Guaranteed Minimum Pensions between men and women;
- the impact of future new accounting standards, in particular the new IFRS 16 Leases which will be implemented in the 2019 financial year and will have a material impact on the financial statements;
- the effectiveness of key controls within the business, which appears on page 74; and
- the steps taken by management to ensure that the Annual Report and Accounts were fair, balanced and understandable.

Part of the Committee's role is to provide constructive challenge to management on the above issues and on other matters related to financial reporting. This is particularly important where underlying assumptions need to be made by management as part of their assessments. In respect of this, the Committee questioned management as necessary on the treatment of the items and the Committee received appropriate responses from management. The significant issues were also the subject of review by the external auditor and the Committee noted that, where needed, the external auditor had confirmed management's treatment was appropriate and that management had made reasonable assumptions.

As noted above, the Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures had been included in the accounts. The Committee also noted that Deloitte has issued an audit opinion, which can be found on pages 109 to 115 of this Annual Report and Accounts, in respect of the annual financial statements. Further details in respect of accounting treatments and assumptions are also provided as appropriate in the notes to the financial statements.

During 2018, the Group received a request for further information from the FRC in respect of the disclosures in the 2017 Annual Report. The FRC asked for further information on the following areas:

- the transformation programme;
- impairment of property, plant and equipment and intangible assets;
- accruals and provisions;
- ante post bet liabilities; and
- events after the reporting period.

Management prepared responses to the FRC's information requests, which were reviewed and approved by the Committee and by the Chairman of the Board. The Company's responses provided further clarification on the disclosures in the 2017 Annual Report. The Company also undertook to the FRC to disclose additional details in respect of certain areas and these have been included in this 2018 Annual Report.

The FRC confirmed in December that its review into the disclosures in the 2017 Annual Report had been concluded. The Company has undertaken to provide additional details in the 2018 Annual Report.[1]

Other activities

Summaries of key agenda items can also be found in the calendar of Committee activities on page 78.

David Lowden
Chairman, Audit and Risk Management Committee

1 Scope and Limitations of the FRC review: The FRC's review and comments were based on the William Hill's 2017 Annual Report and Accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into by the Group. The FRC provided no assurance that the William Hill 2017 Annual Report and Accounts were correct in all material respects and did not verify the information provided but considered compliance with reporting requirements only. The FRC accepts no liability for reliance on their review and findings by the Company or any third party, including but not limited to investors and shareholders.

Corporate Responsibility Committee

Mark Brooker

Chairman of the Corporate Responsibility Committee

In my first full year as CR Committee Chairman, we have restructured the agenda for the Committee to ensure it maintains a strong focus on the most important CR issues affecting William Hill.

Introduction

The Corporate Responsibility (CR) Committee maintains a focus on the Gambling Commission's key licensing objectives, which are to:

– prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;

– ensure that gambling is conducted in a fair and open way; and

– protect children and other vulnerable persons from being harmed or exploited by gambling.

Both the Committee and the Board have also maintained oversight across the Group's CR programme, in particular on the new direction adopted under the sustainability ambition that nobody is harmed through gambling. Further information can be found in this Committee report and in the Sustainability report on pages 36 to 49.

Membership and meetings

The following is the current membership of the CR Committee:

Director
Mark Brooker, Chairman
Philip Bowcock
Georgina Harvey
Robin Terrell
Gordon Wilson (from 2 January 2019)

Philip Bowcock, CEO, is the executive director responsible for CR. He is supported by various members of senior management on different aspects of the Group's CR agenda. During 2018, the Committee agreed a revised longer-term agenda setting out key topics for discussion. Management are responsible for providing a high-quality flow of information to the Committee in line with the longer-term agenda and will attend meetings as appropriate to discuss such matters with the Committee.

Regular presentations and discussions are held with the Committee on key matters such as sustainability, compliance, community relations, and key health and safety issues. The Company Secretary acts as secretary to the Committee.

The Committee met on four occasions during 2018 and details of attendance at Committee meetings can be found on page 71.

CR Committee remit

A copy of the terms of reference for the Committee can be obtained via the website at www.williamhillplc.com or by request to the Company Secretary. The Committee's principal responsibilities are to:

– review CR strategy for the Group;

– review performance against the Group's licensing objectives;

– ensure the business operates in a sustainable way;

– consider and advise on environmental, social and ethical matters;

– monitor any CR risks as part of the Group's overall risk management framework; and

– review and approve the annual CR report within this document; and

– advise the Board on its continued compliance with its duties under section 172 of the Companies Act 2006 and as it builds on existing stakeholder engagement practices in accordance with the revised UK Corporate Governance Code.

Main activities during 2018

The calendar of Committee activities on page 84 provides an overview of the key areas of focus in 2018. Further information regarding key industry issues and developments are included in the review of CR matters in the Sustainability report on pages 36 to 49 of the Strategic Report.

Both the Board and the Committee discussed with management the cases and circumstances which led to William Hill entering into a regulatory settlement with the UK Gambling Commission in February 2018. The settlement was reached in respect of certain former policies which were insufficient to ensure full regulatory compliance, and specifically in relation to the identification of the possible use of the proceeds of crime. An independent process review was undertaken during 2018 with my oversight as an independent Non-executive Director, and progress arising from this review is further explained on pages 38 to 39 of the Strategic Report. The Company is fully committed to operating a sustainable business that properly identifies risk and better protects customers. The Committee will continue to provide support and review progress as needed to ensure the Company implements the recommendations arising from the review.

Group approach to CR

The longer-term agenda for the Committee includes the following:

- regular reviews of progress made on the Group's key compliance objectives;
- consideration of the wider regulatory environment, including material regulatory developments in the industry. Key regulatory reports, such as the Annual Assurance Statement provided to the Gambling Commission, are reviewed and endorsed by the Committee;
- the Committee has resolved to oversee a process to support the Board to ensure the Board has given due regard to engaging with its key stakeholders (including workforce, customers, shareholders and regulatory bodies) effectively and to keeping methods around workforce engagement under review so that the engagement remains effective. This will help support new legislative requirements and the recommendations of the 2018 version of the UK Corporate Governance Code, both of which call on boards to consider better stakeholder engagement;
- key CR-related public disclosures, such as the Group's statement on Modern Slavery*, which is reviewed annually and endorsed for approval by the Committee;
- the approach to wider stakeholder issues. For example, the Company's approach to community engagement and charitable activities see page 46 is incorporated into an annual plan which is reviewed and approved by the Committee. The Committee is also kept informed on other external engagement matters, such as current political views on industry issues;
- allocation of specific time in the schedule of meetings for additional in-depth review or training on CR related topics;
- assessment of key health and safety performance and colleague welfare; and
- consideration of our environmental impact.

Previous actions arising are followed up at each meeting to ensure that they are completed.

Mark Brooker
Chairman of the Corporate Responsibility Committee

2018 calendar of CR Committee activity

January
- Review of performance against licensing objectives
- Health & Safety update
- Security update
- Compliance update
- Community activity highlights
- Review and approval of Modern Slavery Act transparency statement*
- Colleague engagement survey results
- Review of arrangements for Affiliate marketing

July
- Review of performance against licensing objectives
- Review of the longer term agenda for corporate responsibility
- Compliance update and regulatory update
- Health & Safety update
- Security update
- Review of extended lone working arrangements for colleagues in Retail LBOs
- Community activity highlights
- Colleague engagement update

October
- Review of performance against licensing objectives
- Approval of a longer-term agenda for the Committee
- Compliance update and regulatory update
- Health & Safety update
- Colleague engagement update
- Community activity highlights

December
- Review of corporate responsibility-related draft Annual Report disclosures
- Review and endorsement of Gambling Commission Annual Assurance Statement
- Consideration of employee and broader stakeholder engagement arrangements
- Review of Environmental Policy and initiatives

* In accordance with statutory requirements, the Group's transparency statement in respect of the Modern Slavery Act is available on the Group's website (www.williamhillplc.com).

Nomination Committee

Roger Devlin

Chairman, Nomination Committee

The Committee has made good progress during the year on both appointments and changes in roles. We are already considering longer-term Board succession planning to ensure we have a strong and effective Board.

Membership and meetings

Set out below is the current membership of the Nomination Committee:

Director
Roger Devlin, Chairman
Mark Brooker
Georgina Harvey
David Lowden*
Robin Terrell
Gordon Wilson (from 2 January 2019)

* David Lowden will step down from the Committee on 4 March 2019.

The Company Secretary acts as secretary to the Committee. All members of the Committee are independent Non-executive Directors and the Committee is chaired by the Board Chairman. Biographies of all Committee members can be found on pages 64 to 65. In order to ensure there are fully informed discussions, the CEO and/or the Group HR Director are invited to attend meetings as appropriate. The Committee met on five occasions during 2018 and details of members' attendance can be found on page 71.

Nomination Committee remit

A copy of the terms of reference for the Committee can be obtained via the website at www.williamhillplc.com or by request to the Company Secretary. The Committee's principal responsibilities are to:

- make recommendations to the Board for the appointment, re-appointment or replacement of directors;
- devise and consider succession planning arrangements for directors and, as appropriate, other senior management;
- regularly review the structure, skills, size, composition and balance of the Board and recommend any proposed changes to ensure there is an appropriate combination of executive and Non-executive directors;
- consider other significant commitments of prospective appointees; and
- promote a diverse pipeline for succession, taking account of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Matters within the remit of the Committee are also on occasion undertaken by the Board, for example, discussions on succession planning and more informal meetings with managers in the Company's talent pipeline.

Non-executive Directors are currently appointed for an initial three-year term, extendable by a further two additional three-year terms. The terms and conditions of appointment of non-executive and service contracts of executive directors are available to shareholders for inspection at the Company's registered office during normal business hours and at the AGM.

In respect of the recruitment of a new director, the Committee firstly considers the current composition and skills of the Board, the Board's strategic priorities and any shortfall in the composition of the Board which may be required to support and progress the Company's strategy.

The Committee then considers and approves a description of the role required. An external executive search firm is appointed to help find suitable candidates. The Committee ensures that the firm subscribes to the relevant industry codes on executive searches, including diversity, so that a wide range of suitable candidates may be considered.

On joining the Board, Non-executive Directors receive a formal appointment letter, which, amongst other things, identifies the time commitment expected of them. Once appointed, the new director undergoes a tailored induction and familiarisation programme implemented by the Company Secretary with input from the Chairman and CEO.

Any director who intends to join the Board is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional material appointments for directors. Although there were changes in the outside commitments of some directors during 2018, none of these were material to the extent that it would impact on the time they were required to commit to the Company.

Main activities during 2018

The calendar of activities on page 86 provides an overview of the key areas of focus for the Committee in 2018. The following directors stepped down from the Board in the year: Gareth Davis (Chairman); Imelda Walsh (Non-executive Director and Chair of the Remuneration Committee); John O'Reilly (Non-executive Director); and Sir Roy Gardner (Non-executive Director and Senior Independent Director). In December 2018, we announced that David Lowden would step down from the Board on 4 March 2019. The Committee therefore continued to review both the composition of the Board and the allocation of roles during the year.

2018 calendar of Nomination Committee activity

January
- Recommendation that all eligible directors wishing to stand for re-appointment be re-elected at the 2018 AGM

May
- Non-executive Director composition and succession planning
- Agreement to initiate a search to appoint a Non-executive Director. Approval to appoint Heidrick & Struggles to conduct the search
- Review and approval of changes to the composition of the Committees of the Board
- Update on The 30% Club and initiatives to further promote gender diversity in the business

September
- Progress discussion on the search for a Non-executive Director appointment

October
- Recommendation to propose that Gordon Wilson be appointed as a Non-executive Director
- Review of Non-executive Director composition

December
- Longer-term succession planning
- Consideration of timing and process for possible replacement appointment ahead of nine-year retirement term for Georgina Harvey in 2020
- Corporate governance updates

In respect of the Board's composition, the Committee agreed to commence a process to make a further appointment of a non-executive director. Heidrick & Struggles (which otherwise has no connection with William Hill) was engaged to conduct a search against a role profile agreed by the Committee. In order to support the development of the Company's strategy, the role profile required the prospective candidate to demonstrate at a senior level, amongst other matters, international experience and digital skills. A search process was undertaken and an initial long list of candidates was reduced to a shortlist for further review by the Committee. The most suitable candidates were interviewed by the Chairman, various Non-executive Directors, and the CEO. The process culminated in the Committee recommending that Gordon Wilson be appointed as a Non-executive Director.

The Committee also considers the composition of the Board over a longer timeframe and succession planning. The nine-year appointment term for Georgina Harvey (Non-executive Director and Chair of the Remuneration Committee) will be reached in 2020. The Committee has therefore commenced a process to consider a replacement so that an appointment can be made in good time and so that there is a smooth transition for changes, taking into account in particular the importance of the role of a Committee Chair.

In respect of role changes during 2018, the Committee considered and recommended that Georgina Harvey and Mark Brooker succeed Imelda Walsh and Sir Roy Gardner in the roles of Remuneration Committee Chair and Senior Independent Director respectively. The Committee also considered and recommended that each director willing to stand for re-election be proposed for re-appointment at the 2018 AGM. The Board endorsed all the appointment, re-appointment and role change recommendations of the Committee.

Board diversity and composition

The Board has a diverse range of experience by way of expertise, business sector background and by length of tenure on the Board and we recognise the benefits that diverse viewpoints and backgrounds can contribute to decision-making. The Board has welcomed the infusion of fresh thinking and perspectives from newly-appointed directors and, where there has been a change in role, it recognises that this complements the ongoing contribution of the longer-standing directors.

The Committee is keenly aware of its responsibilities in respect of diversity and will keep in mind the benefits that derive from a diverse Board when making future appointments. As at 2 January 2019 (following the commencement of Gordon Wilson joining the Board), female representation on the Board was at 25%. This is slightly below the target level in the Hampton-Alexander review, which sets a target of 33% for FTSE350 boards to achieve by the end of 2020.

Reflecting its commitment to gender diversity, in 2017 the Board became a member of and is proud to support 'The 30% Club', the global organisation that collaborates with businesses, governments and other campaigns to improve gender diversity and accelerate the pace of change from schoolroom to boardroom (see our case study on page 44). The target of The 30% Club is to have a minimum of 30% women on the boards of FTSE 350 companies by 2020 and a minimum of 30% women at senior management level of FTSE 100 companies by 2020. The current composition of the Board is therefore also slightly below this target at 25%. During the year, the Committee reviewed an update on the number of women in managerial roles within the business. The Committee also discussed a number of initiatives and commitments to improve the number of women in various roles.

As explained above in this Committee report, a search process has commenced to consider the appointment of an additional Non-executive Director and so the gender ratio in respect of the Board's composition may change again in the near-term.

As at 1 January 2019, women represented 30% of William Hill's Group Executive, again slightly below the 33% target set in the Hampton-Alexander review but in line with the target of The 30% Club.

At William Hill we pursue diversity, including gender diversity, throughout the business and will continue to follow a policy of appointing talented people at every level to deliver outstanding performance. The Board is supportive of the objectives of the Hampton-Alexander review and other reviews to promote diversity. The Committee is also aware and has been briefed of the principles in the updated version of the UK Corporate Governance Code published in 2018, which will apply for accounting periods commencing 1 January 2019. This provides that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Committee does not believe that setting a quota is an appropriate method for achieving a balanced Board or for any other positions in the Company and the primary criteria for all of our appointments is that they are made on merit.

Roger Devlin
Chairman, Nomination Committee

Georgina Harvey

Chair, Remuneration Committee

In 2018 the Remuneration Committee reflected on the underlying performance of the business and sought to rebalance executive director remuneration in line with our refocused strategy to help set the business up for a long-term sustainable future.

Annual Statement

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the financial period which ended on 1 January 2019, which is my first as Chair of the Committee.

The report is split into two sections:

– This Annual Statement summarising the work of the Committee, our approach to remuneration and communication with shareholders and providing an 'at a glance' summary of executive director remuneration; and

– The Annual Report on Remuneration, which sets out the remuneration arrangements and incentive outcomes for the year under review and how the Committee intends to implement our Policy in 2019.

As the Remuneration Policy (as presented on pages 72 to 79 of the 2016 Annual Report and Accounts) was approved by shareholders at the 2017 AGM, there will only be one remuneration-related vote at the 2019 AGM, being the advisory vote on the Directors' Remuneration Report excluding the Policy.

Pay and performance for 2018

2018 was a pivotal year for William Hill and we now have much greater clarity around the key challenges and opportunities for our business. During 2018, Online delivered a good underlying performance, there was encouraging growth in the US Existing business and the Group invested in rapid growth in its US Expansion business as additional US states regulated sports betting (overall the US business broadly broke even in 2018 after allowing for significant expansion costs). As anticipated, Retail profits reduced year-on-year, challenged by wider high street conditions.

In respect of executive director remuneration over this period, salary and pension provision for the CEO and CFO remained unchanged during 2018. Performance against the annual bonus targets resulted in annual bonus awards of 33.4% of the maximum for Philip Bowcock and 34.2% of the maximum for Ruth Prior, as a result of:

– Between threshold and target performance against the adjusted operating profit target;

– Below threshold performance against net revenue targets;

– Maximum performance on Employee Net Promotor Score targets; and

– Partial achievement against the personal objectives.

However, having considered each element of the bonus plan separately, the Committee also looked at the overall performance delivered during 2018 to form a rounded assessment of the achievements of the executive directors. The Committee concluded that while significant progress had been made in respect of each of the three businesses and our sustainability drive, it was right to apply downward discretion in respect of the adjusted operating profit out-turn, reducing to the threshold performance level to better reflect the shareholder experience during 2018. This results in the annual bonus award reducing from 33.4% of the maximum to 19.3% for Philip Bowcock and from 34.2% of the maximum to 20.8% for Ruth Prior.

For PSP awards granted in 2015, which were based on a four-year performance period to 1 January 2019, there was no vesting in respect of the Relative Total Shareholder Return ("TSR") and EPS targets but strong performance against the Mobile Sportsbook and Mobile Gaming Business Performance Measure ("BPM") targets, which are key pillars of our growth. This resulted in 14.7% of the total awards vesting. Given the Australia Digital targets were tracking below threshold before the sale of this business during 2018, it was felt right to lapse this part of the awards.

Activities of the Committee during 2018

A summary of the main Remuneration Committee activities during 2018 are set out below:

January 2018
- Corporate Governance update
- Update on proposed 2018 PSP design
- Initial 2018 bonus proposals
- Approval of approach to all colleague salary reviews
- Consideration of the 2014 PSP award vesting in 2018, including the use of negative discretion

February 2018
- Bonus outcomes in respect of 2017, including the use of negative discretion
- Consideration of proposed approach to salary reviews in 2018 for both executive directors and all colleagues
- Approval of 2018 annual bonus design
- Approval of Group Executive personal objectives
- Approval of 2017 Directors' Remuneration Report
- Consideration of plan for granting the 2018 PSP award and other incentives
- Update on forecast vesting of live PSPs

May 2018
- Review of 2018 AGM investor feedback
- Market update on 2018 reporting season
- Approval of the grant of the 2018 PSP awards
- Review of wider colleague remuneration including overview of 2018 salary review and gender pay update
- Confirmation of Australia reward impacts, following sale

July 2018
- Incentives update at half year
- Consideration of approach to US remuneration strategy, in light of PASPA repeal
- Consideration of potential design options for 2019 incentive arrangements
- Approval of operation of all colleague share schemes in 2018

September 2018
- Consideration of potential design options for 2019 incentive arrangements

October 2018
- Incentives update
- Consideration of potential design options for 2019 incentive arrangements
- Consideration of potential adjustments for outstanding PSP awards
- Update on progress against US reward strategy

December 2018
- Corporate Governance update
- Approval of approach to shareholder incentive consultation
- Incentive plan update
- Consideration of potential adjustments for outstanding PSP awards
- Consideration of feedback from the National Colleague Forum

While consideration was given to adjusting the EPS out-turn for the numerous material regulatory events which had taken place over the four-year performance period, the Committee concluded that such adjustments for this part of the 2015 awards were not considered appropriate in light of the shareholder experience and underlying performance of the business over the last four years. Consistent with this approach which recognises the integrity of the original targets on all measures, it was considered appropriate to allow the vesting levels achieved for the BPM metrics to stand.

Use of discretion during 2018

As detailed above, the Committee has exercised its discretion in respect of 2018 incentive pay, reducing the annual bonus award from 33.4% to 19.3% of the maximum for Philip Bowcock and from 34.2% of the maximum to 20.8% for Ruth Prior. The reductions reduced the operating profit element from between threshold and target performance, to threshold performance, to better reflect the shareholder experience during 2018.

This is the second consecutive year that negative discretion has been applied to incentive pay – as detailed in last year's Remuneration Report, a reduction was made to Philip Bowcock's annual bonus and vesting under the 2014 PSP award was reduced to zero as a result of the regulatory fine incurred in February 2018.

Implementing the Policy for 2019

For 2019, no changes will be made to executive directors' fixed pay. As such, the CEO's and CFO's base salaries will remain at £600,000 and £425,000 respectively. Pension and benefit provision will remain unchanged.

As William Hill enters a period of unprecedented change, with numerous complex challenges and opportunities, the Committee is of the view that the management team is well placed to execute the new strategy as laid out in the Capital Markets Day in November 2018 and therefore believes that it is vital the management team is appropriately:

- incentivised to deliver the new strategy in light of William Hill's current and future operating environment and new focus, following a period of significant change and uncertainty; and
- retained, at a time when there is little or no incentive and retentive effect in respect of the existing PSP awards. The changes in the regulatory and operating environment have made the original targets for inflight PSP awards (which were realistic but stretching when set) now appear out-dated.

As such, the Committee consulted with its major investors and representative bodies around the end of 2018 in respect of: (i) re-weighting executive director packages towards the longer term for the next three years; and (ii) refining the performance metrics in respect of the 2019 PSP awards.

The vast majority of William Hill's shareholders that were consulted were supportive of the proposals. I am very grateful for the time that was taken by shareholders to engage with our proposals and to build the understanding that our proposals are not an increase in quantum, but are a rebalancing of the incentive package to the longer term, allowing us to align the long-term incentive measures to our revised strategy.

Incentive potential

For 2019 only, the CEO and CFO will receive a PSP award of 275% and 250% of salary respectively (i.e. 75% of salary higher than the normal award levels) by utilising the exceptional award limit within the existing policy, with awards reverting to normal levels thereafter (i.e. 200% and 175% of salary respectively) from 2020 onwards.

However, to balance this one-off larger PSP award in 2019, annual bonus potential for 2019, 2020 and 2021 for the CEO and CFO will be reduced by 25% of salary each year, from 175% and 150% of salary to 150% and 125% respectively.

Accordingly, the proposed reduction in annual bonus potential for the CEO and CFO for the next three years equates to the increase in the PSP awards for 2019 (i.e. this is not an increase in remuneration levels). As a Committee, we believe this one-time rebalancing to the longer term to incentivise the execution and delivery of our strategy in a crucial period of business transition is both appropriate and in the interests of shareholders.

The approach for 2019 can be summarised as follows:

	Max Bonus (% of salary)	PSP* (% of salary)
CEO	150% (i.e., a 25% of salary reduction p.a. for 3 years from the normal 175% of salary max)	275% (i.e., 75% of salary higher than the normal 200% of salary award)
CFO	125% (i.e., a 25% of salary reduction p.a. for 3 years from the normal 150% of salary max)	250% (i.e., 75% of salary higher than the normal 175% of salary award)

* The two-year post-vesting holding period would continue to apply.

We will, however, proceed cautiously in delivering this revised remuneration structure for 2019. Accordingly, and to allow any shareholder who wishes to engage further on this topic an opportunity to do so, we intend to: (i) make our normal policy level PSP award in March 2019 following the announcement of our 2018 annual results (200% of salary CEO and 175% salary CFO); and (ii) only make the additional 75% of salary PSP award after our AGM on 15 May 2019.

Long-term incentive targets for 2019 PSP Awards

The 2018 PSP awards were based on four performance metrics, namely relative TSR (20%), Online Net Revenue (20%), EPS growth (40%) and Sustainability (20%). Having considered William Hill's re-focused strategy and noting that each of our three businesses (Online, Retail and the US) face very different challenges and growth opportunities, a refined matrix of PSP performance measures will be used for the 2019 awards, while maintaining the current focus on relative TSR as a key measure of Group performance with direct shareholder alignment.

The 2019 PSP awards will therefore retain relative TSR (20%) and Online net revenue (albeit increased from 20% to a 30% weighting), with EPS and Sustainability replaced by a Retail measure (20%) and a US measure (30%). The proposed performance targets for the 2019 PSP awards are explained in detail within the Annual Report on Remuneration. Sustainability is now included within bonus, following shareholder feedback it was better suited than in long-term incentive.

Bonus targets for 2019

55% of bonus potential will be based on group operating profit targets, 20% will be based on group net revenue targets, 15% will be based on sustainability (based on employee net promoter score, customer net promoter score and compliance-related targets) and 10% will be based on personal objectives set by the Chairman and agreed by the Committee.

Details of the actual targets for 2019 have not been disclosed on the grounds of commercial sensitivity although disclosure will be provided in next year's Directors' Remuneration Report.

Further changes on remuneration within our policy

For completeness, three further changes within our policy are being implemented for 2019:

– for all PSP performance measures from 2019 onwards, the level of threshold vesting will be reduced to 15% (previously 25%) for each metric. This will apply to the 2019 TSR, Online net revenue, US and Retail measures. This reduction in threshold vesting for PSP awards is considered appropriate given that it further emphasises that the proposals are intended to rebalance, rather than increase, remuneration - the different PSP scale means that targets will be tougher (and payouts lower) at low to mid-level performance outcomes;

– pension provision for new executive director hires will be aligned to the general workforce pension provision; and

– the CFO's shareholding guideline will be increased from 150% to 200% of salary from the 2019 AGM. This is in line with the CEO's guideline.

