William Hill PLC

5 August 2016

On track to deliver 2016 operating profit guidance

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its interim results for the 26 weeks ended 28 June 2016 (the period or H1 2016). Comparatives relate to the 26 weeks ended 30 June 2015 (H1 2015).

	26 weeks to 28 Jun 16 £m	26 weeks to 30 Jun 15 £m	Change
Net revenue	814.4	808.1	+1%
Operating profit[1]	131.1	155.7	-16%
Profit before tax	100.7	78.7	+28%
Earnings per share – basic, adjusted (p)[2]	10.5	12.5	-16%
Earnings per share – basic (p)	9.7	7.9	+23%
Dividend per share (p)	4.1	4.1	0%

- Trading remains in line with previous full-year operating profit[1] guidance of £260-280m[3]
  - Strong EURO 2016 football tournament generates total £36m of gross win; better than expected EUROs outturn mitigates impact of losses at Cheltenham festival
  - Early progress on Online turnaround strategy with Sportsbook mobile user experience redesigned in time for EURO 2016, mobile web and apps localised for four markets
  - Retail delivers 4% growth in net revenue and operating profit[1]; 800 proprietary self-service betting terminals rolled out and modernisation of management structure underway
  - Australia product launches help drive 12% turnover growth but racing results impact margin
  - US grows operating profit[1] by 49%
- Investing in technology strategy
  - c£90m invested in NYX with new OpenBet agreement to deliver enhanced technology platform
  - £13.6m acquisition of Grand Parade brings award-winning digital development and user experience expertise in-house
- Net debt for covenant purposes[4] increased to £586.2m (29 December 2015: £488.2m), 1.7x EBITDA
- £60m share buyback
- Interim dividend maintained at 4.1p per share, reflecting Board's confidence that the Online business will return to stronger growth rates in the medium term
- Immediate areas of strategic focus
  - Online turnaround
  - Technology roadmap
  - Increased efficiencies
  - International growth

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

"We remain committed to our strategy of diversifying by expanding digitally and internationally. While the first half of 2016 has been challenging, William Hill is a strong business with three of our four core divisions performing well. Our Retail business is robust, the US operation continues to grow rapidly and the core metrics in Australia are moving in the right direction. We have taken considerable steps forward in executing on Online's improvements but there is still a way to go. The refocused team has delivered substantial upgrades to the mobile Sportsbook customer experience, which is now back to competitive levels. Our recent investment in NYX / OpenBet and acquisition of Grand Parade further accelerate our ability to innovate at speed and enhance the customer experience moving forward.

"Looking ahead, our immediate priorities are to continue the recovery in Online, to leverage our technology improvements across the business and to advance a focused approach to international growth. Trading is in line with our full-year expectations and we have a strong team in place to deliver on the opportunities before us and to improve the business for the long term. In addition, we see opportunities to benefit from increased efficiencies in certain areas of the business."

Notes:

1. Operating profit / loss is defined as adjusted profit before interest and tax. Further detail on adjusted measures is provided in note 3 to the half-year report.
2. Basic EPS is based on an average of 877.2 million shares for H1 2016 and an average of 879.1 million shares for H1 2015. Adjusted EPS is based upon adjusted profits after tax.
3. Further information in relation to this guidance is set out in the notes following the Directors' Responsibility Statement.
4. Net debt for covenant purposes and EBITDA for covenant purposes are as described in the 2015 Annual Report on page 125.
5. Online numbers now also incorporate the Telephone division, which is now managed as part of Online, having previously been presented as a separate segment.
6. Definitions are provided in the glossary at the back of the document.
7. Numbers are presented on an adjusted basis unless otherwise stated.