Response to shareholder voting

The Board was pleased that all but one of the resolutions at the 8 May 2018 AGM received overwhelming support from shareholders. The Board noted however that Resolution 2 (i.e. the advisory vote on the Remuneration Report) received a 30.7% vote against.

Upon further investigation, the Board understands that the opposition to Resolution 2 was attributable in large part to 'vote against' recommendations issued by both Glass Lewis and Institutional Shareholder Services (ISS) in respect of Philip Bowcock's salary increase (from £550,000 to £600,000) in connection with his switch from interim to permanent CEO in March 2017. Although the Committee received support from the majority of William Hill's largest investors during a consultation exercise carried out just before the 2018 AGM, it is clear that these reports had a significant influence on the voting of our smaller shareholders.

While the Committee does not believe these concerns were reflective of the views of the majority of our largest shareholders, the Board spent time during 2018 considering the concerns of both Glass Lewis and ISS and has engaged with representatives of both organisations.

Concluding thoughts

As William Hill enters a period of unprecedented change, with numerous complex challenges and opportunities, our Remuneration Policy needs to support the execution of our strategy and ensure that our management team is appropriately incentivised and retained during this period. The Committee is satisfied that the decisions made in respect of 2018 and the proposals for 2019 are consistent with these needs, and this was reinforced by overwhelming support from the majority of our major investors following an extensive consultation exercise over the last three months.

That said, the Committee welcomes all input on our remuneration policies and if you have any comments or questions on any element of the report, please email care of Ed Airey, Group Reward Director, at eairey@williamhill.co.uk.

Finally, I would like to thank our shareholders and I hope we can continue to rely on their support at our AGM on 15 May 2019.

Georgina Harvey
Chair, Remuneration Committee

At a glance

What our Executive Directors earned during 2018

Single total figure of remuneration

The following table provides a summary single total figure of remuneration for 2018. Further details are set out in the Annual Report on Remuneration.

Name of director	Basic salary £	Taxable benefits £	BIK arising from performance of duties £	Annual bonus* £	Pension £	PSP £	2018 total £
Philip Bowcock	600,000	32,643	2,700	202,125	120,000	73,846	**1,031,314**
Ruth Prior	425,000	9,680	1,800	132,281	85,000	–	**653,761**

2018 annual bonus

Strategic priority	Performance measure	Weighting	Actual performance	Philip Bowcock	Ruth Prior
Profitable Growth	Adjusted operating profit	60%	Performance targets, results and narrative on pages 95 to 96	20.2%*	19.5%*
Growing Market Share	Net revenue	20%		0%	0%
The Importance of Colleagues	Employee Net Promoter Score	5%		5.0%	5.0%
Transforming the business	Personal objectives	15%		8.2%	9.7%
Total (% of maximum)		**100%**		**33.4%**	**34.2%**
Actual award (% of maximum)				**19.3%**	**20.8%**

* Having considered each element of the bonus plan, and overall 2018 performance in the round, the Committee concluded that while significant progress has been made in respect of each of the three businesses and our sustainability drive, the Adjusted Operating Profit out-turn should be reduced to threshold performance levels to better reflect the shareholder experience during 2018. This results in a reduction in bonus awards for Philip Bowcock from £350,925 to £202,125 and for Ruth Prior from £218,131 to £132,281.

PSP awards vesting

The PSP awards granted in 2015 are due to vest in 2019 as follows:

Measure	Weight	Performance Range	Outcome (% of 100% max)
Relative Total Shareholder Return	(50%)	Threshold vesting (25% of maximum) at median ranking, with maximum vesting at upper quartile ranking against a bespoke group of companies	0%
Earnings Per Share	(25%)	Threshold vesting (25% of maximum) at 2% CAGR, with maximum vesting at 6% CAGR	0%
Business Performance Measures	(25%)	Three equally-weighted net revenue growth measures with threshold vesting (25% of maximum) and maximum vesting at the following performance ranges:	
		– 8.3% Mobile sportsbook (15% to 25% CAGR)	6.4%
		– 8.3% Mobile gaming (30% to 50% CAGR)	8.3%
		– 8.3% Australia digital (10% to 20% CAGR)	0%
Total			**14.7%**

How our Executive Directors will be paid in 2019

Remuneration Policy for 2019

A summary of how the Committee intends to operate the Remuneration Policy for 2019 is as follows:

Component	Philip Bowcock	Ruth Prior
Base Salary	£600,000 No increase since 10 March 2017	£425,000 No increase since appointment on 1 November 2017
Pension allowance (% of salary)	20%	20%
Annual bonus max (% of salary)	150% (reduced from 175%)	125% (reduced from 150%)
PSP (% of salary)	275% for 2019 only (reverting to 200% from 2020 onwards)	250% for 2019 only (reverting to 175% from 2020 onwards)
Shareholding guidelines (% of salary)	200%	200% (increased from 150% of salary)

Remuneration scenarios for 2019

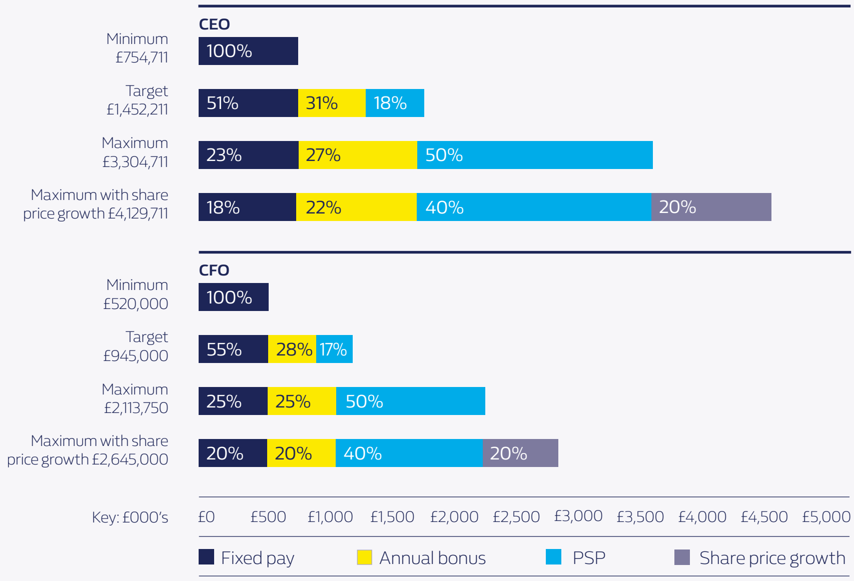
The chart below, based on the reduced annual bonus potential and one-off PSP award for 2019, shows how total pay for the executive directors varies under four different performance scenarios: Minimum; Target; Maximum; and Maximum with share price growth.

Minimum:
Fixed pay (i.e. base salary and pension from 1 January 2019 with an estimated value for benefits).

Target: Fixed pay plus 50% of the maximum bonus potential for 2019 (150% of salary for the CEO and 125% of salary for the CFO) and 15% (i.e. threshold vesting) of the proposed 2019 PSP awards (275% of salary for the CEO and 250% of salary for the CFO).

Maximum:
Fixed pay plus maximum bonus potential for 2019 (150% of salary for the CEO and 125% of salary for the CFO) and 100% vesting of the proposed 2019 PSP awards (275% of salary for the CEO and 250% of salary for the CFO).

Maximum with share price growth:
As per maximum but with a 50% share price growth assumption for the PSP awards.



Remuneration Policy Report

Our Remuneration Policy (Policy), which was approved by shareholders at the Annual General Meeting on 9 May 2017, can be found on pages 72 to 79 of the 2016 Annual Report. The following changes in the operation of the policy will apply from the 2019 AGM, and be formally included in the next Remuneration Policy when it is reapproved by shareholders at the 2020 AGM:

- For all PSP performance measures from 2019 onwards, the level of threshold vesting will be reduced to 15% (previously 25%) for each metric. This will apply to the 2019 TSR, Online Net Revenue, US and Retail measures. This reduction in threshold vesting for PSP awards is considered appropriate given that it further emphasises that the proposals are intended to rebalance, rather than increase, remuneration - the different PSP scale means that targets will be tougher (and payouts lower) at low to mid-level performance outcomes;
- Pension provision for new executive director hires will be aligned to the general workforce pension provision; and
- The Chief Financial Officer's shareholding guideline will be increased from 150% to 200% of salary, in line with the Chief Executive Officer's guideline.

Annual Report on Remuneration

This section details the remuneration of the executive and non-executive directors (including the Chairman) for the 53 weeks ended 1 January 2019. This report, and the Chair's Annual Statement, will be subject to a single advisory vote at the AGM on 15 May 2019.

Implementation of Remuneration Policy in 2019

Base salaries

Current base salaries for the executive directors as at 1 January 2019, which remain unchanged from 2018 levels, are as follows:

Executive Director	2019	2018	Increase
Philip Bowcock	**£600,000**	£600,000	–
Ruth Prior	**£425,000**	£425,000	–

Chairman and non-executive directors' fees

Chairman and non-executive director fees will remain unchanged for 2019:

	2019	2018	Increase
Chairman	**£295,000**	£295,000	–
Base Non-executive fee	**£55,000**	£55,000	–
Senior Independent Director fee	**£15,000**	£15,000	–
Committee Chair* fee	**£18,000**	£18,000	–

* Audit; Remuneration and Corporate Responsibility Committees.

Benefits and pension

Benefits and pension will continue to be provided in line with Policy. Both executive directors currently receive a pension allowance of 20% of salary. Any expenses relating to the performance of a director's duties in carrying out business-related activities such as travel to and from Company meetings, related accommodation, attendance at Company award ceremonies and attendance at sporting events will be settled by the Company. In cases where such expenses have been classified as taxable benefits by HMRC, any related personal tax due will also be settled by the Company to ensure that the director is not out of pocket.

Incentives for 2019

Incentive potential

For 2019 only, the CEO and CFO will receive a PSP award of 275% and 250% of salary respectively (i.e. 75% of salary higher than the normal annual awards) by utilising the exceptional award limit, with awards reverting to normal levels (i.e. 200% and 175% respectively) from 2020 onwards.

Annual bonus potential for 2019, 2020 and 2021 for the CEO and CFO will be reduced by 25% of salary p.a. for 3 years, from 175% and 150% of salary to 150% and 125%, respectively. The approach for 2019 can be summarised as follows:

	Maximum Bonus (% of salary)	PSP* (% of salary)
CEO	150% (i.e., a 25% of salary reduction from the normal 175% of salary max)	275% (i.e., 75% of salary higher than the normal 200% of salary award)
CFO	125% (i.e., a 25% of salary reduction from the normal 150% of salary max)	250% (i.e., 75% of salary higher than the normal 175% of salary award)

* The two-year post vesting holding period would continue to apply.

Future bonus and PSP levels (i.e. 2020 onwards) are required to be considered as part of the normal three-year Policy review process - our current Policy was approved in 2017 and will, therefore, require re-approval at the 2020 AGM under separate consultation. That said, there is no expectation that the quantum would be increased as part of this review.

The proposed reduction in annual bonus potential for the CEO and CFO for the next three years equates to the increase in the PSP awards for 2019. As a Committee, we believe this rebalancing to the longer term to incentivise the execution of our strategy is both appropriate and in the interests of shareholders.

As noted in the Committee Chair's letter, we intend to deliver the proposed 2019 PSP awards for our Executive Directors by: (i) making our normal policy level PSP award in March 2019 following the announcement of our 2018 annual results (200% of salary CEO and 175% salary CFO), and (ii) only making the additional 75% of salary PSP award after our AGM on 15 May 2019.

Annual bonus targets for 2019

Annual bonus threshold and target for 2019 (as a percentage of the maximum) together with the maximum potential as noted above (as a percentage of salary) will be as follows:

	Threshold	Target	Maximum
CEO	15% of salary (10% of maximum)	75% of salary (50% of maximum)	150% of salary (reduced from 175% in 2018)
CFO	12.5% of salary (10% of maximum)	62.5% of salary (50% of maximum)	125% of salary (reduced from 150% in 2018)

55% of bonus potential will be based on Group operating profit targets, 20% will be based on Group net revenue targets, 15% will be based on sustainability (based on Employee Net Promoter Score, Customer Net Promoter Score and compliance-related targets) and 10% will be based on personal objectives set by the Chairman and agreed by the Committee. Details of the actual targets for 2019 have not been disclosed on the grounds of commercial sensitivity although full disclosure will be provided in next year's Directors' Remuneration Report.

Importantly, the increased weighting within our Annual Bonus metrics for sustainability in 2019 reflects feedback from some shareholders in 2018 that sustainability measures aligned better to an annual measurement in bonus rather than PSP. As such, the Committee is comfortable that William Hill's sustainability aims continue to be sufficiently represented in our incentive provision, even though sustainability has been removed as a specific PSP measure in 2019 (see below).

Long-term incentive Targets for 2019 PSP Awards

The 2018 PSP awards were based on four performance metrics, namely relative TSR (20%), Online Net Revenue (20%), EPS growth (40%) and Sustainability (20%).

Having considered William Hill's re-focused strategy and noting that each of our three businesses (Online, Retail and the US) faces very different challenges/growth opportunities, a new matrix of PSP performance measures will be used for the 2019 awards, which more closely reflects this, while maintaining the current focus on relative TSR as a key measure of group performance with direct shareholder alignment.

The proposed metrics and weightings are as follows:

TSR (20%)
Consistent with the 2018 awards, the TSR performance metric will continue to be based on a selected group of gambling companies, with the same vesting range – i.e., 15% of this part of the award vesting at median and 100% of this part of the award vesting for median plus 10% p.a.

Online net revenue (excluding the US) (30%)
As a key pillar of our strategy, Online net revenue growth continues to be an important performance metric for William Hill. The increase in weighting for 2019 to 30% (2018, 20%) reflects the importance of Online performance within our business model.

As per the 2018 awards, the target will be set with the threshold level of growth equal to the current market expectation over the relevant period. As such, 15% of this part of an award will vest for Online net revenue growth of 5% p.a., increasing to 100% of this part of an award vesting for Online net revenue growth of 11% p.a. The target range, which is a reduction from the 7%-12% p.a. range set for the 2018 PSP, reflects the lowering of market growth expectations over the last 12 months and is considered to be no less challenging than the targets set for 2018 awards. The range has again been based on industry data published by H2 Gambling Capital. To deliver this level of performance, it is envisaged that Online will need to: (i) grow its UK position; and (ii) develop new markets internationally.

Retail (20%)
As we seek to address the challenges to our Retail business following the Triennial Review, cumulative free cashflow (cFCF) (calculated as EBITDA minus capex minus cash exceptionals) is considered to be the most important performance indicator for this part of our business. It encourages management to maximise profits and to minimise cash exceptional costs (e.g., shop closures) as we remodel the Retail estate and the business and accordingly directly aligns management pay to actions taken in shareholders' interests.

It is therefore proposed that 15% of this part of an award will vest for a cFCF of £85m over the three years to December 2021 increasing to 100% of this part of an award vesting for cFCF of £195m, and aligns with the figures presented at the Capital Markets Day. This target range is considered to be appropriately challenging at threshold when compared to internal forecasts, with a significant degree of stretch for maximum performance.

US (30%)
Reflecting the strategic objective of growing a business of scale in the US, the most relevant and appropriate approach to incentivising our performance in the US is considered to be based on a business valuation approach. While the Committee considered a large number of alternatives such as profit, revenue and other financial measures, along with more strategic initiatives such as market/state access, market positioning etc, the considerable uncertainty around which US States will legislate, when they will and how (e.g. retail only, online, both) means that setting three-year targets around traditional financial measures is extremely challenging. Therefore, incentivising the executive directors on the long-term increase in the underlying value of the US business is considered to be the most appropriate approach and best encapsulates the complex mix of opportunities, risks and resulting decisions that will need to be made, particularly as this mirrors the approach which operates for our US-based management team and ensures senior executives are appropriately aligned.

As such, the Committee commissioned a valuation team from one of the major accounting firms (not our auditor) to provide an independent valuation of the US business as at the end of December 2018.

15% of this part of an award will vest for 50% growth in the value of the business over the three years to the end of December 2021 increasing to 100% of this part of an award vesting for 125% growth in the value of the business. Although the Committee considers the starting value of the US business to be commercially sensitive at the current time, full details of the start and end valuation methodology, and the respective valuations, will be disclosed on a retrospective basis in the relevant Directors' Remuneration Report published just prior to the vesting date.

In addition, an annual valuation update will be produced meaning that, as with previous years where we haven't prospectively disclosed targets, an annual vesting forecast for this element of the award will be provided in each year's Directors' Remuneration Report up to the point of vesting.

EPS and Sustainability Metrics
The removal of EPS for the 2019 awards is considered appropriate and necessary given that each of the segments of our business will face different challenges and growth expectations over the next period. Accordingly, setting Group-based financial metrics carries a real risk that any three-year target range could quickly prove too hard or too easy, and would not therefore be in the best interests of shareholders.

Although sustainability will not be a separate performance metric for the 2019 PSP awards, it continues to be measured for 20% of the 2018 PSP awards and forms part of the annual bonus targets for 2019. The inclusion of sustainability in bonus, following feedback from shareholders that it was better suited to annual bonus than long-term incentive. In addition, the Remuneration Committee retains the discretion to reduce the vesting (in full or in part) of PSP awards should material failings be identified in respect of achieving our long-term 'Nobody Harmed' ambition.

Remuneration paid in respect of 2018

Audited information

Single total figure of remuneration for each director

Name of director	Year	Fees/basic salary £	Benefits in kind (BIK)[1] £	BIK arising from performance of duties[2] £	Annual bonuses[3] £	Pension £	PSP £	Total £
Executive directors								
Philip Bowcock[4]	**2018**	**600,000**	**32,643**	**2,700**	**202,125**	**120,000**	**73,846[5]**	**1,031,314**
	2017	591,667	34,711	3,268	575,400	118,333	–	1,323,379
Ruth Prior (since 2 October 2017)	**2018**	**425,000**	**9,680**	**1,800**	**132,281**	**85,000**	**–**	**653,761**
	2017	106,250	1,860	–	80,644	21,250	–	1,441,357[9]
Non-executive Directors								
Gareth Davis (to 2 April 2018)	**2018**	**76,150**	**–**	**1,800**	**–**	**–**	**–**	**77,950**
	2017	300,000	–	–	–	–	–	300,000
Roger Devlin	**2018**	**270,417**	**–**	**1,000**	**–**	**–**	**–**	**271,417**
	2017	–	–	–	–	–	–	–
Mark Brooker[6]	**2018**	**74,695**	**–**	**1,800**	**–**	**–**	**–**	**76,495**
	2017	43,883	–	–	–	–	–	43,883
Roy Gardner (to 20 Nov 2018)[7]	**2018**	**79,590**	**–**	**2,700**	**–**	**–**	**–**	**82,290**
	2017	70,000	–	2,996	–	–	–	72,996
Georgina Harvey[8]	**2018**	**70,276**	**–**	**3,600**	**–**	**–**	**–**	**73,876**
	2017	55,000	–	–	–	–	–	55,000
David Lowden	**2018**	**73,000**	**–**	**900**	**–**	**–**	**–**	**73,900**
	2017	73,000	–	–	–	–	–	73,000
John O'Reilly (to 30 Apr 2018)	**2018**	**24,333**	**–**	**1,800**	**–**	**–**	**–**	**26,133**
	2017	70,000	–	2,247	–	–	–	72,247
Robin Terrell	**2018**	**55,000**	**–**	**900**	**–**	**–**	**–**	**55,900**
	2017	55,000	–	2,247	–	–	–	57,247
Imelda Walsh (to 8 May 2018)	**2018**	**26,012**	**–**	**1,800**	**–**	**–**	**–**	**27,812**
	2017	73,000	–	2,996	–	–	–	75,996
Former directors								
Ashley Highfield (to 16 Nov 2017)	**2018**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2017	64,191	–	–	–	–	–	64,191

1 Contractual benefits for Philip Bowcock and Ruth Prior comprise private healthcare, life assurance, income protection and a Company car allowance.

2 Certain expenses relating to the performance of a director's duties (not included in the Benefits in Kind column above) in carrying out activities such as travel to and from Company meetings, related accommodation, attendance at Company award ceremonies and attendance at sporting events are classified as taxable benefits by HMRC. In such cases, the Company will ensure that the director is not out of pocket by settling the related tax via a PAYE Settlement Agreement (PSA) with HMRC. In line with current regulations, these taxable benefits have been disclosed and are shown in the benefits arising from performance of duties column. The figures shown include the cost of the taxable benefit plus the related tax and National Insurance charge.

3 Having considered each element of the bonus, and overall 2018 performance, the Committee concluded that while significant progress has been made in respect of each of the three businesses and sustainability, the adjusted operating profit out-turn should be reduced to threshold performance levels to better reflect the shareholder experience during 2018. This results in a reduction in bonus awards for Philip Bowcock from £350,925 to £202,125 and for Ruth Prior from £218,131 to £132,281.

4 Philip Bowcock's 2017 remuneration reflects his salary of £550,000 in role as Interim CEO until 10 March 2017, and a £600,000 salary in his role of permanent CEO.

5 The impact of share price movements on the vesting of the PSP awards granted to Philip Bowcock in 2015 (Ruth Prior does not hold 2015 awards given that she joined William Hill in 2017), based on the average 3-month share price to 1 January 2019 (189p) and ignoring dividend equivalents, is as follows:

Face value of awards expected to vest (231,788 shares x 14.7% x 317p)	£108,011
Value of awards vesting for single figure table (231,788 shares x 14.7% vesting x 189p)	£64,398
Impact of share price movements on vesting values	-£43,613

6 Mark Brooker's fee was increased in November 2018, reflecting his appointment as Senior Independent Non-Executive Director, in addition to being CR Committee Chair.

7 Sir Roy Gardner's fees include a payment of £17,500 as at 20 November 2018 in respect of pay in lieu of notice. No payments for loss of office were made.

8 Georgina Harvey's increase in fees reflect her appointment as Chair of the Remuneration Committee from 1 March 2018.

9 Ruth Prior's 2017 total included £1,231,353 in respect of 'other payments' representing the buyout of awards relating to her previous employment.

2018 annual bonus awards

Annual bonus threshold and target for 2018 together with the maximum potential were as follows:

Executive director	Threshold	Target	Maximum
Philip Bowcock	17.5% (10% of maximum)	85% of salary (48.6% of maximum)	175% (100% of maximum)
Ruth Prior	15% (10% of maximum)	70% of salary (46.7% of maximum)	150% (100% of maximum)

Stretching, relevant and measurable financial and non-financial annual bonus targets were assessed by the Committee in respect of the performance period. These targets, outlined in the tables below, allow for a number of events unknown at the start of the year i.e. (i) the sale of Australia; (ii) investment costs associated with growing the US business as a result of the PASPA repeal; and (iii) sustainability actions associated with the launch of our sustainability strategy and 'Nobody Harmed'.

The Committee's assessment of performance was as follows.

Adjusted operating profit targets (60%)

Performance	2018 Adjusted Operating Profit Targets	% of this part of the bonus payable	2018 Actual Adjusted Operating Profit	Percentage of maximum bonus payable (max 100%)
Threshold	£227.7m	10%	£237.4m	CEO: 20.2% CFO: 19.5%
Target	£246.2m	CEO: 48.6% CFO: 46.7%		
Maximum	£264.7m	100%		

Net revenue targets (20%)

Performance	2018 Net Revenue Targets	% of this part of the bonus payable	2018 Actual Net Revenue	Percentage of maximum bonus payable (max 100%)
Threshold	£1,616.7m	10%	£1,608.0m	CEO: 0% CFO: 0%
Target	£1,701.7m	CEO: 48.6% CFO: 46.7%		
Maximum	£1,786.8m	100%		

Employee net promoter score (5%)

Performance	2018 Employee Net Promoter Score	% of this part of the bonus payable	2018 Actual Employee Net Promoter Score	Percentage of maximum bonus payable (max 100%)
Threshold	+5	10%	+16	CEO: 100% CFO: 100%
Target	+10	CEO: 48.6% CFO: 46.7%		
Maximum	+15	100%		

Personal objectives (15%)

Philip Bowcock

Objective	Commentary	Performance: Threshold – Maximum	Percentage of maximum bonus payable (max 100%)
Delivering the 2018 plan, plus demonstrate further strong progress against the transformation plan	– Adjusted operating profit below plan and net revenue below threshold		55%
Engage and listen to our customers, including a strong world cup, increased customer scores and loyalty and reduce product lifecycle	– Group net revenue up 2% against 2017 but amounts wagered lower than for 2014 World Cup – Increased customer acquisition and retention balanced against reduced ARPU due to shift towards mass market model – Increased customer scores in Online – Reduced product release cycles but short of target		
Define and implement the William Hill sustainability strategy	– 'Nobody Harmed' launched, along with demonstrable initiatives – Colleague score for Social Responsibility of 75% represented an increase of 10% from 2017 and exceeded external benchmark of 72% – Fully GDPR compliant by May 2018 – No material regulatory complaints		
Grow the business by creating a motivated, inspired and high performing team	– Overall colleague engagement score increased by 4% from 58% to 62%, in addition to strong employee net promoter score. – 69% of colleagues believe the executive team role model the William Hill values – 32% increase in roles with 'ready now' successors – Target around colleague views on career development missed		

Ruth Prior

Objective	Commentary	Performance: Threshold – Maximum	Percentage of maximum bonus payable (max 100%)
Delivering the 2018 plan, plus demonstrate further strong progress against the transformation plan	– Adjusted operating profit below plan and net revenue below threshold – PASPA readiness plan devised and implemented – Successful disposal of Australia business in Q1		65%
Engage and listen to our customers, including a strong world cup, increased customer scores and loyalty and reduce product lifecycle	– Group net revenue up 2% against 2017 but amounts wagered lower than for 2014 World Cup – Increased customer acquisition and retention balanced against reduced ARPU due to shift towards mass market model – Increased customer scores in Online – Stood up digital platform for US Expansion states		
Define and implement the William Hill sustainability strategy	– Defined corporate strategy and executed Capital Markets Day – 'Nobody Harmed' launched, along with demonstrable initiatives – Colleague score for Social Responsibility of 75% represented an increase of 10% from 2017 and exceeded external benchmark – Fully GDPR compliant by May 2018 – No material regulatory complaints		
Grow the business by creating a motivated, inspired and high performing team	– Overall colleague engagement score increased by 4% from 58% to 62%, in addition to strong employee net promoter score. – 69% of colleagues believe the executive team role model the William Hill values – 32% increase in roles with 'ready now' successors – Progress against Finance transformation ongoing		

Having considered each element of the bonus plan separately, the Committee also looked at the overall performance delivered during 2018 to form a rounded assessment of the achievements of the executive directors. The Committee concluded that while significant progress has been made in respect of each of the three businesses and our sustainability drive, the out-turn in respect of the Adjusted Operating Profit should be reduced to threshold performance levels to better reflect the shareholder experience during 2018. This results in the annual bonus award reducing from 33.4% of the maximum to 19.3% for Philip Bowcock and 34.2% of the maximum to 20.8% for Ruth Prior. This results in a reduction in bonus awards for Philip Bowcock from £350,925 to £202,125 and for Ruth Prior from £218,131 to £132,281.

In line with the Company's approved remuneration policy, 50% of all bonus payments will be deferred into shares for two years.

Vesting of share awards

2015 PSP Awards

Grants under the PSP in 2015, based on a four-year performance period, are due to vest in 2019 as follows.

Measure	Threshold Vesting	Maximum Vesting	Outcome	Vesting (% of max)
Relative Total Shareholder Return (50%)	Median TSR of peer group[1]: 19.9% (25% of maximum)	Upper quartile TSR of peer group: 59.8% (100% of maximum)	Below median	0%
Earnings Per Share Growth (25%) 2014 Base: 29.9p	2% EPS CAGR (25% of maximum)	6% EPS CAGR (100% of maximum)	Below threshold	0%
Business Performance Measures (25%) Mobile Sportsbook 2014 Base: £141.9m	10% net revenue CAGR	20% net revenue CAGR	16.8% Between threshold and maximum	6.4%
Mobile Gaming 2014 Base: £86.8m	15% net revenue CAGR	25% net revenue CAGR	30.6% Above maximum	8.3%
Australia Digital 2014 Base: $169.1m	10% net revenue CAGR	20% net revenue CAGR	N/A	0%
Total				**14.7%**

1 888, Betfair, Betsson, Bwin, Enterprise Inns, Greene King, JD Wetherspoon, Ladbrokes, Lottomattica, Marston's, Mitchells & Butlers, OPAP, Paddy Power, Playtech, Rank, The Restaurant Group and Kindred.

Remuneration Committee review of vesting

Performance against the Mobile Sportsbook and Mobile Gaming BPM targets, which are and remain key pillars of our strategy going forward, resulted in 14.7% of the total awards vesting. There was no vesting in respect of the TSR and EPS targets and as the Australia Digital BPM targets were tracking below threshold before the sale of the Australian business, it was deemed appropriate to lapse this part of the awards. While consideration was given to adjusting the EPS out-turn for the numerous material regulatory events which have taken place over the four-year performance period, the Committee concluded that such adjustments for this part of the awards were not appropriate in light of the shareholder experience over the last four years.

Based on the above, the vesting for the Philip Bowcock award will be:

	Awards granted	Shares vesting based on performance (14.7% of maximum)	Dividend Equivalent Shares (Estimated)	Total Shares Expected to Vest	Estimated Value at Vesting[1]
Philp Bowcock	231,788	34,072	5,000	39,072	£73,846

1 Based on the average 3-month share price to 1 January 2019 of 189p.

Replacement Awards

As disclosed in last year's Directors' Remuneration Report, Ruth Prior was awarded 348,345 restricted shares on 2 October 2017 which reflected the value of share-based incentives forfeited at Worldpay Group plc ("Worldpay"), the company she left to join William Hill ("Replacement Awards"). The Replacement Awards did not have any associated performance conditions or post-vesting holding requirements, mirroring the Worldpay awards they replaced. As per the disclosure legislation for awards without performance conditions, the value of the Replacement Awards at grant was included in last year's single figure as well as at the date of appointment.

The Replacement Awards vested on 16 October 2018 and in accordance with the terms of the Replacement Awards, Ruth was also entitled to receive 15,050 ordinary shares in respect of dividend equivalents. The net of tax shares have been retained by Ruth as part of her shareholding guidelines.

PSP and deferred bonus awards granted in 2018

PSP awards

The following PSP awards were granted during 2018:

	Basis of award (% of salary)	Shares awarded	Face value of award[1]	Percentage vesting for threshold performance	Maximum vesting	Performance (Vesting period)
Philip Bowcock	200%	424,328	£1,200,000	25%	100%	Three financial years ending 29 Dec 2020 (Three years from grant).
Ruth Prior	175%	262,995	£743,750	25%	100%	

1 Awards have been valued using the 3-day average share price as at the date of grant of 14 May 2018 (282.8p).

Consistent with the investor consultation exercise which took place in the second quarter of 2018, the specific terms of the PSP award are as follows:

Measure	Link to strategy	Details of performance condition
Relative Total Shareholder Return (20%)	Supports our objective to create superior shareholder value	The Company's TSR is measured over the period 1 January 2018 to 31 December 2020 against a bespoke group of peers[1]. If TSR is: – Below median, none of this element will vest; – At median, 25% vests; and – At median plus 10% p.a., 100% vests For performance between median and median plus 10%, vesting is on a straight line basis.
Adjusted earnings per share (40%)	Reflects the importance of profitable growth in the Group's long-term strategy.	Based on compound annual growth in EPS over the three-year performance period to 31 December 2020. If EPS growth is: – Less than 4% p.a., none of this element will vest; – 4% p.a., 25% vests; and – 8% p.a. or above, 100% vests For performance between 4% p.a. and 8% p.a., vesting is on a straight line basis. The Committee believes that these targets were appropriately challenging in light of the Group's earnings projections over the three-year period: earnings would have to significantly exceed analyst consensus forecasts for full vesting to occur. This was based on the information available, including tax and regulation, at the time the targets were set.
Online net revenue (20%)	Reflects the importance of Online performance within our business model	If Online net revenue grows by: – Below 7% p.a., none of this element will vest; – 7% p.a., 25% vests; and – 12% p.a., 100% vests For performance between 7% p.a. and 12% p.a., vesting is on a straight-line basis.
Sustainability (20%)	Supports our long-term ambition that nobody is harmed by gambling	The Corporate Responsibility Committee will assess the degree of achievement against specific objectives, with 6 out of 10 resulting in threshold vesting (25% vests) increasing on a straight-line basis to full vesting for 10 out of 10, with objectives based on: – Aligning our organisational mind-set to our ambition of 'Nobody Harmed' by gambling; – Building and embedding tools, processes & systems which prevent harm and protect our most vulnerable customers; and – Improving the general public's perception of the industry.

1 2018 TSR group: 888, Betsson, GVC, International Game Technology, OPAP, Paddy Power Betfair, Playtech and Kindred Group.

When determining the vesting outcome, and as demonstrated in previous years (e.g. the decision to lapse the 2014 award at the end 2017) the Committee will ensure that it is consistent with the Group's overall performance taking account of any factors it considers relevant, in line with our approved remuneration policy. This will apply particularly in relation to its assessment of the degree of vesting achieved for the sustainability element.

Deferred bonus awards

The following deferred bonus awards were granted on 16 March 2018 in respect of the 2017 annual bonus awards:

Executive director	Value of bonus deferred[1]	Shares awarded	Share price at date of grant[2]	Exercise price at grant
Philip Bowcock	£287,200	89,906	320p	0p
Ruth Prior	£113,594	35,498	320p	0p

1 Ruth Prior's bonus was comprised of £80,644, based on her pro-rated salary from the point of joining on 2 October 2017, plus an additional bonus of £146,544 in respect of a Worldpay bonus forfeited on cessation of the her previous employment.

2 Based on the closing share price on the day prior to grant.

Awards will vest on the second anniversary of grant.

Outstanding PSP, deferred bonus and SAYE awards

The table below sets out details of the executive directors' outstanding awards under the PSP, deferred bonus and SAYE plans:

Name of director	Scheme	Number of shares at 26 December 2017	Granted during the period	Lapsed during the period	Vested during the period	Number of shares at 1 January 2019	Date from which exercisable	Expiry date
Philip Bowcock	PSP 2015	231,788	–	–	–	231,788	Nov 2019	Nov 2025
	PSP 2016	243,701	–	–	–	243,701	May 2020	May 2026
	PSP 2017	452,096	–	–	–	452,096	Aug 2020	Aug 2027
	PSP 2018	–	424,328	–	–	424,328	May 2021	May 2028
	Deferred bonus	–	89,906	–	–	89,906	Mar 2020	–
	SAYE 2016	6,818	–	–	–	6,818	Aug 2019	Feb 2020
	Total	**934,403**	**514,234**	**–**	**–**	**1,448,637**		
Ruth Prior	PSP 2017	280,205	–	–	–	280,205	May 2020	May 2026
	Replacement Award	–	348,345	–	348,345	–	Oct 2018	Oct 2019
	PSP 2018	–	262,995	–	–	262,995	May 2021	May 2028
	Deferred bonus	–	35,498	–	–	35,498	Mar 2020	–
	Total	**280,205**	**646,838**	**–**	**348,345**	**578,698**		

Notes:

2015 PSP awards are based on a relative TSR measure (50%); compound annual EPS growth (25%) as measured on a point-to-point basis (with a threshold growth rate of 2% p.a., and maximum vesting occurring for growth of 6% p.a. or better); and BPMs (25%). Performance for all metrics is measured over four financial years.

2016 PSP awards are based on a relative TSR measure (50%); aggregate EPS (25%) as measured with a threshold level of 106p, and maximum vesting occurring for aggregate EPS of 126p, or better); and BPMs (25%). Performance for all metrics is measured over four financial years.

2017 PSP awards are based on a relative TSR measure (33.3%); compound annual EPS growth (33.3%) as measured on a point-to-point basis (with a threshold growth rate of 6% p.a., and maximum vesting occurring for growth of 13% p.a. or better); and BPMs (33.3%). Performance for all metrics is measured over three financial years.

2018 PSP awards are based on a relative TSR measure (20%); aggregate EPS (40%), online net revenue (20%) and sustainability-based targets (20%). Performance for all metrics is measured over three financial years.

2018 Deferred Bonus awards (50% of the 2017 annual bonus award) are expected to vest in 2020 following the announcement of the financial results for the 2019 financial year.

The Committee has the power, under the approved Remuneration Policy, to adjust the PSP vesting outcome if it considers that it is inconsistent with the Group's overall performance.

Update on Business Performance Measures ('BPMs')

Since Business Performance Measures were introduced into PSP awards from 2014, we have committed to providing an annual update on performance (and full disclosure of the performance range when vesting is determined).

2016 PSP awards

For the 2016 awards, a sliding scale of four-year growth targets was set for the three BPMs (net revenue growth in mobile sportsbook, mobile gaming and Australia digital) using the actual result for the financial year prior to grant as the base figure (representing 25% of the total award). The following table shows performance for the net revenue growth in mobile sportsbook and mobile gaming targets since 2015. The part of the award based on Australia digital targets will lapse given the sale of the business during 2018 and that performance was tracking below threshold at the date of the transaction.

Net Revenues	Mobile sportsbook	Mobile gaming	Australia digital
2015	£176.5m	£118.0m	$150.0m
2016	£190.2m	£144.8m	$175.0m
2017	£228.0m	£213.8m	$177.5m
2018	**£264.5m**	**£252.2m**	**n/a**

The graphic below provides an indication of vesting performance (based on performance to 1 January 2019) against the target range.

2016 award (based on three years' performance out of four)

	Threshold	Target	Maximum
Mobile Sportsbook (2015 base year – £176.5m)			▲
Mobile Gaming (2015 base year – £118.0m)			▲
Australia Digital (2015 base year – $150.0m)	Not relevant – this part of the award will lapse		

2017 PSP awards

Delivery of our transformation programme has maintained momentum after a strong start in 2017 which saw progress against both cost reduction and revenue growth initiatives performing slightly above targets. In 2018, the focus has remained on growing UK market share and improving our ability to support rapid international progress.

The BPM weighting represents 33.3% of the total award emphasising the importance of the programme to the future of our business. At its inception, there were c250 BPM initiatives of various size, split between cost reduction and revenue generation. This portfolio has evolved over the life of the programme under strong governance to ensure initiatives are aligned to our strategy as William Hill reacts to a changing market landscape and geographical focus.

Focusing on two BPMs covering 250 initiatives

Revenue Growth initiatives, covering:	Cost reduction initiatives, covering:
1) Marketing re-investment	1) Optimising 3rd party spend
2) Feature development in online products	2) Rationalising IT / back-office functions & locations
3) Customer journey optimisation	3) Reduction of marketing spend
	4) Agile transformation in product development

Progress against the Transformation Plan is now reported directly to the Group Executive Committee under sponsorship of the Chief Financial Officer with the Transformation Oversight Board Committee now disbanded. As would be expected in a 3-year programme, each initiative is reviewed regularly to assess progress and ensure the portfolio is aligned to our strategic focus.

Our approach, consistent with last year, is to reinvest the benefits realised by cost reduction initiatives in building strategic capabilities, particularly in our online business.

Delivery of the programme continues to track well against plan and has delivered demonstrable business benefit in a constantly evolving and challenging regulatory and market environment.

2017 PSP awards continued

Key cost reduction initiatives include:

Initiative (not exhaustive)	Description
Optimisation of external spend base	– 2018 saw us build on our early success in reducing our 3rd party spend through various initiatives including consolidation of suppliers on purchasing, fulfilment and delivery of back-office supplies, improving our fee structure on game development, consolidating software supply spend, improving energy consumption in our stores and reducing networking spend.
Agile Transformation in product development	– Continued to embed ways of working on agile product development and focused on improving the co-location of our product across our global footprint. This will yield productivity benefits and allow the business to deliver product at greater speed.
Rationalisation of business and support functions and location footprint	– Strong progress in delivering our location strategy to consolidate sites, co-locate staff and improve working environments. Our Tel Aviv location closed in April 2018, our new digital hub in Krakow opened in March 2018 and we have begun moving teams to improve co-location across our focused footprint. Combined with this, we have continued to consolidate our data centre footprint facilitated by a move to cloud based infrastructure.
Reduction of marketing spend	– Following the reorganisation and modernisation of our marketing function in 2017, during 2018 we have continued to cut costs by streamlining the content we use and optimising our use of marketing channels through the implementation of a programmatic approach and attribution modelling.
Consolidated Digital Experience Platform	– Completed our migration to a new desktop platform and delivered a consolidated digital experience platform across our websites. Implemented further productivity improvements through adoption of a common software development toolkit across our apps.

Key revenue growth initiatives include:

Initiative (not exhaustive)	Description
Marketing reinvestment	– Following our launch of programmatic marketing capability in 2017, we have continued to scale up the use of this capability across the customer base and implemented an attribution model allowing us to deploy our marketing spend more effectively.
New feature development across Online products	– H1 focus was on ensuring World Cup readiness including a new World Cup highlights page and standout 'Scratch of the Day' promotion. – In H2 new Casino and Live Casino products were launched. The main focus was on improving customer journeys across the entire product portfolio. Undertaken after re-setting the approval criteria for new features to be based on customer experience KPIs.
Customer journey optimisation	– Established new product processes to put the customer at the heart of product development priority process resulted in improved customer experience on key customer journeys. Notable examples include reductions in customer contacts due to cash in my bet and settlement on sportsbook; increases in acceptance rates and decrease in walkways for deposits; continuous improvement to acquisition journeys; and speed and stability improvements.

	Threshold	Target	Maximum
Revenue Growth			
Cost Reduction			

2018 PSP awards

For the 2018 awards, 80% is based on financial measures, being Relative TSR (20%), EPS (40%) and Online net revenue (20%). The remaining 20% is based on sustainability targets to reflect our long-term 'Nobody Harmed' ambition.

Objectives for 2018 were based around "fixing and embedding our new approach to sustainability", with the intent that this will lead to a repositioned base from which 2019 will focus on "accelerate" transitioning to a "pioneer" phase beginning in 2020.

Objectives for all three years of the LTIP will be focused on the same three areas and for the "fix and embed" phase in 2018, this meant:

Initiative (not exhaustive)	Progress
Culture and Mindset	**Aim: To align our organisational mind-set to our ambition of 'Nobody Harmed' by gambling** Progress: – Embedded a compliance led objective in all annual performance management goals. – Embedded a compliance mindset in the organisation by adding compliance/sustainability measures in PSP and within quarterly shop colleague bonus schemes. – Implemented enhanced leadership training for all levels to increase awareness of gambling related harm issues. – Recruited a dedicated Head of Responsible Gambling role in both Retail and Online, as well as enlarging all business unit compliance teams. – Developed an online Compliance Zone available to all colleagues as a repository of policies and processes. The proportion of colleagues believing William Hill is a responsible business as at the end of 2018 increased 10 percentage points.
Tools, Processes and Systems	**Aim: To build and embed tools, processes & systems which prevent harm and protect our most vulnerable customers.** Progress: – Implemented enhanced mandatory compliance training for all colleagues and bespoke training for Anti-Money Laundering and Personal Management Licence holders via new digital learning platform with 5% above target completion rates. – Development of a new workflow management tool allowing earlier identification of key markers and better management of the customer journey and which ultimately drives better interactions. – Alongside other Senet Group partners, collaborated to share insights on Markers of Harm, for which the goal is to share minimum standards with the industry and other interested parties. – Ongoing development of a new responsible gambling algorithm to further enhance identification of at-risk customers, building additional behavioural markers alongside threshold and behavioural change indicators.
Advocacy	**Aim: Improve the general public's perception of the industry.** Progress: – Launched Nobody Harmed ambition & sustainability strategy. – Held first Nobody Harmed external crowd sourcing event. – Lobbied the wider industry to support a voluntary pre-watershed whistle to whistle ban on TV advertising. – Shortlisted for an external sustainability award and received a corporate content award. – Co-sponsored the second Safer Gambling Collaboration event in October.

In summary:

– Strong achievement has been shown in culture and mindset, as demonstrated by our colleague scores;

– Positive progress has been made in relation to tools, processes and systems which will enable substantial further progress in 2019 during the 'accelerate' phase; and

– Progress against changing external advocacy is a longer term goal, albeit encouraging foundations have been set.

Table of directors' share interests

The share interests of each person who was a director of the Company at 1 January 2019 (together with interests held by his or her connected persons) were as follows:

	Owned		PSP and RSP awards		Deferred bonus awards		Save As You Earn ('SAYE')		Total	% of salary held under Shareholding Guidelines[1]
Name of director	26.12.17	01.01.19	Unvested	Vested	Unvested	Vested	Unvested	Vested	**01.01.19**	01.01.19
Executive directors										
Philip Bowcock	30,000	30,000	1,351,913	–	89,906	–	6,818	–	**1,478,637**	9.5%
Ruth Prior	35,102	274,007	543,200	363,395	35,498	–	–	–	**1,216,100**	109.8%
Non-executive Directors										
Roger Devlin										
Mark Brooker	11,500	11,500	–	–	–	–	–	–	**11,500**	n/a
Georgina Harvey	12,221	12,221	–	–	–	–	–	–	**12,221**	n/a
David Lowden	12,222	12,222	–	–	–	–	–	–	**12,222**	n/a
Robin Terrell	12,344	12,344	–	–	–	–	–	–	**12,344**	n/a

1 Calculated as legally-owned shares held on 1 January 2019 multiplied by the average share price over the three-month period to 1 January 2019 (189p), divided by the 2019 base salary. The shareholding policy is summarised on page 90.

During the period 1 January 2019 to 27 February 2019, there have been no changes in the directors' share interests.

Payments for loss of office

There were no changes to the executive Board during 2018.

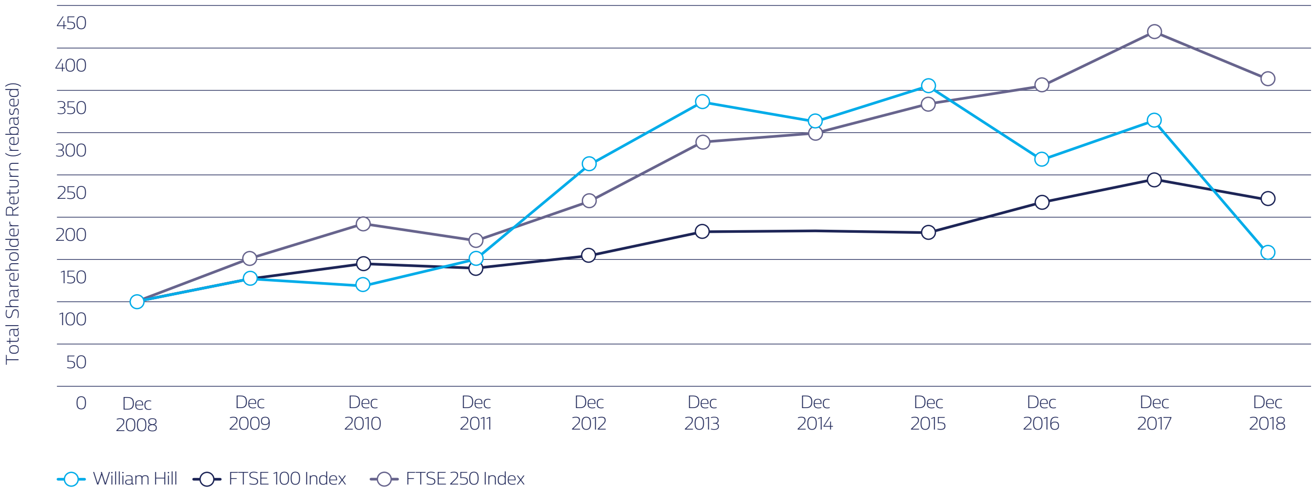
In respect of non-executive changes, Imelda Walsh, Gareth Davis, Sir Roy Gardner and John O'Reilly stepped down from the Board during 2018. Imelda Walsh, Gareth Davis and John O'Reilly continued to receive their normal fees up until the date of cessation and Sir Roy Gardner received a payment of £17,500 in respect of fees in lieu of notice. No payments for loss of office were made.

Payments to Past Directors

As noted in the section 430(2B) announcement issued on 21 July 2016, James Henderson (Chief Executive Officer to 21 July 2016) retained 77,754 deferred bonus shares originally granted in 2015 with a 2018 vesting date. The award, granted under the Executive Bonus Matching Scheme, was originally granted in respect of an annual bonus earned in the 2014 financial year and was not subject to any further performance conditions. The pre-tax value of the shares under award at vesting on 5 March 2018, plus an additional 9,451 shares in respect of dividend equivalents, was £287,777.

Total shareholder return chart and Chief Executive earnings history

The chart below shows the Company's TSR performance compared with that of the FTSE 100 and FTSE 250 Indices. As a member of each in recent times, the Committee believes both indices are appropriate to compare William Hill's performance against.



Source: Datastream (Thomson Reuters)

The single total remuneration history of the CEO is shown in the table below.

Financial Year	2009 RT	2010 RT	2011 RT	2012 RT	2013 RT	2014 RT[1]	2014 JH[2]	2015 JH	2016 JH[3]	2016 PB[4]	2017 PB[5]	2018 PB
Ralph Topping/James Henderson/Philip Bowcock												
Single figure remuneration (£'000)	£1,055	£1,650	£3,403	£1,914	£4,673	£2,277	£1,369	£914	£396	£605	£1,324	**£1,031**
Annual Bonus Outcome (% maximum)	90%	100%	94%	100%	0%	86%	88%	0%	0%	0%	54.8%	**19.3%**
PSP Vesting Outcome (% maximum)	0%	0%	49%	n/a	100%	95%	95%	0%	n/a	n/a	n/a	**14.7%**

1 To 31 July 2014 plus 2012 PSP Award.

2 From 1 August 2014 plus 2012 PSP Award.

3 To 21 July 2016.

4 From 21 July 2016.

5 Interim CEO to 10 March 2017 and as permanent CEO thereafter.

Change in remuneration of the CEO

The change in the CEO's remuneration is compared to the change in remuneration of all full-time salaried colleagues across the Retail, Online and Group areas of the UK business that were employed throughout 2017 and 2018.

	Base Salary			Taxable Benefits[1]			Bonus[2]		
	2018	2017	% Change	**2018**	2017	% Change	**2018**	20174	% Change
CEO	**£600,000**	£600,000	–	**£32,643**	£34,711	-6.0%	**£202,125**	£575,400	-64.9%
Salaried Employees	**£24,653**	£23,743	3.8%	**£624**	£590	5.8%	**£474**	£1,368	-65.4%

1 Taxable benefits excludes relocation costs and taxable expenses.

2 Bonus for salaried colleagues includes the quarterly bonus scheme for our Retail colleagues.

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2018 compared to 2017.

	2018	2017	% Change
Adjusted operating profit	**£233.6m**	£273.8m	-15%
Shareholder distributions, of which:	**£113.5m**	£108.1m	5%
– *Dividends*	**£113.5m**	£108.1m	5%
– *Share buy-backs*	**–**	–	–
Employee remuneration costs	**£347.6m**	£353.1m	-2%

CEO Pay Ratios

As per the commitment given in last year's Directors' Remuneration Report, CEO pay ratio data is presented below for 2018. This data has been presented on a voluntary basis a year earlier than required by the legislation. The data shows how the CEO's single figure remuneration for 2018 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option B	67 : 1	55 : 1	52 : 1

No components of pay and benefits have been omitted for the purpose of the above calculations. Option B was selected given that this method of calculation was considered to be the most efficient and robust approach in respect of gathering the required data for 2018.

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2018	£14,300	£17,297	£18,511	£15,430	£18,657	£19,923

Wider pay environment

William Hill is committed to offering an attractive reward package for colleagues and aligning pay and incentives across the Company.

Given the regulatory challenges presented in 2018, not least the outcome of the Triennial Review, the Group will operate a 2019 pay review in limited jurisdictions around the globe. Apart from the US, where the pay review will help fuel the expansion, these limited reviews are centred around areas where we are required by law. This includes the planned increase to the UK National Living Wage ('NLW') and National Minimum Wage ('NMW'). When implementing the new NLW in 2016 the Company elected to apply it to all colleagues and not just to those colleagues who were 25 and over.

All colleagues are eligible to participate in a bonus plan and these are reviewed on an annual basis to ensure they remain incentivising as well as fair and relevant to the group they apply to. As an example, the quarterly bonus plan that applies to over 10,000 shop colleagues in the UK and was first introduced in 2017 and is based on measures that colleagues have the greatest influence over. Currently this scheme is being reviewed to ensure that it further emphasises customer engagement and the day to day delivery of regulatory requirements.

All of our colleagues globally have the opportunity to share in the success of William Hill through different colleague share plans.

William Hill offers a wide range of colleague benefits. UK colleagues who are covered by pensions auto-enrolment are able to benefit from company contributions in excess of the statutory minimum. All colleagues, who join the pension plan, receive a minimum pension contribution of 4% along with their own matching contribution of 4%. Anyone who has been with the Company for over a year also receives access to life insurance in addition to discounts on shopping, entertainment and eating out, plus a discounted travelcard for those colleagues in London. Our Employee Assistance programme offers all colleagues access to free, 24/7 confidential telephone, online and face-to-face advice for problems they may be experiencing at home or work.

Away from the UK, a large variety of benefits are offered, ranging from the option of vision and dental care in the US, bereavement assistance in the Philippines to development allowances in Poland.

We have also again reported on William Hill's UK gender pay gap, which can be found on our website. We are pleased that positive progress has been made against the pledges we set out last year.

The proportion of women within our senior management population has increased from 15% to 22% against our 2020 pledge of 30% (a 7% increase). In addition, the number of colleagues who believe William Hill treats all employees fairly irrespective of gender, age, race, disability, religion or sexual orientation has increased from 72% to 75% against our 2020 pledge of 90% (a 3% increase). Finally, our mean pay gap has reduced slightly to 16.6% against our pledge of 10% by the end of 2020.

The analysis has again confirmed that men and women are paid equally for equivalent work across the organisation with the gender pay gap arising through proportionately less women in senior management (22%) and this is the challenge the Company must continue to address. The Company is committed to gender pay equality and our gender pay disclosure outlines the steps the Company is taking to eliminate any disparity in pay and opportunity.

Auditable sections of the Annual Report on Remuneration

The auditable sections of the Annual Report on Remuneration are shown from page 94 (starting with the single total figure of remuneration for each director) up to page 103 (including the section titled Payments for loss of office).

Membership of the Remuneration Committee

The current members of the Committee, and those that have served during 2018, are listed in the table below. All members of the Committee are independent non-executive directors. No director plays a part in setting their own remuneration.

Current members
Georgina Harvey (Chair from 1 March 2018) David Lowden Mark Brooker
Former members
Imelda Walsh (Chair to 28 February 2018) Gareth Davis (to 2 April 2018) Sir Roy Gardner (to 2 April 2018) John O'Reilly (to 2 April 2018) Robin Terrell (to 2 April 2018)

The Group's Company Secretary acts as Secretary to the Committee.

Advice to the Committee

During 2018, the Committee consulted the CEO, the CFO and Group HR Director about remuneration items relating to individuals other than themselves. The Company Secretary also provided corporate governance guidance support to the Committee. Appropriate Group colleagues and external advisers may attend Committee Meetings at the invitation of the Chair.

External advice to the Committee

The Committee received advice from New Bridge Street (NBS) and FIT Remuneration Consultants LLP (FIT) during 2018 in respect of the implementation of the Policy. FIT was appointed as the Committee's interim advisors during 2018 to replace NBS. The Committee plans to carry out a formal retender process during 2019. Both NBS and FIT are members of the Remuneration Consultants Group and are signatories to its Code of Conduct.

During 2018, NBS's parent company, Aon, provided other services to the Company including insurance broking and pensions advice. Appropriate controls existed to ensure no conflicts of interest arose and the Committee was comfortable that NBS's advice to the Committee was independent and objective. FIT provided no other services to the Company.

Fees paid to NBS and FIT for advice provided in the year amounted to £38,300 and £60,514 respectively (ex VAT) totalling £98,814.

Statement of shareholder voting at the 2018 AGM

At the 2018 AGM, a resolution was proposed for shareholders to approve the 2017 Annual Report on Remuneration. The following votes were received (together with the voting on our Policy at the 2017 AGM):

2017 Annual Report of Directors' Remuneration (8 May 2018 AGM)

	Total number of votes	% of votes cast
For	409,251,435	69.29%
Against	181,358,622	30.71%*
Total	**590,610,057**	**100%**
Withheld	207,314	–

Approval of Directors' Remuneration Policy (9 May 2017 AGM)

For	532,517,299	97.88%
Against	11,557,037	2.12%
Total	**544,074,336**	**100%**
Withheld	686,821	

* Details of the votes against the 2017 Directors' Remuneration Report at the 2018 AGM, and the Committee's actions, are presented in the Annual Statement.

Approval

This report was approved by the Board of directors on 1 March 2019 and signed on its behalf by:

Georgina Harvey
Chair, Remuneration Committee

Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of William Hill PLC for the 53-week period ended 1 January 2019 comprises:

- pages 64 and 65, which show the names of all persons who were directors of the Company during the period. In addition, the following served as directors of the Company until they retired on the respective dates shown:
  - Gareth Davis (2 April 2018);
  - John O'Reilly (30 April 2018);
  - Imelda Walsh (8 May 2018);
  - Sir Roy Gardner (20 November 2018)
- the reports on corporate governance set out on pages 62 to 108;
- information relating to financial instruments, as provided in the notes to the financial statements;
- related party transactions as set out in note 34 to the financial statements; and
- greenhouse gas emissions, set out on pages 37 and 49.

Details of Committee memberships for each director are set out on pages 64 and 65. Details of the directors' interests are set out on page 103 of the directors' Remuneration Report.

Management report

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic Report and this Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference.

Annual Report and Accounts

The directors are aware of their responsibilities in respect of the Annual Report and Accounts. The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information regarding related processes can be found in the Audit and Risk Management Committee Report on pages 77 to 82. The Directors' responsibilities statement appears on page 108.

Strategic Report

The Board has prepared a Strategic Report which provides an overview of the development and performance of the Group's business for the period ended 1 January 2019 and which covers likely future developments in the Group. The Chairman's statement, CEO's statement and strategic priorities, Key performance indicators (including details of charitable donations in 2018), Marketplace report, Our business today, Divisional and performance overviews, Sustainability report, Financial review and Managing our risks sections, and the Going Concern statement in the Governance report, together provide information which the directors consider to be of strategic importance to the Group.

Results and dividends

The Group's loss on ordinary activities after taxation for the period was £712.3m (2017: £83.2m). The directors recommend a final dividend of 7.74p per share to be paid on 6 June 2019 to ordinary shareholders on the Register of Members on 26 April 2019 which, if approved, together with the interim dividend of 4.26p per share paid in November 2018, makes a total of 12p per share for the period.

Directors' and officers' liability insurance

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act 2006, the directors and officers of the Company shall be indemnified out of the assets of the Company, against liability in defending proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. In addition, the Group has purchased and maintains directors' and officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

Share capital

As at 27 February 2019, the Company had an allotted and fully paid-up share capital of 900,725,706 ordinary shares of 10p each with an aggregate nominal value of £90,072,571, which included 26,663,571 ordinary shares in treasury. There were therefore 874,062,135 ordinary shares in issue as at 27 February 2019 (excluding treasury shares).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations. This includes but is not limited to the Market Abuse Regulation, insider trading laws and requirements relating to closed periods. Also included are the requirements of the Company's Share Dealing policies, which follow the requirements of the Market Abuse Regulation, and whereby directors and certain employees of the Company require approval to deal in the Company's securities.

Each ordinary share of the Company carries one vote. Further information on the rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the Company Secretary, and is also available on the Company's website, www.williamhillplc.com.

Changes to the Articles of Association must be approved by special resolution of the Company. The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies or corporate representatives and to exercise voting rights, and to receive a dividend, if and when declared.

Share Repurchase Programme and treasury shares

The Board did not decide to extend the Share Repurchase Programme which completed in December 2016 and no ordinary shares were repurchased during 2018 (2017: Nil).

2,230,477 of the ordinary shares which had been acquired shares under the Share Repurchase Programme were subsequently disposed of during the year to satisfy awards under the Group's share and incentive schemes, and it is the current intention of the directors that the remaining treasury shareholding will either continue to be held in treasury, or will be used similarly to satisfy existing and future share and incentive scheme awards.

Substantial shareholdings

The Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the notifiable interests in the ordinary share capital of the Company set out in the table below:

Percentage of issued share capital (%)

Name of holder	As at 1 January 2019	As at 1 March 2019
Artemis Investment Management LLP	5.06	5.06
BlackRock, Inc.	5.04	5.04
Capital Research and Management	9.98	9.98
Morgan Stanley	5.69	6.18
Norges	3.07	3.19
Schroder	5.12	5.12
Silchester	5.01	5.01

Significant agreements – change of control

There are no significant agreements to which the Company is party which take effect, alter or terminate in the event of a change of control in the Company following a takeover bid.

US regulation

Shareholders of William Hill may be subject to regulation in the US as a result of the Company's ownership of licensed subsidiaries in various US states and the Company's registration as a publicly traded company operating in such states. Information regarding relevant US gaming regulatory requirements is available on the Company's website at www.williamhillplc.com/investors/shareholder-centre/us-regulation.

Employee policies

The Sustainability report on pages 36 to 49 explains various initiatives to engage with and develop the workforce across the Group. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, employee social media channels and through the employee website 'Go2 William Hill'. An employee engagement survey is also conducted annually, the results of which are communicated to employees for review, to managers for action and to the Board so they have a better understanding of employee engagement.

Employee representatives are consulted regularly through colleague forums on a wide range of matters affecting their current and future interests.

In the UK, the Company operates an HMRC-approved UK Sharesave Plan which is open to all eligible employees. Options under the scheme are granted with an exercise price up to 20% below the prevailing share price. The maximum permissible monthly savings under the scheme is £500. Employees in other countries in which the Company operates may participate in local share saving schemes, which for operational, tax or legislative reasons may differ compared to the UK.

William Hill is committed to equal opportunities in the workplace. In all aspects of employment including recruitment, promotion, training and development and terms and conditions of employment, all employees and applicants for employment are given equal opportunities regardless of gender, marital or family status, race, nationality, ethnic origin, religion, age, disability and sexual orientation. William Hill endeavours to ensure that all employees are made aware of its policies on equal opportunities and of their responsibility to uphold and promote it. William Hill will not tolerate harassment, discrimination or victimisation in the workplace in any form. Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitude and ability of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It continues to be the policy of the Group that the training, career development and promotion of disabled persons should as far as is feasible be identical to that of other employees.

Political donations

There were no political donations made or political expenditure incurred during the period in respect of EU political parties, candidates or organisations (2017: nil). The Board has, however, given approval for certain subsidiaries in respect of William Hill's US business to make donations within specified limits. In the US, it is far more common than in the UK for corporations to participate in the political process through a variety of methods, including raising or donating funds to political candidates. The approval from the Board will permit the US business to decide and agree on modest political contributions to candidates for political office in jurisdictions where the Company is doing or seeks to do business.

Contributions to political candidates do not guarantee that elected officials will support a particular piece of legislation or otherwise act in their official capacity to benefit the Company, rather, they assist in electing individuals whom the Company believes are likely to support its business goals and in establishing productive working relationships with elected representatives.

The Board therefore continues to believe that giving approval for the US business to make such political contributions is essential for the Company to fully participate in the American political process. In respect of the US, political expenditure of $29,000 was incurred in 2018 (2017: $32,000) and this included contributions to the American Gaming Association.

Authority to purchase own shares

An authority for the Company to purchase its own shares remains valid until the forthcoming Annual General Meeting, when it is intended that a resolution will be put forward to shareholders to renew such authority.

Issue of new ordinary shares

During the financial period ended 1 January 2019, no new ordinary shares of the Company were issued, as the Company utilised shares held in treasury shares or market purchased shares to satisfy share and incentive scheme awards.

Annual General Meeting

The AGM will be held at 14:30 on Wednesday 15 May 2019 at No. 11 Cavendish Square, 11-13 Cavendish Square, London, W1G 0AN. The Notice of the AGM and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this Annual Report.

Auditor and disclosure of information to auditor

Each of the directors in office at the date when this report was approved confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and
- Deloitte LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

Other information required to be incorporated by reference

For the purposes of compliance with Listing Rule 9.8.4, the following information is hereby incorporated by reference within this Directors' Report:

Listing Rule Requirement (LR)	Location within the Annual Report
LR 9.8.6R(1) Directors' interests	Directors' Remuneration Report
LR 9.8.4CR	Note 10 to the Group financial statements

Roger Devlin
Chairman

1 March 2019

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgments and accounting estimates that are reasonable and prudent;
– state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
– In preparing the Group financial statements, International Accounting Standard 1 requires that directors:
– properly select and apply accounting policies;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
– make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

– the 2018 Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
– the Group financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation (in the case of the consolidated financial statements) and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (in the case of the parent company financial statements), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
– the Strategic Report and risk sections of the 2018 Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement has been approved by the Board of Directors and is signed on its behalf by:

Philip Bowcock
Chief Executive Officer

1 March 2019

Ruth Prior
Chief Financial Officer

1 March 2019

Independent Auditor's Report to the members of William Hill PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of William Hill PLC (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 January 2019 and of the Group's loss for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Cash Flow Statement;
- the Statement of Group Accounting Policies and the related notes 1 to 36; and
- the Parent Company Statement of Accounting Policies and the related notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our approach

Key audit matters	The key audit matters that we identified were: – Impairment of the Retail cash generating unit ('CGU'); – Completeness and accuracy of revenue recognition in Retail and Online; and – Classification and accuracy of exceptional items.
Materiality	The materiality that we used in the current period for the Group financial statements was £9.25 million which was determined on the basis of 4.7% of Group profit before tax of £197.7 million stated before exceptional items. Note that we deduct £2.5 million amortisation of acquired intangibles from management's adjusted profit before tax figure of £200.2 million to arrive at this value.
Scoping	We focused our Group audit scope on audit work in two locations: UK and Gibraltar. We perform desktop procedures on the Group's US businesses. The UK and Gibraltar represent the principal business segments and account for over 94% of the Group's revenue, over 99% of operating profit and 82% of the Group's net assets.

Independent Auditor's Report to the members of William Hill PLC continued

Summary of our approach continued

Significant changes in our approach	As described above, we have focused our impairment key audit matter on the valuation of the Group's Retail segment. In particular, we focused on management's judgements with respect to the cash flow forecasts for the Retail business following the decision of the Triennial Review to implement a £2 maximum stake for B2 gaming products from 1 April 2019. In the prior period we also did not have a key audit matter around exceptional items. As there are a number of identified exceptional items recorded in the period, we have identified this as a specific area of focus. In the prior period, one of our key audit matters was impairment of goodwill and other non-current assets in the Australian business; in the current period, the Australian business was sold by the Group and so this is therefore no longer considered a key audit matter. We also previously identified key audit matters for unrecorded impairments in capitalised software and valuation of provisions for uncertain tax positions which were no longer assessed to be key audit matters this period as they did not have the greatest effect on our audit strategy and direction of resources. There were no other significant changes to our audit approach in the current period.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement on page 106 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 58 – 60 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 57 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 61 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of the Retail cash generating unit ('CGU')

Key audit matter description	The Group has intangible assets with indefinite lives of £332.8 million (2017: £484.3 million) which are tested annually for impairment against the value in use of the Group's cash-generating units ('CGUs'). Management has recognised an impairment of £882.8 million in the Retail CGU following the changes in regulation arising from the Triennial Review and the £2 maximum stake limit for B2 gaming products from 1 April 2019. The annual impairment test includes significant management judgement concerning competitive dynamics and expectations of the substitutive effect on other in-shop products and their impact on the cash flows of the CGU. The impairment test is also based on key assumptions about near term underlying cash flows as well as appropriate discount and long-term growth rates, which are disclosed in note 12 and in Key sources of estimation uncertainty in the Statement of Group Accounting Policies. This is also presented as a significant matter considered by the Audit Committee on page 81.

Impairment of the Retail cash generating unit ('CGU') continued

How the scope of our audit responded to the key audit matter	We focused our audit work on challenging key assumptions used by management in conducting their impairment review. Our audit procedures included: – Assessing the adequacy of the discount rate and long-term growth rate determined by management for the model; – Checking the mathematical accuracy of the impairment model and compliance of the methodology with the requirements of IAS 36; – Challenging management's cash flow forecasts, including testing management's process and controls for the preparation and review of the impairment model; – Understanding and critically assessing the key assumptions underpinning the model with a focus on those which are most sensitive, with reference to internal data points and independent analysis – both contradictory and corroborative; – Assessed the extent to which Brexit may impact upon the cash flows or other assumptions; – Performing a sensitivity analysis of certain key inputs which drive the value of the business in the context of the critical challenge made above; and – Assessing the appropriateness of the disclosures made by the Group.
Key observations	Given the significant uncertainty arising from the impact of the Triennial Review, the range of supportable value–in-use amounts is relatively broad. We note that management have undertaken a robust process, which included consideration of both internal and external evidence, to determine reasonable and well-supported assumptions that underpinned their best estimate in view of this underlying uncertainty. We concluded that the impairment of £882.8 million recorded by management and the carrying value of the Retail CGU were appropriately arrived at. We were satisfied with the final disclosures that management made in the financial statements.

Completeness and accuracy of revenue recognition in Retail and Online

Key audit matter description	The Group has a number of income streams, the most significant being revenue recognised in the Group's Retail (£895.2 million) and Online (£634.4 million) segments as disclosed in Note 2. Revenue is typically derived from high volume and low value transactions and is dependent on the outcome of events wagered on. The Group's accounting policy for revenue recognition is disclosed in Key accounting policies on page 122. The completeness and accuracy of revenue recognised is dependent on the interfacing of systems in Retail and Online segments, and is reliant on the IT control environment of third party applications such as Openbet and the manual controls around matching revenue to cash movements. Due to the complexity of this environment there is a risk that revenue errors are undetected or are not detected on a timely basis.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation and tested the operating effectiveness of the manual controls in the revenue cycle including cash reconciliations from the betting operating systems. General IT controls were tested for key revenue and financial information systems involved in the revenue process, as well as the interface between these systems. We performed substantive analytical review procedures over the Group's Retail and Online gaming revenue streams, and substantively tested the existence and accuracy of a sample of bets placed within the Retail and Online divisions. For Online sportsbook revenues we used a data analytics approach to fully recalculate all simple bets, which comprise over 86% of revenue recognised. For the remainder, which comprised more complex bets, we recalculated a sample of bets to confirm their appropriate settlement and recorded revenue.
Key observations	We identified IT General Control deficiencies across the systems in scope of our testing similar to those identified in the prior period. In response to these control findings, we performed the following procedures: – we identified manual detective controls, which we tested to evaluate the extent to which they would mitigate the impact of the control deficiencies identified; – we placed a sample of bets during the period both in LBOs and Online and traced them through to transaction reports and then to the general ledger to test for completeness; and – we tested those transaction reports obtained from the systems in scope used in our audit testing for completeness and accuracy. We concluded that the risk of material revenue misstatement was reduced to an acceptable level. In addition, we recommended that management continues to work to further strengthen preventative controls in order to reduce reliance on detective mitigating controls in future.

Classification and accuracy of exceptional items

Key audit matter description	The Group has reported adjusted profit before tax of £200.2 million which is derived from statutory loss before tax of £721.9 million and a number of adjustments which the Group considers meets the definition of an exceptional item (as well as a £2.5million adjustment for the amortisation of acquired intangibles). The classification of exceptional items is subject to management judgement, and we consider there to be a risk of fraud through possible manipulation of this classification. This is a significant issue considered by the Audit Committee on page 81. Explanations of each exceptional item are set out in note 3 of the financial statements. In calculating adjusted profit, there is a risk that: – Items identified as 'exceptional' may not be appropriate and so distort the reported adjusted profit; – Items could be omitted from 'exceptional items' that are one-off or material in nature and distort the adjusted profit; and – The clarity and detail of 'exceptional' item disclosures may be insufficient and inhibit users' understanding of the Group's results and performance.
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed the following procedures: – We sought to understand the nature of each exceptional item disclosed in note 3 of the financial statements and management's rationale for recognising these. We then performed our own assessment and challenged management on whether each item should be classified as exceptional in the context of their nature and materiality. – We evaluated the design and implementation of key controls around the classification and accuracy of exceptional items. – We tested a sample of exceptional items and agreed these to supporting evidence. We separately assessed whether each sample had been appropriately classified as exceptional. – We performed various procedures to identify whether there were exceptional items inappropriately omitted from the classification; and – We assessed the disclosure of the exceptional items in the financial statements.
Key observations	We are satisfied with the classification and accuracy of exceptional items and the related disclosures in the financial statements are appropriate. While some of the items are immaterial individually, the application of the Group's policy was consistent with prior period.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent Company financial statements**
Group materiality	£9.25 million (2017: £12.5 million)	£8.3 million (2017: £11.25 million)
Basis for determining materiality	Our Group materiality is 4.7% (2017: below 5%) of profit before tax stated before exceptional items, disclosed in note 3 to the Group financial statements.	Parent company materiality equates to 3% of net assets, which is capped at 90% of Group materiality.
Rationale for the benchmark applied	Profit before tax before exceptional items has been used as it is the primary measure of performance used by the Group. We have used adjusted profit measures that exclude volatility of exceptional items from our determination, to aid the consistency and comparability of our materiality base each period. Note that we also deduct amortisation of acquired intangibles of £2.5m from management's adjusted profit before tax to arrive at our benchmark.	The Parent Company acts principally as a holding company and therefore net assets is a key measure. The cap has been applied in line with our methodology for setting materiality for components.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5 million (2017: £0.6 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at two locations:

– UK; and
– Gibraltar

These locations represent the principal business units and account for over 94% (2017: over 96%) of the Group's revenue from continuing operations, over 99% of operating profit (2017: over 93%) from continuing operations and over 82% (2017: over 95%) of the Group's net assets. We have updated our prior period comparatives and removed the Australian business which was included in our prior period audit scope however was sold by the Group in the current period.

The locations in scope for the current period were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on each location was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £6.5 million to £6.9 million (2017: £6.2 million to £9.4 million). The Group audit team also performed analytical procedures over the Group's operations in the US, which were not significant to the Group's results.

At the Parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

We included all component audit teams in our team briefing and discussed their risk assessment. The audit procedures in the UK were performed by members of the Group audit team. In the current period the Senior Statutory Auditor visited Gibraltar and the US business. The Group audit team also discussed audit findings with the Gibraltar component audit team throughout the audit engagement and reviewed relevant audit working papers.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

– Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

– Audit Committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

– Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, in-house legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including our significant audit team and involving relevant internal specialists, including tax, pensions, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in all areas that are subject to management judgement or estimation, the classification and accuracy of exceptional items, as well as the potential for fraudulent activity in day to day transactional activity by management and employees; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and prevailing pensions and tax legislation. Compliance with the terms of the Group's operating licence granted by the UK Gambling Commission as well as other gambling regulations under which the Group operates in its various jurisdictions is fundamental to the Group's ability to continue as a going concern.

Audit response to risks identified

As a result of performing the above, we identified exceptional items' classification as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- assessing the reasonableness of management's judgements and estimates, individually as well as in aggregate;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax and regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.
We have nothing to report in respect of these matters.

Other matters

Auditor tenure

The Parent Company was incorporated in 2001. We were appointed in December 2001 to audit the financial statements for the period ended 1 January 2002 and subsequent financial periods; this was just prior to the listing of the Parent Company on the London Stock Exchange. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the periods ending 1 January 2002 to 1 January 2019. Also, we were appointed on 22 January 1991 to other Group entities to audit the financial statements for the period ending 1 January 1991. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 29 years, covering the periods ending 1 January 1991 to 1 January 2019.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Franek FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
1 March 2019

Consolidated Income Statement

for the 53 weeks ended 1 January 2019

	Notes	53 weeks ended 1 January 2019 Adjusted £m	53 weeks ended 1 January 2019 Exceptional items and adjustments (note 3) £m	53 weeks ended 1 January 2019 Statutory total £m	52 weeks ended 26 December 2017 Adjusted £m	52 weeks ended 26 December 2017 Exceptional items and adjustments (note 3) £m	52 weeks ended 26 December 2017 Statutory total £m
Revenue[1]	1, 2	1,621.3	–	1,621.3	1,592.8	–	1,592.8
Cost of sales	2, 3	(389.7)	4.1	(385.6)	(383.5)	(17.1)	(400.6)
Gross profit	2	1,231.6	4.1	1,235.7	1,209.3	(17.1)	1,192.2
Other operating income	1	5.7	–	5.7	6.7	–	6.7
Other operating expenses	3	(1,006.6)	(925.6)	(1,932.2)	(943.2)	(79.3)	(1,022.5)
Share of results of associates	2, 4	2.9	–	2.9	1.0	–	1.0
(Loss)/profit before interest and tax	2, 5	233.6	(921.5)	(687.9)	273.8	(96.4)	177.4
Investment income	1, 7	4.7	–	4.7	1.4	5.5	6.9
Finance costs	3, 8	(38.1)	(0.6)	(38.7)	(37.8)	–	(37.8)
(Loss)/profit before tax	2	200.2	(922.1)	(721.9)	237.4	(90.9)	146.5
Tax	3, 9	(24.1)	29.9	5.8	(13.5)	9.4	(4.1)
(Loss)/profit for the period from continuing operations		176.1	(892.2)	(716.1)	223.9	(81.5)	142.4
Profit/(loss) for the period from discontinued operations	17	4.5	(0.7)	3.8	13.0	(238.6)	(225.6)
(Loss)/profit for the period (attributable to equity holders of the parent)		180.6	(892.9)	(712.3)	236.9	(320.1)	(83.2)
(Loss)/earnings per share from continuing and discontinued operations (pence)							
Basic	11	21.1		(83.1)	27.6		(9.7)
Diluted	11	20.9		(83.1)	27.5		(9.7)
(Loss)/earnings per share from continuing operations (pence)							
Basic	11	20.6		(83.6)	26.1		16.6
Diluted	11	20.4		(83.6)	26.0		16.5

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

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 1 January 2019

	Notes	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Loss for the period		**(712.3)**	(83.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme	33	**(27.3)**	33.0
Tax on remeasurements in defined benefit pension scheme	27	**4.7**	(5.6)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences			
Translation of foreign operations		**(5.2)**	(8.9)
Reclassified to profit and loss on disposal of Australia operations		**84.3**	–
Gains on available-for-sale financial assets			
Changes in fair value of available-for-sale financial assets		**–**	4.0
Changes in fair value reclassified to profit and loss on disposal of investments in NYX		**0.4**	–
Other comprehensive income for the period		**56.9**	22.5
Total comprehensive loss for the period (attributable to equity holders of the parent)		**(655.4)**	(60.7)

Consolidated Statement of Changes in Equity

for the 53 weeks ended 1 January 2019

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 26 December 2017	**88.7**	**689.4**	**6.8**	**(26.1)**	**(97.0)**	**(72.5)**	**473.4**	**1,062.7**
Loss for the financial period	–	–	–	–	–	–	(712.3)	(712.3)
Actuarial remeasurements in defined benefit pension scheme (note 33)	–	–	–	–	–	–	(27.3)	(27.3)
Tax on remeasurements in defined benefit pension scheme (note 27)	–	–	–	–	–	–	4.7	4.7
Exchange differences on translation of foreign operations	–	–	–	–	–	(5.2)	–	(5.2)
Exchange differences reclassified to profit and loss on disposal of Australia operations	–	–	–	–	–	84.3	–	84.3
Changes in fair value reclassified to profit and loss on disposal of investments in NYX	–	–	–	–	–	–	0.4	0.4
Total comprehensive profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**79.1**	**(734.5)**	**(655.4)**
Purchase and issue of own shares (note 29)	–	–	–	–	–	–	–	–
Transfer of own shares to recipients (note 29)	–	–	–	–	9.0	–	(7.8)	1.2
Other shares issued during the period	–	–	–	–	–	–	–	–
Credit recognised in respect of share remuneration (note 32)	–	–	–	–	–	–	5.5	5.5
Tax charge in respect of share remuneration (note 27)	–	–	–	–	–	–	(1.6)	(1.6)
Dividends paid (note 10)	–	–	–	–	–	–	(113.5)	(113.5)
At 1 January 2019	**88.7**	**689.4**	**6.8**	**(26.1)**	**(88.0)**	**6.6**	**(378.5)**	**298.9**

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 27 December 2016	**88.7**	**689.3**	**6.8**	**(26.1)**	**(98.5)**	**(63.6)**	**628.9**	**1,225.5**
Loss for the financial period	–	–	–	–	–	–	(83.2)	(83.2)
Actuarial remeasurements in defined benefit pension scheme (note 33)	–	–	–	–	–	–	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 (note 32)	–	–	–	–	–	–	5.2	5.2
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.8	0.8
Dividends paid (note 10)	–	–	–	–	–	–	(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**

Consolidated Statement of Financial Position

as at 1 January 2019

	Notes	1 January 2019 £m	26 December 2017 £m
Non-current assets			
Intangible assets	12	**686.1**	1,577.3
Property, plant and equipment	13	**149.8**	190.5
Interests in associates	15	**23.3**	28.6
Investments	16	**21.4**	9.4
Deferred tax assets	27	**11.9**	12.7
Retirement benefit asset	33	**40.5**	58.7
Loans receivable	34	**4.8**	49.4
Derivative financial instruments		**–**	42.0
		937.8	1,968.6
Current assets			
Trade and other receivables	18	**61.7**	72.9
Investment property held for sale	20	**1.7**	3.5
Cash and cash equivalents	19	**510.5**	317.0
		573.9	393.4
Total assets		**1,511.7**	2,362.0
Current liabilities			
Trade and other payables	21	**(387.3)**	(444.4)
Corporation tax liabilities		**(18.8)**	(8.3)
Derivative financial instruments	26	**(14.9)**	(14.1)
Provisions	22	**(8.3)**	(11.1)
		(429.3)	(477.9)
Non-current liabilities			
Borrowings	23	**(719.7)**	(720.5)
Deferred tax liabilities	27	**(63.8)**	(100.9)
		(783.5)	(821.4)
Total liabilities		**(1,212.8)**	(1,299.3)
Net assets		**298.9**	1,062.7
Equity			
Called-up share capital	28	**88.7**	88.7
Share premium account		**689.4**	689.4
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	29	**(88.0)**	(97.0)
Hedging and translation reserves		**6.6**	(72.5)
Retained earnings		**(378.5)**	473.4
Total equity attributable to equity holders of the parent		**298.9**	1,062.7

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 1 March 2019 and are signed on its behalf by:

P Bowcock
Director

R Prior
Director

Consolidated Cash Flow Statement

for the 53 weeks ended 1 January 2019

	Notes	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Net cash from operating activities – continuing operations	30	**197.1**	272.6
Net cash from operating activities – discontinued operations	30	**1.0**	17.5
Investing activities			
Dividends from associates	15	**8.2**	3.3
Interest received on cash and cash equivalents	7	**2.4**	0.9
Proceeds on disposal of property, plant and equipment		**0.7**	0.6
Proceeds on disposal of investment property		**1.7**	–
Amounts drawn down on loan facility made available to NeoGames	34	**(4.7)**	–
Net proceeds on sale of Australia operations	17	**141.6**	–
Net proceeds from sale of NYX investments	16	**100.7**	1.0
Investment in Mr Green	16	**(19.2)**	–
Investment in Featurespace	16	**(1.3)**	–
Net proceeds on disposal of Stadia operations		**–**	8.8
Purchases of property, plant and equipment		**(41.9)**	(14.2)
Expenditure on intangible assets		**(75.4)**	(69.9)
Net cash from/(used in) investing activities – continuing operations		**112.8**	(69.5)
Net cash used in investing activities – discontinued operations		**(2.9)**	(8.8)
Financing activities			
Proceeds on issue of shares under share schemes		**1.2**	0.1
Debt facility issue costs		**(3.1)**	–
Purchase of own shares		**–**	(0.1)
Dividends paid	10	**(113.5)**	(108.1)
Net cash used in financing activities – continuing operations		**(115.4)**	(108.1)
Net cash used in financing activities – discontinued operations		**–**	–
Net increase in cash and cash equivalents in the period		**192.6**	103.7
Changes in foreign exchange rates		**0.9**	(2.2)
Cash and cash equivalents at start of period		**317.0**	215.5
Cash and cash equivalents at end of period	19	**510.5**	317.0

Statement of Group Accounting Policies

General information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 1 Bedford Avenue, London, WC1B 3AU. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 61 and note 2.

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

Basis of accounting

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

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out below. A complete list of our accounting policies is included in the Annual Report as an appendix on pages 168 to 173.

Adoption of new and revised standards

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

Standards in issue but not yet effective

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report on pages 168 to 173. A summary of the most significant standards in issue but not yet effective and the likely impact are set out below.

IFRS 9 'Financial Instruments'

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

Classification and measurement

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

Impairment

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

Hedge accounting

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

IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group's core revenues of sports betting and gaming are not within the scope of IFRS 15. This is due to these revenues being treated as derivatives under IFRS 9: 'Financial Instruments' and thus falling out the scope of IFRS 15. The Group's other income mostly represents service provider revenue, previously referred to as bookmaking services income, rents receivable on properties let by the Group, bookmaking software licensing income and income from software development. Rents receivable is also not within the scope of IFRS 15.

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

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

IFRS 16 'Leases'

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. The distinction between operating leases and finance leases for lessees is removed and will result in most leases being recognised on the Statement of Financial Position as a right-of-use asset and a lease liability. For leases previously classified as operating leases, the lease cost will change from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability. The Group's currently classified operating leases include rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment.

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

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

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

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

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

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

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

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

Revenue recognition

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

In the case of Licensed Betting Office (LBO) (including gaming machines), William Hill US, Online Sportsbook and telebetting and Online casino (including games on the Online arcade and other numbers bets) revenue represents gains and losses from gambling activity in the period. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed. Revenue from the Online poker business reflects the net income (rake) earned from poker games completed by the period end.

US Existing and US Expansion segment service provider revenue, previously referred to as bookmaking services income, is recognised as revenue. Service provider revenue is receivable from third party operators where the Group provides sportsbooks and gaming services to the operator. The Group previously recognised this through other operating income. It is the Group's view that in order not to distort the other operating income figure, service provider revenue shall be recognised as revenue. Prior period comparatives have been reclassified.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income and income from software development, which are recognised on an accruals basis.

Going concern

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

As highlighted in notes 23 and 24 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until October 2023. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 57 to 61, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast. After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business, regulatory and financing risks, the potential risks and impacts of Brexit, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Exceptional items and adjustments

The Group presents adjusted results, as described in note 3, which differ from statutory results due to the exclusion of exceptional items and adjustments.

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 are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. This relates to the amortisation of specific intangible assets recognised in acquisitions. This previously also related to the recognition of interest income on redeemable convertible preference shares and fair value movements relating to redeemable convertible preference shares and warrants over equity instruments in NYX Limited, which was sold in January 2018 (see notes 16 and 240 to the financial statements in the 2017 Annual Report for more information).

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions used in these financial statements, as well as the degree of sensitivity to changes in assumptions.

The results of the Triennial Review of stakes and prizes are now known with the maximum stakes on B2 gaming products to be reduced from £100 to £2, effective from April 2019. This outcome has led to a significant decline in expected future cash flows in the Retail segment, leading to an impairment of £882.8m recognised in the period (note 3). This was based on our current estimate of a reduction in the Retail segment's annualised adjusted operating profit (including mitigation measures) of c£70-£100m.

A regulatory change of this nature is unprecedented and its impact on customer behaviour will not be known until some years after implementation. As the implementation takes effect and customer behaviour becomes known, this could result in further impairments (or reversals of the existing impairment charge) of assets in the Retail segment. Refer to note 12 for an analysis of the sensitivity of the impairment to a range of reasonably possible changes in assumptions.

Retirement benefit costs

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

1. Revenue

An analysis of the Group's revenue is as follows:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Direct revenue	**1,618.4**	1,591.4
Service provider revenue[1]	**2.9**	1.4
Total revenue	**1,621.3**	1,592.8
Other operating income[1]	**5.7**	6.7
Investment income	**3.2**	6.4
	1,630.2	1,605.9

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

2. Segment information

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

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all online and telephone activity, including sports betting, casino, poker and other gaming products along with telephone betting services. The US Existing, previously referred to as the US, segment comprises all activity undertaken in the existing US business before the Supreme Court overturned PASPA in May 2018. The US Expansion segment includes all operations in new US locations where gambling is being regulated following the Supreme Court's overturning of PASPA. This is a new segment in the current reporting period. Given this relates to new business in the period, there is no requirement to report prior period information for this segment. The Other segment comprises on-course betting pitches. There are no inter-segmental sales within the Group.

The segmental information shown in respect of profit and loss items in the current and previous reporting period does not include the results of the Australian operations, which were disposed of on 23 April 2018. Details of the Australian operations performance to 23 April 2018 are shown in note 17. The segmental assets and liabilities for the current period do not include the Australian operations whereas these are included in the prior period comparative.

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

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

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

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

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

2. Segment information continued

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

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

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

Segment information for the 52 weeks ended 26 December 2017:

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

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

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

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

2. Segment information continued

At 26 December 2017	Retail £m	Online £m	US Existing £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of financial position information							
Total segment assets	1,406.8	419.9	64.6	132.8	–	325.2	2,349.3
Total segment liabilities	(96.1)	(226.9)	(24.6)	(31.4)	–	(811.1)	(1,190.1)
Included within total assets:							
Goodwill	680.7	193.3	22.4	62.7	–	–	959.1
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	28.6	28.6
Capital additions	31.6	44.8	1.9	9.3	–	9.9	97.5

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

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

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for property, plant and equipment) or primary operating location of the Company using the asset (for all other assets).

3. Exceptional items and adjustments

Adjusted results

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

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

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

- management and Board reviews of performance against expectations and over time, including assessments of segmental performance (see note 2 and the Strategic Report);
- Remuneration Committee assessments of targets and performance for management remuneration purposes (see pages 87 to 105);
- in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making; and
- assessments of loan covenant compliance, which refer to adjusted results.

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

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

3. Exceptional items and adjustments continued

Exceptional items

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

Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. This relates to the amortisation of specific intangible assets recognised in acquisitions. This previously also related to the recognition of interest income on redeemable convertible preference shares and fair value movements relating to redeemable convertible preference shares and warrants held in NYX Limited, an available for sale financial asset which was sold in January 2018 (see notes 16 and 25 to the financial statements in the 2017 Annual report for more information). These items are defined as adjustments as the directors believe they would impair the visibility of the underlying activities across each segment as they are not closely related to the businesses' or any associated operational cash flows. These items are recurring, with the amortisation of specific intangible assets recognised in acquisitions recognised over their useful life.

Exceptional items and adjustments are as follows:

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

1 In 2017, the Group recognised the costs of a specific contract where a change in strategy due to the transformation programme meant that the contract was considered onerous with no economic benefits expected to be received. This was presented as exceptional given it is material and related to a specific one-off contract.

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

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

3. Exceptional items and adjustments continued

Indirect taxation

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

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

Impairment of Retail segment

As a result of the conclusion of the Triennial Review and the announcement of the maximum stakes on B2 gaming products reducing to £2, management recognised an impairment of the assets of the Retail segment. Details of the impairment are provided in note 12. This was presented as an exceptional item due to its material and one-off nature.

Transformation programme restructuring costs

This is a continuation of the substantial corporate restructurings the Group commenced in 2016, encompassing cost optimisation and business model initiatives. This was previously referred to as 'Restructuring costs'. This is part of a Group-wide programme, which is expected to complete in 2019. This programme, for which costs include fees for external advisers, provisions for onerous property leases and the cost of staff redundancies, is substantial in scope and impact. These costs do not form part of recurring operational or management activities that the directors would consider part of our underlying performance. For these reasons, the directors judge the directly attributable cost to be exceptional. A reconciliation of the costs incurred to date and expected for the remainder of the programme is provided in the Financial Review on page 54.

Triennial Review mitigation restructuring costs

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

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

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

Disposal of Australia operations

On 23 April 2018, the Group sold its Australian operations to CrownBet Holdings Pty Ltd. The resulting loss on disposal of £0.6m, including costs to sell of £6.2m, has been classified as exceptional due to its one-off nature. Details of the disposal are provided in note 17.

Guaranteed minimum pension equalisation

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

Legal fees

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

Disposal of investments in NYX

On 5 January 2018, the Group completed the disposal of its investments in NYX. Accumulated fair value movements recognised in other comprehensive income were reclassified to profit and loss on disposal completion. This has been classified as an exceptional item due to the one-off nature of the disposal with the previous movements in this investment classified within adjustments (note 16).

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.

3. Exceptional items and adjustments continued

Corporate transaction costs

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

Costs in respect of refinancing

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

Exceptional tax items

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

4. Share of results of associates

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Share of results after taxation in associated undertakings	2.9	1.0

The above represents the Group's share of the results of Sports Information Services (Holdings) Limited and NeoGames S.a.r.l as well as a dividend received from 49's Limited, further details of which are given in note 15.

5. (Loss)/profit before interest and tax

(Loss)/profit before interest and tax has been arrived at after charging/(crediting):

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Net foreign exchange losses	1.0	0.4
(Gain)/loss on disposal of property, plant and equipment and investment properties	(0.5)	0.4
Staff costs (note 6)	347.6	353.1
Depreciation of property, plant and equipment in respect of continuing activities	24.5	28.9
Amortisation of intangible assets in respect of continuing activities	51.6	48.2

Fees payable to Deloitte LLP and their associates are shown below:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.5	0.4
The audit of the Company's subsidiaries, pursuant to legislation	0.2	0.2
	0.7	0.6
Non-audit fees		
Other assurance services	0.1	0.1
	0.1	0.1
Total fees payable to Deloitte LLP	0.8	0.7

Deloitte LLP does not provide services for the Group's pension schemes.

The audit fees payable to Deloitte LLP are reviewed by the Audit and Risk Management Committee to ensure such fees are competitive. The Audit and Risk Management Committee sets the policy for awarding non-audit work to the auditor and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained. The fees disclosed above consolidate all payments made to Deloitte LLP by the Company and its subsidiaries during the period and are presented net of VAT and other sales taxes.

6. Staff costs

The average monthly number of persons employed, including directors, during the period was 15,940 (52 weeks ended 26 December 2017: 16,112). Their aggregate remuneration comprised:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Wages and salaries	304.8	311.2
Social security costs	24.9	23.8
Share-based remuneration (including social security costs)	5.7	5.7
Other pension net costs (note 33)	12.2	12.4
	347.6	353.1
Remeasurement loss/(gain) in defined benefit scheme (note 33)[1]	27.3	(33.0)
Total staff costs from continuing activities	374.9	320.1

1 The £27.3m relating to remeasurement losses (52 weeks ended 26 December 2017: £33.0m gain) has been recognised in other comprehensive income. The remainder of staff costs above were charged to the Income Statement, with certain staff costs relating to restructuring costs classified as exceptional items.

7. Investment income

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Interest on cash and cash equivalents	2.4	0.9
Interest on net pension scheme assets or liabilities (note 33)	1.5	0.5
Fair value gain on derivative financial instruments	0.8	–
Investment income on redeemable convertible preference shares	–	5.5
	4.7	6.9

8. Finance costs

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

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

9. Tax on (loss)/profit on ordinary activities for continuing operations

The tax charge/(credit) comprises:

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

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

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

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

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

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

10. Dividends proposed and paid

	53 weeks ended 1 January 2019 Per share	52 weeks ended 26 December 2017 Per share	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Equity shares:				
Current period interim dividend paid	**4.3p**	4.3p	**36.7**	36.5
Prior period final dividend paid	**8.9p**	8.4p	**76.8**	71.6
	13.2p	12.7p	**113.5**	108.1
Proposed final dividend	**7.7p**	8.9p	**66.6**	76.8

The proposed final dividend of 7.7p will, subject to shareholder approval, be paid on 6 June 2019 to all shareholders on the register on 26 April 2019. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results. The Group estimates that approximately 861 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, the William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Shares held in treasury also do not qualify for dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and held in treasury are given in note 29.

11. (Loss)/earnings per share

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

	53 weeks ended 1 January 2019			52 weeks ended 26 December 2017		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Statutory (loss)/profit (£m)						
Continuing operations	**(716.1)**	**–**	**(716.1)**	142.4	–	142.4
Discontinued operations	**3.8**	**–**	**3.8**	(225.6)	–	(225.6)
Total	**(712.3)**	**–**	**(712.3)**	(83.2)	–	(83.2)
Weighted average number of shares (million)	**857.0**	**7.3**	**864.3**	856.9	4.8	861.7
(Losses)/earnings per share (pence)						
Continuing operations	**(83.6)**	**–**	**(83.6)**	16.6	(0.1)	16.5
Discontinued operations	**0.4**	**–**	**0.4**	(26.3)	–	(26.3)
Total	**(83.1)**	**–**	**(83.1)**	(9.7)	–	(9.7)
Adjusted Profit/(loss) (£m)						
Continuing operations	**176.1**	**–**	**176.1**	223.9	–	223.9
Discontinued operations	**4.5**	**–**	**4.5**	13.0	–	13.0
Total	**180.6**	**–**	**180.6**	236.9	–	236.9
Weighted average number of shares (million)	**857.0**	**7.3**	**864.3**	856.9	4.8	861.7
(Losses)/earnings per share (pence)						
Continuing operations	**20.6**	**(0.2)**	**20.4**	26.1	(0.1)	26.0
Discontinued operations	**0.5**	**–**	**0.5**	1.5	–	1.5
Total	**21.1**	**(0.2)**	**20.9**	27.6	(0.1)	27.5

An adjusted earnings per share, based on adjusted profits (as described in note 3), has been presented in order to highlight the underlying performance of the Group. The basic weighted average number of shares excludes shares held by the William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 28.0 million (52 weeks ended 26 December 2017: 30.4 million).

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

12. Intangible assets

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

Licences

The licence portfolio is judged to have an indefinite life and accordingly is not amortised but is subject to annual impairment reviews. The directors consider that the Group's licence portfolio has an indefinite life owing to the fact that the Group is a significant operator of scale in a well-established market; the competitive advantage provided by an existing licensed portfolio; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

The Group notes the licence portfolio is recognised as a single intangible asset assigned to the Retail CGU, rather than being allocated to individual LBOs or geographies. This approach has been consistently followed since 2005, the reason being, this licence asset is a separately identifiable intangible asset that is deemed to enhance the overall CGU's ability to apply for new licences in other parts of the country, demonstrating credibility to local planning authorities that the Group was successfully operating stores in other parts of the UK, as well as enhancing the scale of the LBO estate to both establish a competitive advantage and to appeal to patrons.

Brands, trade names and customer relationships

This category of assets includes brands, trade names and customer relationships recognised in business combinations. In 2012, the Group acquired three US businesses. Brands and other assets of £13.1m were recognised and are being amortised over lives of between three and ten years.

Impairment reviews

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. This is an area where the directors exercise judgement and estimation, as noted on page 123. Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired. Each CGU is defined as its segment, which is described in note 2.

12. Intangible assets continued

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

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

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

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

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

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

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

CGUs

Cash-generating unit	Discount rate %	Long-term growth rate %
Retail	8.8	(2.0)
Online	8.1	1.8
US	10.1	2.9

Retail impairment review

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

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

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

– we assume that certain competitor shops will close, with a portion of this revenue lost from the sector and that the Group will earn a share of the remaining revenue based on current market shares;
– our model anticipates that there will be an element of product substitution from B2 gaming to other Retail products; and
– we assume that 900 shops could become loss making and will close over 2019 and 2020 with losses incurred up to estimated dates of closure and cash closure costs incurred after closure.

Results of impairment reviews

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

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

Assets in Retail CGU	Impairment charge allocation £m
Intangible Assets - Goodwill (note 12)	(680.7)
Intangible Assets - License value (note 12)	(151.5)
Intangible Assets - Software (note 12)	–
Property, plant and equipment - Land and buildings (note 13)	(38.6)
Property, plant and equipment - Fixtures, fittings and equipment (note 13)	(12.0)
Total	(882.8)

Based on the impairment reviews for the Online and US CGUs, these assets are not considered impaired.

The CGUs are defined as their segment, which we describe in note 2. The carrying value of each CGUs goodwill and indefinite lives intangible assets, after the recognition of the £882.8m impairment charge in the Retail CGU, is as below:

Cash-generating unit	Goodwill £m	Indefinite life intangibles £m	Total £m
Retail	–	332.8	332.8
Online	193.2	–	193.2
US	23.5	–	23.5

Sensitivity of impairment reviews

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

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

13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 27 December 2016	398.0	148.6	546.6
Additions	13.9	2.9	16.8
Disposals	(21.0)	(1.0)	(22.0)
Effect of foreign exchange rates	(0.5)	(0.7)	(1.2)
At 26 December 2017	390.4	149.8	540.2
Additions	12.6	24.7	37.3
Impairment losses (note 12)	(38.6)	(12.0)	(50.6)
Disposals	(8.8)	(0.5)	(9.3)
Effect of foreign exchange rates	–	0.3	0.3
At 1 January 2019	**355.6**	**162.3**	**517.9**
Accumulated depreciation:			
At 27 December 2016	228.5	105.6	334.1
Charge for the period	22.1	8.0	30.1
Disposals	(13.3)	(0.6)	(13.9)
Effect of foreign exchange rates	(0.2)	(0.4)	(0.6)
At 26 December 2017	237.1	112.6	349.7
Charge for the period	17.7	6.8	24.5
Disposals	(5.2)	(0.7)	(5.9)
Effect of foreign exchange rates	–	(0.2)	(0.2)
At 1 January 2019	**249.6**	**118.5**	**368.1**
Net book value:			
At 1 January 2019	**106.0**	**43.8**	**149.8**
At 26 December 2017	153.3	37.2	190.5

The net book value of land and buildings comprises:

	1 January 2019 £m	26 December 2017 £m
Freehold	**25.5**	27.6
Long leasehold improvements	**6.7**	7.9
Short leasehold improvements	**73.8**	117.8
	106.0	153.3

Of the total net book value of land and buildings, £3.2m (27 December 2017: £3.6m) relates to administrative buildings and the remainder represents LBOs in the UK and betting locations in the US. The cost of assets on which depreciation is not provided amounts to £4.5m, representing freehold land (26 December 2017: £4.8m). There are no assets within property, plant and equipment held under finance leases at 1 January 2019 or 26 December 2017. At 1 January 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £6.9m (26 December 2017: £2.5m).

14. Subsidiaries and other related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 1 January 2019, the address of their registered office and their country of incorporation is shown below. The entire issued share capital is held within the Group except where otherwise shown.

		Proportion of all classes of issued share capital owned by the Company
Directly owned:		
William Hill Holdings Limited (1)	Great Britain	100%

Held through intermediate companies

Name of subsidiary and other related undertakings	Country of incorporation	% holding
Ad-gency Limited (entered dissolution process in 2018) (9)	Israel	100%
A.J.Schofield Limited (1)	Great Britain	100%
American Wagering, Inc. (3)	USA	100%
Arena Racing Limited (1)	Great Britain	100%
Arthur Roye (Turf Accountants) Limited (1)	Great Britain	100%
Arthur Wilson Limited (1)	Great Britain	100%
AWI Gaming, Inc. (3)	USA	100%
AWI Manufacturing, Inc. (3)	USA	100%
B.B.O'Connor (Lottery) Limited (4)	Jersey	100%
B.J.O'Connor Limited (4)	Jersey	100%
B.J.O'Connor Holdings Limited (4)	Jersey	100%
Baseflame Limited (1)	Great Britain	100%
Bill Taylor of Huyton Limited (1)	Great Britain	100%
Bookhost Limited (1)	Great Britain	100%
Bradlow Limited (1)	Great Britain	100%
Brandywine Bookmaking, LLC (3)	USA	100%
Brooke Bookmakers Limited (1)	Great Britain	100%
BW Sub Co. (3)	USA	100%
Camec (Provincial) Limited (1)	Great Britain	100%
Camec (Scotland) Limited (1)	Great Britain	100%
Camec (Southern) Limited (1)	Great Britain	100%
Camec (Western) Limited (1)	Great Britain	100%
Camec Limited (1)	Great Britain	100%
Cellpoint Investments Limited (10)	Cyprus	100%
City Tote Limited (1)	Great Britain	100%
Cleveley House Limited (7)	Guernsey	100%
Computerized Bookmaking Systems, Inc. (3)	USA	100%
Concession Bookmakers Limited (1)	Great Britain	100%
Daniel McLaren Limited (1)	Great Britain	100%
Dawcar Limited (1)	Great Britain	100%
Deluxe Online Limited (1)	Great Britain	100%
Demmy Investments Limited (1)	Great Britain	100%
Deviceguide Limited (1)	Great Britain	100%
Douglas Tyler Limited (1)	Great Britain	100%
Eclipse Bookmakers Limited (1)	Great Britain	100%
Evenmedia Limited (1)	Great Britain	100%
Eventip Limited (1)	Great Britain	100%
Fred Parkinson Management Limited (1)	Great Britain	100%

Held through intermediate companies

Name of subsidiary and other related undertakings	Country of incorporation	% holding
Gearnet Limited (1)	Great Britain	100%
Goodfigure Limited (1)	Great Britain	100%
Grand Parade Limited (1)	Great Britain	100%
Grand Parade sp. z o.o (17)	Poland	100%
Groatbray Limited (1)	Great Britain	100%
Gus Carter (Cash) Limited (1)	Great Britain	100%
Gus Carter Limited (1)	Great Britain	100%
Ivy Lodge Limited (7)	Guernsey	100%
James Lane (Bookmaker) Limited (1)	Great Britain	100%
James Lane Group Limited (1)	Great Britain	100%
James Lane (Turf Accountants) Limited (1)	Great Britain	100%
Laystall Limited (1)	Great Britain	100%
Les Rosiers Limited (7)	Guernsey	100%
Matsbest Limited (1)	Great Britain	100%
Matsdom Limited (1)	Great Britain	100%
Matsgood Limited (1)	Great Britain	100%
Nalim Limited (1)	Great Britain	100%
Pandashield Limited (1)	Great Britain	100%
Phonethread Limited (1)	Great Britain	100%
Premier Bookmakers Limited (1)	Great Britain	100%
Regency Bookmakers (Midlands) Limited (1)	Great Britain	100%
Regionmodel Limited (1)	Great Britain	100%
Selwyn Demmy (Racing) Limited (1)	Great Britain	100%
Sherman Racing (Western) Limited (1)	Great Britain	100%
St James Place Limited (7)	Guernsey	100%
T H Jennings (Harlow Pools) Limited (1)	Great Britain	100%
The Sporting Club and Investment Company of Ireland Limited (6)	Ireland	100%
The William Hill Foundation (1)	Great Britain	100%
Trackcycle Limited (1)	Great Britain	100%
Transdawn Limited (1)	Great Britain	100%
Vickers Bookmakers Limited (1)	Great Britain	100%
Vynplex Limited (1)	Great Britain	100%
WHG Customer Services Philippines, Inc. (8)	Philippines	100%
WHG IP Licensing Limited (2)	Gibraltar	100%
WHG Italia S.R.L (15)	Italy	100%
WHG Online Marketing Spain S.A. (14)	Spain	100%
WHG Services (Philippines) Ltd (8)	Philippines	100%
WHG Services Estonia OU (12)	Estonia	100%

14. Subsidiaries and other related undertakings continued

Held through intermediate companies

Name of subsidiary and other related undertakings	Country of incorporation	% holding
WHG Services Limited [1]	Great Britain	100%
WHG Trading Limited [2]	Gibraltar	100%
WHG (International) Limited [2]	Gibraltar	100%
WHG Services (Bulgaria) Limited EOOD [11]	Bulgaria	100%
WHG Spain PLC [2]	Gibraltar	100%
WHG-IP Partnership [2]	Gibraltar	100%
Will Hill Limited [1]	Great Britain	100%
William Hill (Alba) Limited [20]	Great Britain	100%
William Hill (Caledonian) Limited [20]	Great Britain	100%
William Hill (Course) Limited [1]	Great Britain	100%
William Hill (Edgeware Road) Limited [1]	Great Britain	100%
William Hill (Effects) Limited [1]	Great Britain	100%
William Hill (Essex) Limited [1]	Great Britain	100%
William Hill (Football) Limited [1]	Great Britain	100%
William Hill (Goods) Limited [1]	Great Britain	100%
William Hill (Grampian) Limited [20]	Great Britain	100%
William Hill (IOM) No.3 Limited [5]	Isle of Man	100%
William Hill (London) Limited [1]	Great Britain	100%
William Hill (Malta) Limited [13]	Malta	100%
William Hill (Midlands) Limited [1]	Great Britain	100%
William Hill (North Eastern) Limited [1]	Great Britain	100%
William Hill (North Western) Limited [1]	Great Britain	100%
William Hill (Northern) Limited [1]	Great Britain	100%
William Hill (Products) Limited [1]	Great Britain	100%
William Hill (Resources) Limited [1]	Great Britain	100%
William Hill (Scotland) Limited [20]	Great Britain	100%
William Hill (Southern) Limited [1]	Great Britain	100%
William Hill (Stock) Limited [1]	Great Britain	100%
William Hill (Strathclyde) Limited [20]	Great Britain	100%
William Hill (Supplies) Limited [1]	Great Britain	100%
William Hill (Wares) Limited [1]	Great Britain	100%
William Hill (Western) Limited [1]	Great Britain	100%
William Hill Bookmakers (Ireland) Limited [6]	Ireland	100%
William Hill Call Centre Limited [6]	Ireland	100%
William Hill Credit Limited [1]	Great Britain	100%
William Hill DFSB Inc. [3]	USA	100%
William Hill Employee Shares Trustee Limited [1]	Great Britain	100%
William Hill Finance Limited [1]	Great Britain	100%
William Hill Index (London) Limited [1]	Great Britain	100%
William Hill Investments Limited [1]	Great Britain	100%
William Hill Italia S.R.L [16] (entered dissolution process in 2018)	Italy	100%
William Hill Leisure Limited [1]	Great Britain	100%
William Hill Nevada I [3]	USA	100%
William Hill Nevada II [3]	USA	100%
William Hill New Jersey, Inc. [3]	USA	100%

Held through intermediate companies

Name of subsidiary and other related undertakings	Country of incorporation	% holding
William Hill Offshore Limited [6]	Ireland	100%
William Hill Organization Limited [1]	Great Britain	100%
William Hill Steeplechase Limited [2]	Gibraltar	100%
William Hill Trustee Limited [1]	Great Britain	100%
William Hill US Holdco, Inc. [3]	USA	100%
Willstan (I.O.M) Limited [5]	Isle of Man	100%
Willstan Limited [21]	Northern Ireland	100%
Willstan Properties Limited [21]	Northern Ireland	100%
Willstan Racing (Ireland) Limited [6]	Ireland	100%
Willstan Racing Holdings Limited [1]	Great Britain	100%
Willstan Racing Limited [1]	Great Britain	100%
Windsors (Sporting Investments) Limited [1]	Great Britain	100%
Winning Post Racing Limited [1]	Great Britain	100%
Sports Information Services (Holdings) Limited [19]	Great Britain	19.5%
NeoGames S.a.r.l [22]	Luxembourg	30.9%
49's Limited [18]	Great Britain	33%
Lucky Choice Limited [18]	Great Britain	33%

The proportion of voting rights held is the same as the proportion of shares held.

The registered addresses of the locations of the Group's undertakings are as follows:

(1) Great Britain: 1 Bedford Avenue, London, WC1B 3AU
(2) Gibraltar: 6/1 Waterport Place, Gibraltar
(3) USA: 6325 S. Rainbow Blvd, Suite 100, Las Vegas NV 89118, United States
(4) Jersey: PO Box 384, 6 Hilgrove Street, St Helier, Jersey, Channel Islands
(5) Isle of Man: First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF
(6) Ireland: 39/40 Upper Mount Street, Dublin 2, Republic of Ireland
(7) Guernsey: Quay House, South Esplanade, St Peter Port, Guernsey, GY1 4EJ
(8) Philippines: 11th Floor, Net Lima Plaza, 5th Avenue, corner 26th St, Crescent Park West, Bonifacio Global City, Taguig City, Philippines
(9) Israel: Azrielli Square Tower, floors 31&32 132 Menachim Begin Road, Tel Aviv, 67011, Israel
(10) Cyprus: Athiniodorous, 2003 Nicosia, Cyprus
(11) Bulgaria: 115-L Tsarigradsilo Shosse Blvd, European Trade Center, Building C, Floor 5
(12) Estonia: Maakri tn 23a 10145, Talinn Linn, Harju Maakond, Republic of Estonia
(13) Malta: No. 217 Suite 4, 21st September Avenue, Naxxar, Malta
(14) Spain: Zurabaran, numero 9, Local Derecha, Madrid
(15) Italy: Via San Giovanni, Sul Muro 18 Milano, Milan, Italy
(16) Italy: Piazza di Monte Citoria,115 00186,Rome,Italy
(17) Poland: Ul. Prądnicka 20a 30-002 Kraków
(18) Great Britain: Dudley House, 169 Piccadilly, W1J 9EH
(19) Great Britain: Whitehall Avenue, Milton Keynes, MK10 0AX
(20) Great Britain: 44 St Enoch Square, Glasgow G1 4DH
(21) Northern Ireland: 369 Newtownards Road, Belfast BT4 1AJ
(22) Luxembourg: 1 Schuttrange, Luxembourg

15. Interests in associates

The Group holds interests in four associated undertakings at an aggregate value of £23.3m (26 December 2017: £28.6m).

The Group uses the equity method of accounting for associates. The following table shows the aggregate movement in the Group's interests in associates:

	£m
At 26 December 2017	28.6
Share of results before interest and taxation	3.5
Share of interest	(0.5)
Share of taxation	(0.5)
Dividend received	(7.8)
At 1 January 2019	**23.3**

SIS

At 1 January 2019, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (26 December 2017: 19.5%) of the ordinary share capital of Sports Information Services (Holdings) Limited (SIS), a company incorporated in Great Britain. The Group is able to exert significant influence over SIS by way of its 19.5% holding and its seat on the Board of directors.

The SIS group of companies provides real time, pre-event information and results, as well as live coverage of horseracing, greyhound racing and other sporting activities and events via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The results recognised are based on statutory accounts to March 2018 and management accounts thereafter.

The following financial information relates to SIS as at and for the 53 weeks ended 1 January 2019:

	1 January 2019 £m	26 December 2017 £m
Total assets	**96.1**	140.4
Total liabilities	**(36.1)**	(60.5)
Total revenue	**231.0**	204.0
Total profit after tax	**19.3**	10.6

NeoGames

On 7 August 2015, William Hill Organization Limited acquired 30.9% of the ordinary share capital of NeoGames S.a.r.l (NeoGames), a company incorporated in Luxembourg, for a total cash consideration of US$25.0m. The Group is able to exert influence over NeoGames by way of its equity holding and its nominated representative on the Board of directors. As part of the acquisition, William Hill Organization Limited has an option to acquire the remaining share capital in either 2019 or 2021. The option is exercisable at the full discretion of William Hill and the price payable will be determined at the time of exercise on the basis of NeoGames's financial performance. Should the option not be exercised, other shareholders in NeoGames have the option to repurchase our stake under the same valuation mechanism. No initial value was recognised in respect of these options at acquisition and the fair value of these options was £nil at 1 January 2019 (26 December 2017: £nil). The Group does not intend to exercise the option in 2019.

The Group has made available a $15m loan facility to NeoGames which can be drawn down piecemeal on request and which attracts compound interest at varying rates on each drawn down amount (note 34).

NeoGames is a leading iLottery software and service provider to lotteries worldwide, including in Europe and the US.

The following financial information relates to NeoGames as at and for the 53 weeks ended 1 January 2019:

	1 January 2019 £m	26 December 2017 £m
Total assets	**15.1**	12.6
Total liabilities	**(17.2)**	(9.6)
Total revenue	**16.8**	12.6
Total loss after tax	**4.6**	5.6

Lucky Choice Limited and 49's Limited

William Hill Organization Limited also holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. In the opinion of the directors, the results of these companies are not material to the results of the Group. Consequently, the investments have been stated at cost and have not been accounted for under the equity method, which would normally be appropriate for an associated undertaking. A dividend of £0.4m was received from 49's Limited which was recognised within share of results of associates (note 4).

16. Investments

Mr Green & Co AB

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

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

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

Since the period end of 1 January 2019, the Group's offer to the shareholders in MRG has now been accepted to such extent that William Hill controls approximately 98.5 per cent of the shares and votes in MRG. Further details are given in note 36.

Featurespace Limited

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

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

Disposal of investment in NYX

On 7 December 2017, the Group reached an agreement with Scientific Games Corporation (SGC) to unconditionally support SGC's acquisition of NYX. In connection with the acquisition, SGC agreed to acquire the Group's investments in NYX of redeemable convertible preference shares for £87.9m and the ordinary shares at the acquisition price of $2.40 CAD per share (£9.6m). The transfer of the investments, and receipt of consideration, was completed on 5 January 2018. At the same time, a loan made available to NYX of £3.2m was repaid. The categories of financial assets disposed of consist of loans receivable of £49.4m, derivative financial instruments of £42.0m and investments of £9.3m, (see note 16 to the financial statements in the 2017 Annual Report for more information).

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

17. Sale of Australian operations

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

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

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

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17. Sale of Australian operations continued

Results of discontinued operations:

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

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

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

Earnings/(loss) per share from discontinued operations:

	1 January 2019	26 December 2017
Basic earnings/(loss) per share (pence) (note 11)	0.4	(26.3)
Diluted earnings/(loss) per share (pence) (note 11)	0.4	(26.3)

Net cash flows (used in)/from discontinued operations:

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

18. Trade and other receivables

Trade and other receivables comprise:

	1 January 2019 £m	26 December 2017 £m
Trade receivables	7.8	17.9
Other receivables	6.0	9.4
Prepayments	47.9	45.6
	61.7	72.9

Trade receivables are stated at their gross receivable value as reduced by appropriate allowances for estimated irrecoverable amounts. During the course of the current and previous financial period, there have been no material bad debt expenses and the Group holds provisions for bad or doubtful debt of £0.2m as at 1 January 2019 (26 December 2017: £4.1m).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

19. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term bank deposits held by the Group with an original maturity of three months or less. In total the Group has £510.5m in cash and cash equivalents (26 December 2017: £317.0m). The carrying amount of these assets approximates their fair value.

Cash and cash equivalents include:

	1 January 2019 £m	26 December 2017 £m
Cash and cash equivalents	510.5	317.0
Less:		
Client funds held in Online[1]	(66.4)	(67.1)
Client funds held in Australia[1]	–	(18.1)
Restricted funds held in US[2]	(18.8)	(15.0)
Restricted deposits in respect of Spanish and Italian regulatory requirements	(4.5)	(3.3)
Cash (excluding customer balances and restricted cash)[3]	420.8	213.5

1 Client funds held are entirely matched by liabilities of an equal value. The client funds held in Australia were disposed of in the sale of Australia operations (note 17).

2 Restricted funds held in the US cannot be withdrawn without approval from the local regulator and match or exceed betting and customer liabilities.

3 Cash (excluding customer balances and restricted cash) represents the cash available to the Group used in the calculation of net debt for covenant purposes (note 24).

20. Investment property

The Group owns two residential investment properties in Guernsey (26 December 2017: four), which are classified as held for sale at 1 January 2019, consistently with 26 December 2017. These assets are presented within current assets.

During the period, two residential investment properties were disposed of for a combined total of £1.7m. A loss on disposal of £0.1m was recognised in the period.

The remaining properties are held at a fair value of £1.7m (26 December 2017: £3.5m), based upon estimates of current market prices advised by independent estate agents at 1 January 2019. Fair value movements during the period of £0.1m have been charged to the Consolidated Income Statement (52 weeks ended 26 December 2017: £nil).

21. Trade and other payables

Trade and other payables comprise:

	1 January 2019 £m	26 December 2017 £m
Trade payables	113.1	125.4
Other payables	8.3	7.5
Taxation and social security	101.1	126.9
Accruals	164.8	184.6
	387.3	444.4

The average credit period taken for trade purchases is 13 days (period ended 26 December 2017: 15 days).

The directors consider that the carrying amount of trade payables approximates their fair value.

Included in trade payables is an amount of £77.1m (26 December 2017: £91.5m) in respect of amounts due to clients, representing deposits received and customer winnings. This is offset by an equivalent or greater amount of cash held, which is included in cash and cash equivalents.

22. Provisions

Provisions comprise:

	Property £m	Restructure costs £m	Onerous contract £m	Total £m
As at 26 December 2017	7.8	–	3.3	11.1
Charged/(credited) to profit or loss				
Additional provisions recognised	2.2	0.9	–	3.1
Unused amounts reversed	(0.8)	–	–	(0.8)
Total charged/(credited) to profit or loss	9.2	0.9	3.3	13.4
Provisions utilised	(1.8)	–	(3.3)	(5.1)
As at 1 January 2019	**7.4**	**0.9**	**–**	**8.3**

Property

The Group has property provisions relating to costs for LBOs that have ceased to trade.

Restructuring

As part of the transformation programme restructuring (note 3) the Group recognised certain provisions for staff severance. These costs were fully provided for in the period.

23. Borrowings

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

23. Borrowings continued

Bank facilities

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

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

£390m Revolving Credit Facility

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

Borrowings under the facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (note 24). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

Overdraft facility

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

Corporate bonds

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

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

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

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

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

Weighted average interest rates

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

	53 weeks ended 1 January 2019 %	52 weeks ended 26 December 2017 %
2023 bond	5.0	4.9
2020 bond	4.3	4.3
Bank loans	n/a	n/a

Where a bank facility has only been used for short periods, we have not calculated a weighted average interest rate as this is not a useful indication of our cost of debt.

Fair value of loans and facilities

The Company's £375m 4.25% Guaranteed Notes due 2020 are listed on the London Stock Exchange and at the period end date their fair value was £374.3m (26 December 2017: £394.5m).

The Company's £350m 4.875% Guaranteed Notes due 2023 are listed on the London Stock Exchange and at the period end date their fair value was £348.3m (26 December 2016: £365.3m).

24. Financial risk management

The Group's activities expose it to a variety of financial risks. Financial risk management is primarily carried out by the Group Treasurer under risk management policies approved by the Board of Directors and supervised by the CFO. The Board approves written principles for risk management, as described in the Strategic Report on page 57. The principal financial risks faced by the Group comprise liquidity risk, financing risk, credit risk, interest rate risk, currency risk and pensions risk. These risks are managed as described below.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds available to settle its liabilities as they fall due. The Group's business generates strong operating cash flows and the Group aims to maintain sufficient cash balances to meet its anticipated working capital requirements based on regularly updated cash flow forecasts. Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Group's RCF. The Group maintains adequate committed but undrawn facilities to meet such requirements. Details of the Group's borrowing arrangements are provided in note 23.

The table below details the Group's expected maturity for its derivative and non-derivative financial liabilities. The table has been drawn up on the undiscounted contractual maturities of the financial instruments including interest that will be receivable or payable on them. Where applicable, interest payments in respect of the floating rate liabilities are estimated based on the one-month sterling LIBOR rate at the period end date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Total £m
1 January 2019					
2020 bond including interest	**15.9**	**381.8**	**–**	**–**	**397.7**
2023 bond including interest	**17.1**	**17.1**	**395.9**	**–**	**430.1**
Bank loans including interest[1]	**1.9**	**1.9**	**5.2**	**–**	**9.0**
Other financial liabilities	**243.0**	**–**	**–**	**–**	**243.0**
Total	**277.9**	**400.8**	**401.1**	**–**	**1,079.8**
26 December 2017					
2020 bond including interest	15.9	15.9	381.8	–	413.6
2023 bond including interest	17.1	17.1	51.2	361.8	447.2
Bank loans including interest[1]	2.7	1.1	–	–	3.8
Other financial liabilities	282.6	–	–	–	282.6
Total	318.3	34.1	433.0	361.8	1,147.2

1 Bank loan interest includes commitment fees payable on the undrawn portion of the RCF.

24. Financial risk management continued

Capital management and financing risk

The Group seeks to maintain an appropriate capital structure which enables it to continue as a going concern, supports its business strategy and takes into account the wider economic environment. The Group's capital comprises equity and debt finance and these elements are managed to balance the requirements of the business and the interests of shareholders and debt stakeholders. The Group manages its capital structure through cash flows from operations, returns to shareholders in the form of dividends and share buybacks, the raising or repayment of debt and the raising of equity capital from investors.

Financing risk is the risk that the Group is unable to access sufficient finance to refinance its debt obligations as they fall due. The Group manages this risk by maintaining a balance between different funding sources including equity and debt. It seeks to mitigate its debt financing risk by diversifying its sources of loan finance. The bank loan and corporate bond markets are currently used for this purpose. The Board also seeks to mitigate the Group's refinancing risk by having an appropriately balanced debt maturity profile.

Net debt to EBITDA ratio

The Group assesses its debt capital structure primarily through use of the net debt to EBITDA ratio. As one of the financial covenants under its bank loan facility, the Group must ensure that its net debt to rolling 12-month EBITDA does not exceed 3.5 times. Based on current forecasts, the Group expects to operate within these covenant limits throughout the lifetime of the facility.

Net debt for covenant purposes and EBITDA for covenant purposes are not statutory measures and may differ from loan covenant measures as used by other companies.

The net debt to EBITDA ratio was:

	1 January 2019 £m	26 December 2017 £m
Nominal value of bank loans	–	–
Nominal value of corporate bonds	725.0	725.0
Counter indemnity obligations under bank guarantees	3.9	3.7
Cash (excluding customer balances and other restricted cash) (note 19)	(420.8)	(213.5)
Net debt for covenant purposes	308.1	515.2
EBITDA for covenant purposes (see table below)	312.7	351.3
Net debt to EBITDA ratio	**1.0**	1.5

EBITDA for covenant purposes is adjusted profit before depreciation, amortisation, interest, tax and share-based payments for continuing operations, and is calculated as follows:

	1 January 2019 £m	26 December 2017 £m
Adjusted profit before interest and tax	233.6	273.8
Depreciation	24.5	28.9
Amortisation of intangible assets	49.1	43.4
Share-based payments	5.5	5.2
EBITDA for covenant purposes	**312.7**	351.3

Credit risk

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss to the Group. It arises in relation to transactions with commercial counterparties and to transactions with financial institutions with which the Group deposits its surplus funds and from counterparties with which the Group has entered into derivative financial transactions for hedging purposes. It also arises from customers who have been granted credit with which to bet with the Group.

The Group manages its financial counterparty credit risk by limiting or otherwise closely monitoring the amount that can be deposited with any one institution and by restricting the counterparties with which it will deposit funds to institutions with specified minimum credit ratings or which meet specified criteria. The Group's policy is to mitigate its credit risk with respect to derivative transactions by using a number of different counterparties for material transactions.

24. Financial risk management continued

Interest rate risk

Interest rate risk arises from the Group's borrowings. Protecting Group earnings from rising interest rates is predominantly achieved by fixing the interest costs on a significant proportion of the Group's debt.

Current treasury policy stipulates that at least 70% of the Group's debt should be at fixed rates. At 1 January 2019, all of the Group's borrowings were at fixed rates.

The Group also earns investment income from deposits held at financial institutions. Based on the current level of variable interest bearing deposits and borrowing facilities, a 100 basis points change in interest rates would have the following impact on the Group financial statements:

	Increase of 100 basis points £m	Decrease of 100 basis points £m
Increase/(decrease) in profit	5.5	(2.3)
Increase/(decrease) in equity reserves	5.5	(2.3)

The directors have used a 100 basis points change in interest rates as we assess that this best illustrates the impact of plausible changes in interest rates on the Group's performance and financial position.

Currency risk

The Group earns revenues in foreign currencies, primarily Euros and US Dollars, which exposes it to foreign exchange risk. The Group mitigates this risk by incurring costs in currencies matching its revenues. Any remaining transactional foreign currency exposure is not considered to be material and is not hedged. Material individual foreign currency transaction exposures are considered for hedging on an ad hoc basis. As at 1 January 2019, the Group had no derivative contracts for currency hedging purposes (26 December 2017: £nil).

The Group is also exposed to foreign currency accounting translation risk on the earnings and net assets of its overseas operations which are denominated in foreign currencies. The Group does not hedge such translation risk.

Revenue by currency

Revenue by currency for continuing operations is analysed below:

	53 weeks ended 1 January 2019 %	52 weeks ended 26 December 2017 %
Sterling	**85.1**	87.6
US dollar	**6.8**	4.6
Euro	**6.9**	6.5
Australian dollar	**0.2**	0.4
Other currencies	**1.0**	0.9
Total	**100.0**	100.0

Pensions risk

The Group operates defined benefit and defined contribution pension schemes for its employees. Pensions risk arises in respect of the defined benefit scheme where the cost of funding retirement benefits ultimately falls upon the Group. The last triennial actuarial valuation as at 30 September 2016 showed a funding surplus on the defined benefit scheme of £1.5m. The Group has agreed to pay £8.8m per annum towards ongoing funding requirements until December 2019. In addition it contributes £1.9m per annum towards the cost of insured death benefits and other administrative expenses of running the scheme.

The Group seeks to manage the cash flow impact arising from pensions risk. Accordingly, the defined benefit scheme was closed to new entrants in 2002 and was restricted as to future accrual from April 2011. The Group attempts to further manage its exposure by agreeing with the Pension Scheme Trustees the assumptions to be used to calculate the scheme liabilities, the investment strategy to be followed and any cash contributions to be made by the Group.

25. Financial instruments

The carrying value of the Group's financial instruments by category, as defined by IAS 39, (together with non-financial instruments for reconciling purposes) is analysed as follows:

	1 January 2019 £m	26 December 2017 £m
Fair Value through the Income Statement		
Non-current derivative financial instruments	–	42.0
Loans and receivables		
Cash and cash equivalents (note 19)	510.5	317.0
Trade and other receivables (note 18)	13.8	27.3
Loans receivable (note 34)	4.8	49.4
Available for sale		
Investments (note 16)	21.4	9.4
Total financial assets	550.5	445.1
Non-financial assets	961.2	1,916.9
Total assets	1,511.7	2,362.0
Fair Value through the Income Statement		
Held for trading (ante post bets) (note 26)	(14.9)	(14.1)
Liabilities at amortised cost		
Borrowings (note 23)	(719.7)	(720.5)
Trade and other payables	(228.1)	(268.2)
Total financial liabilities	(962.7)	(1,002.8)
Non-financial liabilities	(250.1)	(296.5)
Total liabilities	(1,212.8)	(1,299.3)
Net assets	298.9	1,062.7

The directors believe that, owing to the nature of the Group's non-derivative financial instruments, the carrying value equates to the fair value, apart from borrowings where the fair value is disclosed in note 23.

Fair value hierarchy

The hierarchy (as defined in IFRS 13) of the Group's financial instruments carried at fair value was as follows:

	1 January 2019				26 December 2017			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets/(liabilities) held at fair value								
Ante post bet liabilities (note 26)	–	–	(14.9)	(14.9)	–	–	(14.1)	(14.1)
Mr Green (note 16)	19.2	–	–	19.2	–	–	–	–
Featurespace (note 16)	–	2.1	–	2.1	–	–	–	–
NYX – Ordinary Shares	–	–	–	–	9.3	–	–	9.3
NYX – Convertible element of Convertible Notes	–	–	–	–	–	–	41.7	41.7
NYX – Warrants	–	–	–	–	–	–	0.3	0.3
Total	19.2	2.1	(14.9)	6.4	9.3	–	27.9	37.2

A reconciliation of movements on level 3 instruments is provided in the table below.

	NYX convertible element £m	NYX warrants £m	Ante post bet liabilities £m
At 26 December 2017	41.7	0.3	(14.1)
Total gains/(losses):			
In profit or loss	–	–	(0.3)
Net settlements	–	–	(0.5)
Disposals	(41.7)	(0.3)	–
At 1 January 2019	–	–	(14.9)

26. Derivative financial instruments

Ante post bets

Ante post bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Ante post bets at the period end totalled £14.9m (26 December 2017: £14.1m) and are classified as current liabilities.

Ante post bet liabilities are valued using methods and inputs that are not based upon observable market data and all fair value movements are recognised in revenue in the Income Statement. Although the final value will be determined by future betting outcomes, there are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined. The principal assumptions relate to the Group's historic gross win margins by betting markets and segments. Although these margins vary across markets and segments, they are expected to stay broadly consistent over time, only varying in the short-term. The gross win margins are reviewed annually at period end. As at 1 January 2019, the gross win margins ranged from 2%-25%.

27. Deferred tax

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current period:

	At 26 December 2017 £m	Disposals £m	Amount (charged) to reserves £m	Amount credited/ (charged) to income £m	Amount credited to Other Comprehensive Income £m	**At 1 January 2019 £m**
Fixed asset timing differences	(3.0)	3.5	–	6.9	–	**7.4**
Held over gains	(0.1)	–	–	0.1	–	**–**
Retirement benefit obligations	(10.0)	–	–	(1.6)	4.7	**(6.9)**
Licences and other intangibles	(81.9)	0.7	–	25.9	–	**(55.3)**
Other timing differences	3.9	(3.7)	–	–	–	**0.2**
Share remuneration	2.2	–	(1.6)	(0.2)	–	**0.4**
Tax losses	0.7	–	–	1.6	–	**2.3**
	(88.2)	0.5	(1.6)	32.7	4.7	**(51.9)**

The enacted future rate of UK corporation tax of 17% (52 weeks ended 26 December 2017: 17%), the Gibraltar statutory income tax rate of 10% (52 weeks ended 26 December 2017: 10%) and the US corporate tax rate of 21% (52 weeks ended 26 December 2017: 21%) have been used to calculate the amount of deferred tax.

The Group has recognised £11.9m of deferred tax assets, including £2.3m of losses, which have been recognised as the losses are in companies which are anticipated to make future profits. The Group has no material unrecognised deferred tax assets.

Certain deferred tax assets and liabilities have been offset in the above analysis. The deferred tax asset for fixed asset timing differences of £7.4m includes deferred tax assets of £8.6m, partially offset by deferred tax liabilities of £1.2m in other tax jurisdictions. The following is the analysis of the deferred tax balances:

	1 January 2019 £m	26 December 2017 £m
Deferred tax liabilities	**(63.8)**	(100.9)
Deferred tax assets	**11.9**	12.7
	(51.9)	(88.2)

28. Called-up share capital

	1 January 2019		26 December 2017	
	Number of shares	£m	Number of shares	£m
Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:				
At start of period	887,295,272	88.7	887,251,884	88.7
Shares issued	–	–	43,388	–
At end of period	887,295,272	88.7	887,295,272	88.7

The Company has one class of ordinary shares, which carry no right to fixed income.

29. Own shares

	£m
At 26 December 2017	(97.0)
Purchase and issue of own shares	–
Transfer of own shares to recipients	9.0
At 1 January 2019	(88.0)

Own shares held comprise:

	1 January 2019			26 December 2017		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust	544,387	0.1	1.8	1,185,009	0.1	3.3
Treasury shares	26,682,615	2.6	86.2	28,913,092	2.9	93.7
	27,227,002	2.7	88.0	30,098,101	3.0	97.0

The shares held either in treasury or in the William Hill Holdings Employee Benefit Trust (EBT) were purchased at a weighted average price of £3.22 (26 December 2017: £3.22).

Further to the shareholders' resolution of the Company passed at the AGM held on 8 May 2018, the Company did not purchase any of its own shares during the period (26 December 2017: nil). The shares previously acquired under the share repurchase programme are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 8 May 2018, to purchase up to a maximum of 85,888,268 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and
- the amount stipulated by Article 5(6) of the Market Abuse Regulation (Exemption for buy-back programmes and stabilisation).

The authority conferred, unless varied, revoked or renewed prior to such time, expires at the earlier of the conclusion of the next AGM of the Company or on 30 June 2019.

30. Notes to the cash flow statement

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

The following is a reconciliation of liabilities arising from financing activities:

	1 January 2019 £m	26 December 2017 £m
Total liabilities from financing activities at the beginning of the period	720.5	718.6
Cash flows	(3.1)	–
Other non-cash movements	2.3	1.9
Foreign exchange movements	–	–
Total liabilities from financing activities at the end of the period	719.7	720.5

31. Operating lease arrangements

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Minimum lease payments under operating leases recognised as an expense in the period:		
Plant and machinery	2.7	0.7
Other (including land and buildings)	69.5	65.6
	72.2	66.3

31. Operating lease arrangements continued

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	1 January 2019 £m	26 December 2017 £m
Within one year	61.9	51.6
In the second to fifth years inclusive	128.0	163.0
After five years	39.0	147.9
	228.9	362.5

Operating lease payments represent rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment.

Due to the result of the Triennial Review and the expected future LBO shop closures, the Group has reassessed its outstanding future minimum lease payments. The Group's committed future minimum lease payments has been revised from the committed payments up to the lease end date to the lease end date or an earlier lease termination option date.

32. Share-based payments

The Group had the following share-based payment schemes in operation during the period, all of which will be settled by equity:

– Performance Share Plan (PSP), Executive Bonus Matching Scheme (EBMS), Restricted Share Plan (RSP) and Retention Awards (RA), encompassing awards made in the years from 2015 to 2018; and
– Save As You Earn (SAYE) share option schemes encompassing grants made in the years from 2013 to 2018.

Details of these schemes are provided on pages 87 to 105 in the directors' Remuneration Report and below.

Costs of schemes

The costs of the schemes during the period, excluding accrued social security costs, were:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
PSP, EBMS, RSP and RA	4.3	3.9
SAYE schemes	1.2	1.3
	5.5	5.2

PSP, EBMS, RSP and RA

The PSP provides conditional awards of shares dependent on the Group's Adjusted EPS growth, total shareholder return (TSR) performance and certain business performance measures over a three or four-year period as well as continued employment of the individual at the date of vesting (awards are usually forfeited if the employee leaves the Group voluntarily before the awards vest). EBMS shares are partly deferred shares conditional on continued employment of the individual at the date of vesting and partly share awards dependent on the Group's EPS growth as well as continued employment at the date of vesting. EBMS awards must be exercised within one month from their vesting date, which is three years after their grant date. If PSP options remain unexercised after a period of ten years from the date of grant, the options lapse.

The RSP and RA are deferred grants of shares contingent upon continued employment.

The PSP, EBMS, RSP and RA are conditional awards of shares and the recipients do not have to pay an exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £3.11 (52 weeks ended 26 December 2017: £2.60). The awards outstanding at 1 January 2019 had a remaining weighted average contractual life of 7.2 years (26 December 2017: 5.7 years).

Options under these schemes are as follows:

	1 January 2019 Number	26 December 2017 Number
Outstanding at beginning of the period	9,504,531	7,680,711
Granted during the period	3,622,562	3,769,628
Forfeited during the period	(1,842,349)	(1,530,260)
Exercised during the period	(2,167,167)	(415,548)
Outstanding at the end of the period	9,117,577	9,504,531
Exercisable at the end of the period	–	–

32. Share-based payments continued

SAYE schemes

Options under the SAYE schemes, which are open to all eligible employees, are based on a two, three, or five-year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

The exercise prices for the 2013, 2014, 2015, 2016, 2017 and 2018 SAYE schemes were £3.12, £2.73, £3.03, £2.64, £1.96 and £2.01 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £3.23 (52 weeks ended 26 December 2017: £2.89). The options outstanding at 1 January 2019 had a remaining weighted average contractual life of 2.6 years (26 December 2017: 2.7 years).

Options under these schemes are as follows:

	1 January 2019		26 December 2017	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	**10,049,039**	**2.28**	8,491,795	2.76
Granted during the period	**3,629,606**	**2.01**	6,210,902	1.96
Forfeited during the period	**(3,580,404)**	**2.32**	(4,014,404)	2.79
Exercised during the period	**(501,493)**	**2.59**	(639,254)	2.31
Outstanding at the end of the period	**9,596,748**	**2.14**	10,049,039	2.28
Exercisable at the end of the period	**728,699**	**3.04**	1,155,609	2.67

Fair values of share-based payments

Share-based payments are valued using the Black-Scholes-Merton pricing formula. The inputs are as follows:

	SAYE		PSP, EBMS, RSP, RA	
	1 January 2019	26 December 2017	1 January 2019	26 December 2017
Weighted average share price at date of grant	**£2.50**	£2.45	**£2.65**	£2.67
Weighted average exercise price	**£2.01**	£1.96	**£nil**	£nil
Expected volatility	**31%**	27%	**31%**	27%
Expected life	**3-5 years**	3-5 years	**1-3 years**	1-3 years
Risk free interest rate	**1.2%**	0.3%	**1.2%**	0.3%
Expected dividend yield	**4.1%**	3.6%	**4.1%**	3.6%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For PSP, the value of the option has also been adjusted to take into account the market conditions applicable to the option (i.e., TSR requirements) by applying a discount to the option value.

This discount is calculated based on an estimate of the probability of achieving the relevant condition and was 25% for the 53 weeks ended 1 January 2019 (52 weeks ended 26 December 2017: 25%).

The weighted average fair value of the awards granted under the PSP, EBMS, RSP and RA schemes at the date of grant was £2.90 per option (26 December 2017: £2.71). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.54 per option (52 weeks ended 26 December 2017: £0.52).

33. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes. The UK schemes are operated under a single trust and the assets of all the schemes are held separately from those of the Group in funds under the control of trustees.

The respective costs of these schemes are as follows:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Defined contribution schemes (charged to profit before interest and tax)	10.0	10.6
Defined benefit scheme (charged to profit before interest and tax)	2.2	1.8
Defined benefit scheme (credited to investment income)	(1.5)	(0.5)
Defined benefit scheme (charged/(credited) to other comprehensive income)	27.3	(33.0)
	38.0	(21.1)

Defined contribution schemes

The defined contribution schemes, to which both the Group and employees contribute to fund the benefits, are available for all eligible employees. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to income in respect of these schemes represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes. At 1 January 2019, contributions of £0.5m (26 December 2017: £0.8m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group also operates a defined benefit scheme in the UK for eligible employees which closed to new members in 2002. Under the scheme, employees are entitled to retirement benefits varying between 1.67% and 3.33% of final pensionable pay for each year of service on attainment of a retirement age of 63. With effect from 1 April 2011, the defined benefit scheme was closed to future accrual but maintains the link for benefits accrued up to 31 March 2011 with future salary increases (up to a maximum of 5% per annum). Employed members of this scheme were automatically transferred into one of the defined contribution schemes. The Group makes a contribution towards the costs of administering the scheme.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2016 and updated to 1 January 2019 by a qualified independent actuary. The present values of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

Guaranteed minimum pensions (GMP)

Following the judgement in the Lloyds case on 26 October 2018, the need to equalise for the effect of differences in guaranteed minimum pensions (GMPs) between males and females was made more certain and consequently an allowance for the effect of GMP equalisation has been made in the current financial period. The Scheme's Actuary has estimated that the potential GMP equalisation cost as at 1 January 2019 is £1.4m. This is included within the defined benefit obligation as at 1 January 2019 and has been recognised as a past service cost within exceptional items (note 3) in the current financial period.

Funding valuation

The general principles adopted by the Trustees for the purposes of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid and to reflect the commitments which will arise from members' accrued pension rights. The Group has agreed to pay £8.8m to the scheme towards ongoing funding requirements during 2019 plus a £1.9m contribution towards the cost of life assurance and costs of running the scheme.

The IAS 19 position of the plan, as reflected in our Statement of Financial Position, is generally expected to differ from that of the triennial funding valuation assessment. The last triennial actuarial valuation as at 30 September 2016 showed a funding surplus on the defined benefit scheme of £1.5m compared to the £40.5m in our Statement of Financial Position as at 1 January 2019. The principal reasons for this difference are the requirements for prudence in the funding valuation (which contrasts with the IAS 19 best estimate principle) and the application of a prudent estimate of asset returns in the funding valuation (which contrasts with the IAS 19 requirement to use a discount rate derived from high quality corporate bonds). We also consider the fact that the valuations are at different dates. The accounting deficit figure is calculated as at the balance sheet date of 1 January 2019, and the actuarial deficit was calculated as at 30 September 2016.

We have concluded, following professional advice, that no adjustment is required to our accounting to reflect either the recovery of the current IAS 19 surplus or a minimum funding requirement; this reflects that the Group has an unconditional right to recover that surplus in the future.

In April 2018, the Trustees of the William Hill pension scheme signed a buy-in bulk annuity policy. 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.

33. Retirement benefit schemes continued

Disclosure of principal assumptions

The financial assumptions used by the actuary in determining the present value of the defined benefit scheme's liabilities were:

	1 January 2019	26 December 2017
Rate of increase of salaries	**2.0%**	2.0%
Rate of increase of pensions in payment	**3.0%**	3.0%
Rate of increase for deferred benefits	**2.2%**	2.2%
Discount rate	**2.8%**	2.4%
Rate of RPI inflation	**3.2%**	3.2%
Rate of CPI inflation	**2.2%**	2.2%

In accordance with the relevant accounting standard, the discount rate has been determined by reference to market yields at the period end date on high-quality fixed income investments at a term consistent with the expected duration of the liabilities. Price inflation is determined by the difference between the yields on fixed and index-linked Government bonds with an adjustment to allow for differences in the demand for these bonds, which can distort this figure. The Bank of England target inflation rate has also been considered in setting this assumption. The expected rate of salary growth and pension increases are set with reference to the expected rate of inflation. No change has been made to the basis of inflation applied to pension increases in the scheme.

The mortality assumption is kept under review and has been updated. The current life expectancies for a member underlying the value of the accrued liabilities are:

Life expectancy at age 65	1 January 2019 years	26 December 2017 years
Male retiring now	**21.7**	21.8
Male retiring in 25 years' time	**23.9**	24.1
Female retiring now	**24.2**	24.2
Female retiring in 25 years' time	**26.4**	26.5

The assets in the scheme are set out in the table below. Assets with quoted prices in an active market are identified separately.

	1 January 2019 £m	26 December 2017 £m
Equities (quoted)	**–**	43.5
Corporate bonds (quoted)	**79.4**	104.2
Multi-asset fund (unquoted)	**67.6**	–
Property (unquoted)	**–**	5.2
Gilts and cash (quoted)	**5.5**	291.0
Gilts and cash (unquoted)	**101.6**	6.8
Buy-in asset	**130.8**	–
Total market value of assets	**384.9**	450.7
Present value of scheme liabilities	**(344.4)**	(392.0)
Surplus in scheme	**40.5**	58.7

The Group has recognised the scheme surplus as a non-current asset.

Analysis of the amount charged to profit before interest and tax:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Current service cost	**1.0**	0.9
Administration expenses	**1.2**	0.9
Total operating charge	**2.2**	1.8

33. Retirement benefit schemes continued

Analysis of the amounts recognised in the Consolidated Statement of Comprehensive Income:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Actual return less expected return on pension scheme assets	53.3	(14.2)
Actuarial gain arising from changes in financial assumptions	(26.5)	(18.8)
Actuarial remeasurements	26.8	(33.0)

Movements in the present value of defined benefit obligations in the current period were as follows:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
At beginning of period	392.0	415.0
Movement in period:		
Service cost	1.0	0.9
Interest cost	9.2	11.0
Remeasurements – changes in financial assumptions	(20.2)	6.7
Remeasurements – changes in demographic assumptions	(2.9)	(11.8)
Remeasurements – experience adjustments	(3.4)	(13.7)
Benefits paid	(31.7)	(15.2)
Insurance premium for risk benefits	(1.0)	(0.9)
Past service cost - scheme amendments	1.4	–
At end of period	344.4	392.0

Movements in the present value of fair value of scheme assets in the current period were as follows:

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
At beginning of period	450.7	430.5
Movement in period:		
Interest income on assets	10.7	11.5
Remeasurements – return on plan assets (excluding interest income)	(53.3)	14.2
Contributions from the sponsoring companies	10.7	11.5
Administration expenses charged to profit before interest and tax	(1.2)	(0.9)
Benefits paid	(31.7)	(15.2)
Insurance premium for risk benefits	(1.0)	(0.9)
At end of period	384.9	450.7

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivity of the present value of the scheme's liabilities to changes in the principal assumptions used to measure these liabilities is illustrated in the table that follows. The illustrations consider the single change shown, with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). In addition, changes in the assumptions may occur at the same time as changes in the market value of the scheme assets, which may or may not offset the change in assumptions.

Assumption	Changes in assumption	Impact on defined benefit liabilities
Discount rate	Decrease by 0.25% p.a.	Increase of £14.1m
Discount rate	Increase by 0.25% p.a.	Decrease of £13.6m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £8.4m
Rate of increase in inflation	Decrease by 0.25% p.a.	Decrease of £8.2m
Life expectancy	Members assumed to live one year longer	Increase of £15.2m

The sensitivity to price inflation includes the corresponding impact on CPI, revaluation in deferment and pension increases in payment. It does not include any adjustments to future salary increases.

33. Retirement benefit schemes continued

Nature and extent of the risks arising from financial instruments held by the defined benefit scheme

Pension assets and liabilities (pre-tax) of £384.9m and £344.4m respectively were held on the Group's Statement of Financial Position at 1 January 2019 (26 December 2017: £450.7m and £392.0m respectively). Through the scheme the Group is exposed to a number of potential risks as described below:

- asset volatility: the scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, in addition to corporate bonds, the scheme invests in asset classes other than corporate bonds which may out or underperform corporate bonds in the long term but provide volatility and risk in the short term;
- changes in bond yields: the risk of a decrease in bond yields, which increases the value of the scheme liabilities, is partially offset by the upside benefit of an increase in the value of the scheme's bond holdings;
- inflation risk: a significant proportion of the scheme's defined benefit obligation is linked to inflation and therefore higher inflation would result in a higher defined benefit liability. Although a proportion of the scheme's investments are in inflation-linked securities which should compensate for any changes in inflation, the balance of the scheme's assets is either unaffected by inflation or only loosely correlated with inflation and therefore an increase in inflation would also increase deficit; and
- life expectancy: if the scheme's members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the defined benefit obligation (longevity risk).

The Trustees and the Company manage the investment risk (asset volatility) in the scheme by investing c90% of the scheme's investments in Liability Driven Investments (LDI) strategies which aim to invest in assets whose values move broadly in tandem with changes in liability values arising from market movements.

The Company accepts and indemnifies the other residual risks in the scheme including longevity risk.

Funding

Alongside the risk assessment above, the Group has agreed an ongoing funding requirement with the Trustees, as described in note 24.

The weighted average duration of the scheme's defined benefit obligation as at 1 January 2019 is 18 years (26 December 2017: 18 years).

The undiscounted maturity profile of the Defined Benefit obligation between one and ten years is shown below:

	1 January 2019 £m	26 December 2017 £m
Less than one year	**10.5**	10.1
Between one and two years	**11.1**	10.7
Between two and five years	**36.9**	36.2
Between five and ten years	**74.1**	74.1

No allowance is made for commutation lump sums or individual transfers out due to the fluctuating nature of these payments.

34. 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

During the period, the Group made purchases of £73.3m (52 weeks ended 26 December 2017: £52.5m) from Sports Information Services Limited, a subsidiary of the Group's associated undertaking, Sports Information Services (Holdings) Limited. At 1 January 2019, the amount receivable from Sports Information Services Limited by the Group was £nil (26 December 2017: £nil).

The Group made no purchases from its associated undertaking, NeoGames. At 1 January 2019, $nil was outstanding from NeoGames in respect of purchases (26 December 2017: $nil). The Group has made available a $15m loan facility to NeoGames, of which $4m was drawn down on 13 March 2018 and a further $2m drawn down on 11 October 2018. At 1 January 2019, $6m of the drawn down amount along with $0.2m associated interest was receivable from NeoGames (26 December 2017: $nil).

All transactions with associates were made on market terms.

34. Related party transactions continued

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Short-term employee benefits (including salaries)	**2.5**	1.6
Post-employment benefits (employer's contribution)	**0.2**	0.1
Share-based payments (IFRS 2 charges)	**1.0**	0.4
	3.7	2.1

The disclosures above include c£48,500 received by directors in respect of dividends on the Company's ordinary shares (52 weeks ended 26 December 2017: c£46,000).

The values presented above include share-based payments measured in accordance with IFRS 2. This is a different basis from that used for the presentation in the directors' Remuneration Report (DRR). In addition, the above includes bonuses on a paid basis, whereas the DRR includes them on an accrued basis. Other than the inclusion of dividends, the timing of bonus inclusion and the basis of measurement of share-based payments, all values above are presented on a consistent basis with those disclosed in the DRR.

Pension schemes

The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in note 33.

35. Contingent assets and liabilities

Contingent asset

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

Contingent liability

The Group is monitoring developments in relation to EU State Aid investigations including the EU Commission's announcement that it will be opening a State Aid investigation into the UK's Controlled Foreign Company regime (announced on 26 October 2017). The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on interpretation of legislation, management experience and professional advice.

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

36. Events after the reporting period

Mr Green & Co AB

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

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

Eldoraldo Resorts, Inc.

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

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

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

Parent Company Statement of Financial Position

as at 1 January 2019

	Notes	1 January 2019 £m	26 December 2017 £m
Non-current assets: Investments	4	**1,038.2**	38.2
Current assets: Trade and other receivables	5	**2,259.8**	3,259.8
Total assets		**3,298.0**	3,298.0
Current liabilities: Trade and other payables	6	**(937.0)**	(821.5)
Non-current liabilities: Borrowings	7	**(719.7)**	(720.5)
Total liabilities		**(1,656.7)**	(1,542.0)
Net assets		**1,641.3**	1,756.0
Equity			
Called-up share capital	8	**88.7**	88.7
Share premium account	9	**689.4**	689.4
Capital redemption reserve		**6.8**	6.8
Own shares held	10	**(88.0)**	(97.0)
Retained earnings		**944.4**	1,068.1
Total equity		**1,641.3**	1,756.0

The Company's loss for the period was £2.4m (52 weeks ended 26 December 2017: £58.4m profit).

The Parent Company financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 1 March 2019 and are signed on its behalf by:

P Bowcock
Director

R Prior
Director

Parent Company Statement of Changes in Equity

for the 53 weeks ended 1 January 2019

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 26 December 2017	**88.7**	**689.4**	**6.8**	**(97.0)**	**1,068.1**	**1,756.0**
Loss for the financial period	–	–	–	–	(2.4)	(2.4)
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(2.4)**	**(2.4)**
Purchase and issue of own shares (note 10)	–	–	–	–	–	–
Transfer of own shares to recipients (note 10)	–	–	–	9.0	(7.8)	1.2
Other shares issued during the period	–	–	–	–	–	–
Dividends paid (note 3)	–	–	–	–	(113.5)	(113.5)
At 1 January 2019	**88.7**	**689.4**	**6.8**	**(88.0)**	**944.4**	**1,641.3**

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 27 December 2016	**88.7**	**689.3**	**6.8**	**(98.5)**	**1,119.4**	**1,805.7**
Profit for the financial period	–	–	–	–	58.4	58.4
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**58.4**	**58.4**
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
Dividends paid (note 3)	–	–	–	–	(108.1)	(108.1)
At 26 December 2017	**88.7**	**689.4**	**6.8**	**(97.0)**	**1,068.1**	**1,756.0**

Parent Company Statement of Accounting Policies

for the 53 weeks ended 1 January 2019

Significant accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100, and as such, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by section 408 of the Companies Act 2006, the Income Statement of the Company has not been presented.

The principal accounting policies adopted are set out below.

Investments

Non-current asset investments are shown at cost less any accumulated impairment losses.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction or at an average rate. Monetary assets and liabilities denominated in foreign currencies at the period end date are reported at the rates ruling at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

Finance costs

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are charged on an accrual basis to the Income Statement using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals within trade and other payables.

Parent Company Statement of Accounting Policies continued

for the 53 weeks ended 1 January 2019

Own shares held

Own shares held in treasury and held in employment benefit trusts are included within equity.

Share-based payments

The Company issues equity-settled share-based payments to certain employees within the William Hill PLC Group and operates a number of HMRC-approved Save As You Earn (SAYE) share option schemes open to all eligible employees within the William Hill PLC Group, which allow the purchase of shares at a discount. The cost to the Company of both of these types of share-based payments is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is borne by the employing Company within the Group.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the Group's share-based payment plans are given in note 32 to the Group financial statements.

Going concern

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

As highlighted in notes 23 and 24 to the Group financial statements, the Group and the Company meet their day-to-day working capital requirements from the positive cash flows generated by their trading activities and their available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until October 2023. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 57 to 61, the Group and the Company are confident of their 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 and the Company should be able to operate within the level of their currently available and expected future facilities and their banking covenants for the period of the strategic forecast.

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors do not consider that there are any judgements, estimates or assumptions that could lead to a material change in the carrying amounts of assets and liabilities.

1. Directors' remuneration and interests

The Company had no employees other than directors during the current or prior period. The Company did not operate any pension schemes during the current or prior period. Details of directors' remuneration, share interests, share options and other entitlements, which form part of these financial statements, are given in the parts of the Directors' Remuneration Report on pages 87 to 105 which are described as having been audited.

2. Income statement disclosures

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement for the year.

The audit fee for the Company and the consolidated financial statements is disclosed in note 5 to the Group financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis.

3. Dividends proposed and paid

	53 weeks ended 1 January 2019 Per share	52 weeks ended 26 December 2017 Per share	53 weeks ended 1 January 2019 £m	52 weeks ended 26 December 2017 £m
Equity shares:				
Current period interim dividend paid	4.3p	4.3p	36.7	36.5
Prior period final dividend paid	8.9p	8.4p	76.8	71.6
	13.2p	12.7p	113.5	108.1
Proposed final dividend	7.7p	8.9p	66.6	76.8

Further details of dividends paid and proposed are shown in note 10 to the Group financial statements.

4. Investments

	£m
Cost and net book value at 26 December 2017	38.2
Investments in subsidiary undertakings[1]	1,000.0
At 1 January 2019	1,038.2

1 On 13 December 2018, the Company made a £1,000.0m capital contribution to its subsidiary, William Hill Holdings Limited. On the same date, two of the Company's subsidiaries repaid amounts owing to the Company totalling £1,000.0m.

It is the opinion of the directors that the total value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the Parent Company Statement of Financial Position.

All subsidiaries of the Company, their country of incorporation and ownership of their share capital are shown in note 14 to the Group financial statements.

5. Trade and other receivables

	1 January 2019 £m	26 December 2017 £m
Amounts owed by Group undertakings[1]	2,259.8	3,259.8

1 On 13 December 2018, the Company made a £1,000.0m capital contribution to its subsidiary, William Hill Holdings Limited. On the same date, two of the Company's subsidiaries repaid amounts owing to the Company totalling £1,000.0m.

6. Trade and other payables

	1 January 2019 £m	26 December 2017 £m
Amounts owed to Group undertakings	929.7	815.1
Accruals and deferred income	7.3	6.4
	937.0	821.5

7. Borrowings

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

Bank facilities

At 1 January 2019, the Company had the following facilities:

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

£390m Revolving Credit Facility

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

Borrowings under the facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Company's consolidated net debt to EBITDA ratio as defined in the loan agreement (note 24). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

Overdraft facility

At 1 January 2019, the Company had an overdraft facility with National Westminster Bank plc of £5m (26 December 2019: £5m). The balance on this facility at 1 January 2019 was £nil (26 December 2017: £nil).

Corporate bonds

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

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

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

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

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

Further details of borrowings are shown in note 23 to the Group financial statements.

8. Called-up share capital

	1 January 2019 Number of shares	1 January 2019 £m	26 December 2017 Number of shares	26 December 2017 £m
Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**887,295,272**	**88.7**	887,251,884	88.7
Shares issued in the period	**–**	**–**	43,388	–
At end of period	**887,295,272**	**88.7**	887,295,272	88.7

The Company has one class of ordinary shares, which carry no right to fixed income.

Share options

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes as shown below:

	Number of shares under option	Price per share	Exercise period
Performance Share Plan (2015)	787,582	Nil	Between 2019 and 2025
Performance Share Plan (2016)	1,483,523	Nil	Between 2020 and 2026
Performance Share Plan (2017)	2,496,697	Nil	Between 2020 and 2027
Performance Share Plan (2018)	2,648,088	Nil	Between 2021 and 2028
Executive Bonus Matching Scheme (2016)	145,073	Nil	March 2019
Executive Bonus Matching Scheme (2017)	73,127	Nil	Between 2018 and 2021
Executive Bonus Matching Scheme (2018)	677,617	Nil	Between 2019 and 2022
Restricted Share Plan (2016)	273,001	Nil	Between 2017 and 2019
Restricted Share Plan (2017)	517,566	Nil	Between 2018 and 2020
Restricted Share Plan (2018)	15,303	Nil	Between 2019 and 2021
SAYE 2013	79,784	£3.12	Between 2015 and 2019
SAYE 2014	91,293	£2.73	Between 2016 and 2020
SAYE 2015	714,620	£3.03	Between 2017 and 2021
SAYE 2016	1,075,263	£2.64	Between 2019 and 2022
SAYE 2017	4,358,204	£1.96	Between 2020 and 2023
SAYE 2018	3,277,584	£1.99	Between 2021 and 2024

Note 32 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

9. Share premium

	1 January 2019 £m	26 December 2017 £m
At start of period	**689.4**	689.3
Shares issued in the period	**–**	0.1
At end of period	**689.4**	689.4

Notes to the Parent Company financial statements continued

10. Own shares

	£m
At 26 December 2017	(97.0)
Purchase and issue of own shares	–
Transfer of own shares to recipients	9.0
At 1 January 2019	**(88.0)**

Own shares held comprise:

	1 January 2019			26 December 2017		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust	544,387	0.1	1.8	1,185,009	0.1	3.3
Treasury shares	26,682,615	2.6	86.2	28,913,092	2.9	93.7
	27,227,002	2.7	88.0	30,098,101	3.0	97.0

The shares held either in treasury or in the William Hill Holdings Employee Benefit Trust (EBT) were purchased at a weighted average price of £3.22 (26 December 2017: £3.22).

Further to the shareholders' resolution of the Company passed at the AGM held on 8 May 2018, the Company did not purchase any of its own shares during the period (27 December 2017: nil). The shares previously acquired under the share repurchase programme are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 8 May 2018, to purchase up to a maximum of 85,888,268 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

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

The authority conferred, unless varied, revoked or renewed prior to such time, expires at the earlier of the conclusion of the next AGM of the Company or on 28 June 2019.

11. Financial commitments

The Company had no capital commitments at 1 January 2019 (26 December 2017: £nil).

The Company had no commitments under non-cancellable operating leases at 1 January 2019 (26 December 2017: £nil).

12. Related party transactions

The Company is taking advantage of the exemption granted by paragraph 8(k) of FRS 101 not to disclose transactions with companies within the William Hill PLC Group, which are related parties.

Five-year summary

	2018 £m	2017[1] £m	2016[1] £m	2015[1] £m	2014[1] £m
Summarised results:					
Revenue	**1,621.3**	1,711.1	1,603.8	1,590.9	1,609.3
(Loss)/Profit before interest and tax	**(687.9)**	(43.7)	225.6	224.3	281.8
(Loss)/Profit before tax	**(721.9)**	(74.6)	181.3	184.7	233.9
(Loss)/Profit for the period	**(716.1)**	(83.2)	164.5	189.9	206.3
Summarised statements of financial position:					
Assets employed:					
Non-current assets	**937.8**	1,968.6	2,151.0	2,003.8	2,098.4
Current assets	**573.9**	393.4	291.7	342.9	282.2
Current liabilities	**(429.3)**	(477.9)	(410.1)	(663.2)	(369.8)
Non-current liabilities	**(783.5)**	(821.4)	(807.1)	(467.7)	(850.5)
Net assets	**298.9**	1,062.7	1,225.5	1,215.8	1,160.3
Financed by:					
Equity attributable to equity holders of the parent	**298.9**	1,062.7	1,225.5	1,215.8	1,160.3
Total equity	**298.9**	1,062.7	1,225.5	1,215.8	1,160.3
Key statistics:					
Adjusted operating profit[2]	**233.6**	291.3	261.5	291.4	372.2
Adjusted basic earnings per share	**20.6p**	27.6p	22.3p	24.7p	29.9p
Adjusted diluted earnings per share	**20.4p**	(9.7p)	18.8p	21.5p	23.4p
Dividends per share (paid)	**13.2p**	12.7p	12.5p	12.3p	11.9p
Share price – high	**£3.45**	£3.18	£4.16	£4.32	£4.12
Share price – low	**£1.48**	£2.39	£2.36	£3.12	£3.15

1 The prior periods comparative numbers include the Australian operations, which were disposed of on 23 April 2018. The current period results are in respect of continuing operations only. Details of the results of the Australian operations for the current and prior period are disclosed in note 17.

2 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 Group financial statements.

Statement of Group Accounting Policies

General information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 1 Bedford Avenue, London, WC1B 3AU. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 61 and note 2.

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

Basis of accounting

The Group financial statements have been prepared in accordance with IFRSs as issued by the IASB and endorsed by the European Union.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out on page 121.

Below is a complete list of the remaining accounting policies adopted.

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 23 (amended)	Borrowing Costs
IFRS 12 (amended)	Disclosure of Interests in Other Entities

In accordance with the amendments of IAS 7 'Statement of Cash Flows' a reconciliation of cash flows from financing activities is disclosed in note 30.

Standards in issue but not effective

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

New standards	
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments and interpretations	
IAS 1 (amended)	Presentation of Financial Statements
IAS 8 (amended)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12 (amended)	Income Taxes
IAS 19 (amended)	Employee Benefits
IAS 28 (amended)	Investments in Associates and Joint Ventures
IAS 40 (amended)	Investment Property
IFRIC 22	Foreign currency transactions and advance consideration
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards
IFRS 2 (amended)	Share-based Payment
IFRS 3 (amended)	Business Combinations
IFRS 11 (amended)	Joint Arrangements

IFRS 9 'Financial Instruments'

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

Classification and measurement

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

Impairment

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

Hedge accounting

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

IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, with an effective date for accounting periods beginning on or after 1 January 2018. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group's core revenues of sports betting and gaming are not within the scope of IFRS 15. This is due to these revenues being treated as derivatives under IFRS 9: 'Financial Instruments' and thus falling out the scope of IFRS 15. The Group's other income mostly represents service provider income, previously referred to as bookmaking services income, rents receivable on properties let by the Group, bookmaking software licensing income and income from software development. Rents receivable is also not within the scope of IFRS 15.

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

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

IFRS 16 'Leases'

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. This will be adopted by the Group in the 52-week reporting period ending 31 December 2019. The distinction between operating leases and finance leases for lessees is removed and will result in most leases being recognised on the Statement of Financial Position as a right-of-use asset and a lease liability. For leases previously classified as operating leases, the lease cost will change from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability. The Group's currently classified operating leases include rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment.

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

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

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

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

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

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

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

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

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 1 January 2019. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e., where the cost of acquisition is below the fair values of the identifiable net assets acquired, is credited to the Income Statement in the period of acquisition.

Interests in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the Group financial statements using the equity method of accounting. Interests in associates are carried in the Statement of Financial Position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those entities are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition is recognised as goodwill within the interests in associates line. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition (i.e., discount on acquisition) is credited to the Income Statement in the period of acquisition.

Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant entity. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities, including separately identifiable intangible assets, of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment income

Interest income is included within investment income and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease period.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each period end date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the period end date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities, where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group makes efforts to match its foreign currency assets and liabilities and where necessary the Group takes out foreign currency hedges.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the period end date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Finance costs

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

Profit before interest and tax

Profit before interest and tax is stated after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each period end date. Actuarial remeasurements are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Other Comprehensive Income.

The net retirement benefit asset or obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Internally generated intangible assets – computer software and systems

Expenditure on initial investigation and research of computer software and systems is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of computer systems is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, generally between three and five years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets – licences

Betting licences recognised in acquisitions are recorded at fair value. They are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life owing to: the fact that the Group is a significant operator in a well-established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

Intangible assets arising on acquisitions

Intangible assets arising on acquisitions are recorded at their fair value.

Amortisation is provided at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Acquired brands	– assessed separately for each asset, with lives ranging up to five years
Customer relationships	– between 18 months and eight years
Bookmaking and mobile technology	– between three and five years
Wagering/lottery contracts	– ten to 12 years

Property, plant and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the Statement of Financial Position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided on all property plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	– 50 years
Long leasehold properties	– 50 years
Short leasehold properties	– over the unexpired period of the lease
Short leasehold improvements	– the shorter of ten years or the unexpired period of the lease
Fixtures, fittings and equipment and motor vehicles	– at variable rates between three and ten years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property plant and equipment and intangible assets

At each period end date, the Group reviews the carrying amounts of its goodwill, property plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This process is described in more detail in note 12 to the financial statements.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the point that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Share-based payments

The Group issues equity-settled share-based payments to certain employees and operates an HMRC-approved Save As You Earn share option scheme open to all eligible employees which allows the purchase of shares at a discount. The cost to the Group of share-based payment plans is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, adjusted for the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

At each period end date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme or resign from the Group. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is recognised in the profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less.

Receivables

Trade and other receivables do not carry any interest and are stated at their gross receivable value as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans receivable

Loans receivable comprise loans granted to other parties which have fixed or determinable payments and are not quoted in an active market. These are measured at amortised cost, less any impairment, with interest income recognised using the effective interest method.

Investments

Investments comprise shareholdings in entities where the Group is not in a position to have control, joint control or significant influence over the financial and operating policy decisions of the entity. These are classified as available-for-sale financial assets and are revalued to fair value at each period end with any fair value movements recognised in other comprehensive income. The fair value is measured based on the share price of the entity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or otherwise expire.

Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premia payable on settlement or redemption and direct issue costs, are charged on an accrual basis to the Income Statement using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals within trade and other payables.

Payables

Trade and other payables are not interest-bearing and are initially measured at fair value, and subsequently at their amortised cost.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the risks of changes in interest rates and foreign currency exchange rates. The Group may use fixed rate borrowings to hedge some of its interest rate exposure. The Group may make use of foreign currency forwards to hedge a proportion of its largest net foreign currency transactional exposures. Where possible and practicable, the Group retains foreign currency cash balances equivalent to its foreign currency liabilities to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

All derivative financial instruments are initially measured at fair value at the contract date and are remeasured to their fair value at subsequent reporting dates. Changes in fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the Income Statement.

For any derivative instrument that is part of a hedging relationship which is designated as effective, changes in the fair value of the derivative financial instruments are recognised directly in equity. Changes in the fair value of ineffective hedges, including the ineffective portion of effective hedges, are recognised immediately in the Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the line of Income Statement relating to the hedged item, in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Income Statement under other operating expenses.

Ante post bets are carried at fair market value as they meet the definition of a derivative. The resulting gains and losses from bets are included in revenue. The net liability resulting from open positions is reported on the Statement of Financial Position under the term Derivative financial instruments.

Abbreviations and glossary

Actives
Customers who transacted in the period

Adjusted operating profit
Profit from continuing operations before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the Group financial statements

AGM
Annual General Meeting

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

ARPU
Average revenue per user, calculated as revenue divided by the number of actives in the period

CAGR
Compound Annual Growth Rate

Company
William Hill PLC, the ultimate holding Company of the William Hill Group

CMA
The UK Competition and Markets Authority

CPA
Cost per acquisition, calculated as marketing costs (including affiliates but excluding fair value adjustments) divided by the number of new accounts recorded in the period

CR
Corporate Responsibility

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

EBITDA
Earnings before interest, taxation, depreciation and amortisation

EBMS
Executive Bonus Matching Scheme

Eldorado
Eldorado Resorts, Inc.

EPS
Earnings per share

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

Gambling Commission
The Gambling Commission for Great Britain, the regulatory body for casinos, bingo clubs, gaming machines, betting, remote gambling and lotteries

Group
The Company and its subsidiaries or any of them, as the context may require

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 in that it is stated prior to deductions for free bets and customer bonuses.
It is used by management to evaluate the impact of sporting results on performance

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

H2GC
H2 Gambling Capital

HMRC
HM Revenue and Customs

Horseracing levy
A levy attributable to bets taken on UK horseracing and payable to the Horserace Betting Levy Board, primarily for the purposes of augmenting prize money available for winning horses and providing certain racecourse amenities

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IBAS
Independent Betting Adjudication Service

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

KPI
Key Performance Indicator

LBO
Licensed Betting Office

LTIP
Long Term Incentive Plan

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

Mr Green
Mr Green & Co AB

NeoGames
NeoGames S.a.r.l and subsidiaries

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

Net revenue
This is an industry term equivalent to Revenue as described in the notes to the financial statements

New accounts
Customers who opened and deposited into an account in the period

NYX
NYX Gaming Group Limited and subsidiaries

PASPA
Professional and Amateur Sports Protection Act 1992

PBIT
Profit Before Interest and Tax

PSP
Performance Share Plan

RGD
Remote Gaming Duty, which is charged by the UK Government at 15% of gross win on sports and gaming

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences

RSP
Restricted Share Plan

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

SIS
Sports Information Services (Holdings) Limited or its subsidiary Sports Information Services Limited, as the context requires

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

Sports book
The dedicated sports betting areas operated within casinos in the US

SSBT
Self-Service Betting Terminal

TSR
Total Shareholder Return

US Existing
The William Hill US operations that existed prior to PASPA being overturned by the Supreme Court of the US in May 2018

US Expansion
The William Hill US operations that have been added or expanded since PASPA was overturned by the Supreme Court of the US in May 2018

VAT
Value Added Tax

William Hill or the Group
The Company and its subsidiaries or any of them, as the context may require

Shareholder information

William Hill PLC listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price on www.williamhillplc.com.

To find the shop closest to you, go to our shop locator on www.williamhillplc.com.

Financial calendar

2018 Full-Year Results	1 March 2019
2018 Final Dividend Record Date	26 April 2019
2019 Annual General Meeting	15 May 2019
2018 Final Dividend Payment Date	6 June 2019
2019 Half-Year Results	9 August 2019

Registrar

The registrar of the Company is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (www.computershare.com). Telephone 0370 703 6251. Please contact Computershare for advice regarding transfer of shares, change of name or loss of share certificate. Computershare will be able to change your address or add / change your bank mandate over the telephone and reissue outstanding dividend payments subject to an administration charge.

You may give instructions for your dividend to be used to purchase additional William Hill shares and full details of the Dividend Reinvestment Plan (DRIP) can be found in the Investor Relations section of our corporate website (www.williamhillplc.com) under shareholder centre. A DRIP Election Form and Terms and Conditions can be obtained from Computershare Investor Services PLC, in writing, by telephoning the number above or online at www.investorcentre.co.uk, in the Downloadable Forms section.

Professional advisers

Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Financial adviser and corporate broker

Citi
Citigroup Centre
33 Canada Square
London E14 5LB

Corporate broker

Barclays
5 The North Colonnade
Canary Wharf
London E14 4BB

Legal Adviser

Slaughter and May
1 Bunhill Row
London EC1Y 8YY

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

William Hill PLC

Cautionary note regarding forward-looking statements

This Annual Report and Accounts (Annual Report) includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this Report and the information incorporated by reference into this Annual Report and may include statements regarding the intentions, beliefs or current expectations of the Directors, William Hill or the Group concerning, amongst other things: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies, the expansion and growth of the Group's business operations; and (iii) the effects of government regulation and industry changes on the business of the Group. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond William Hill's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in this Annual Report and/or the information incorporated by reference into this Annual Report.

Any forward-looking statements made by or on behalf of the William Hill Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this Annual Report, and are subject to risks relating to future events, other risks, uncertainties and assumptions relating to William Hill's operations and growth strategy, and a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Undue reliance should not be placed on any forward-looking statements. Before making any investment decision in relation to William Hill you should specifically consider the factors identified in this document, in addition to the risk factors that may affect William Hill's operations which are described under "Managing our risks" in the Company's 2018 Annual Report.

Subject to the requirements of the FCA, the London Stock Exchange, the Market Abuse Regulation (596/2014), the Listing Rules and the Disclosure and Transparency Rules (and/or any applicable regulatory requirements) or applicable law, William Hill explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Report. No statement in this document is intended as a profit forecast or profit estimate and no statement in this document should be interpreted to mean that the earnings per share of William Hill as altered by the Report will necessarily match or exceed the historical or published earnings per share of William Hill.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Directors' Report (for which see page 106), the Strategic report and the Remuneration report. Under English law the Directors would be liable to the company, but not to any third party, if one or more of these reports contained errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would otherwise not be liable. Pages 106 to 107, inclusive comprise the Directors' Report, pages 02 to 61 inclusive comprise the Strategic report and pages 87 to 105 inclusive comprise the Remuneration report, each of which have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Website

William Hill's website www.williamhillplc,com gives additional information on the Group. Notwithstanding the references we make in this Annual Report to William Hill's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.

Design and production
Radley Yeldar | www.ry.com

Printing
Pureprint Group

This report was printed by Pureprint Group using their environmental print technology which minimises the negative environmental impacts of the printing process. Vegetable-based inks were used throughout and 99% of the dry waste associated with this production has been recycled.

This publication is produced by a CarbonNeutral company and Carbon Balanced with World Land Trust.

Balancing is delivered by World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO_2 and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

This report has been printed on Chorus Silk and UPM Fine Offset, both are FSC® (Forest Stewardship Council) certified papers from responsible sources. This ensures that there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

The CO_2 emissions from the production and distribution of this report have been offset through the purchase of carbon credits in the Pureprint Gold. The offsets are always in Gold Standard accredited projects and currently come from the Basa Magogo project in South Africa. The first Gold Standard project of its kind in the world, this innovative behaviour-change programme teaches local communities in South Africa to burn coal more efficiently thereby reducing carbon emissions and reducing health risks by producing less smoke.

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