Enquiries

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Analyst and investor presentation

Meeting	Friday, 5 August 2016 at 9.00 am BST The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED
Live conference call	Tel: +44 (0) 20 3059 8125. Password: William Hill
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode: 3830207#. Available until 12 August 2016
Video webcast	www.williamhillplc.com

Debt investor conference call

Live conference call	11.00 am BST. Tel: +44 (0) 20 3059 8125. Password: William Hill debt call
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode 3836445#. Available until 12 August 2016

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing around 16,000 people. Founded in 1934, it is the UK's largest bookmaker with around 2,370 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group's Online business (www.williamhill.com) is one of the world's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill Australia is one of the largest online betting businesses in Australia, established through the acquisition of two businesses in 2013. It offers sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange. The Group generates revenues of c£1.6bn a year.

Cautionary note regarding forward-looking statements

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

These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, William Hill or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of William Hill and the industry in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond William Hill's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results.

In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), William Hill does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

The early months of 2016 proved an extremely challenging period for the Group but a strong EURO 2016 football tournament delivered better than expected results and has mitigated the impact of a loss-making Cheltenham festival and poor horseracing results in Australia. Three of our four divisions are performing well: Retail had a strong first half, delivering revenue and profit growth; the US performance was very strong again with operating profit[1] up 49% (+42% in local currency); and the better trends in Australia have continued. However, as highlighted in our March update, Online's actives are being affected by the level of time-outs / automatic self-exclusions and customers acquired in 2015 have delivered lower than expected revenues. Following this, we have changed the leadership team and are rapidly improving our product and user experience while refocusing the marketing activities and continuing to expand internationally. It remains early days in Online's operational changes and it will take time for the benefit of recent activities to feed through to a stronger operational and financial performance but we are confident that we have the right team in place to deliver on the business's opportunities and we are pleased with recent progress.

Performance summary and shareholder returns

Overall, Group net revenue grew 1% to £814.4m (H1 2015: £808.1m), with Retail growing 4% but Online declining 3%. Net operating costs were 6% or £26.9m higher, including higher staff costs in Retail and investment in Online driving higher marketing and amortisation. Consequently, Group operating profit[1] was 16% lower at £131.1m (H1 2015: £155.7m). Net finance costs were 10% higher, reflecting higher average debt levels, and tax costs were 36% lower. Basic, adjusted earnings per share[2] (EPS) was 16% lower.

Despite the EPS decline, the Board has decided to maintain the interim dividend at 4.1p per share, reflecting the Board's continuing confidence that the Online business will return to stronger growth rates in the medium term as a result of the implementation of the operational changes.

As part of our technology strategy, we have invested over £100m in the year-to-date in supporting NYX Gaming Group's acquisition of OpenBet and in acquiring Grand Parade to expand our team of in-house developers, accelerate delivery of Online's product pipeline and support OpenBet's development of a new back-end platform to further differentiate our customer offering.

During the period, the Group also returned c£60m to shareholders through a share buyback. The Board remains committed to its capital allocation priorities and believes an appropriate capital structure for the Group ranges between 1x and 2x net debt[4] to EBITDA. At present, William Hill is subject to the rules of the Panel of Takeovers and Mergers, and the share buyback has been paused.

Strategic progress and current priorities

The Board remains committed to the strategy to diversify digitally and internationally. Although we experienced some challenges in the first half, we also made good progress in key areas.

Ahead of the EURO 2016 football tournament, we substantially refreshed the user experience of Online's Sportsbook mobile website and apps, making them faster and easier to use. We also launched one-minute markets as a unique offering, added exclusive features such as search functionality and watch-and-bet with William Hill TV, and brought key products such as Cash In My Bet up to competitiveness with the market offering. In terms of marketing changes, we are addressing the bonus abuse and have seen free bet levels normalise, and are implementing a new data platform that we believe will take to another level the quality of our internal reporting, identification of player value, return-on-investment management and customer insight. Internationally, we released localised mobile product for four countries in the first half, including launching in the App Store in Germany.

We made good progress on our omni-channel strategy during the period, rolling out 800 of our proprietary self-service betting terminals (SSBTs) to c600 shops, ahead of our target of 500 SSBTs. At this early stage, these are performing in line with expectations and we plan to roll out a further 1,200 before the year-end. We are also progressing plans to provide an 'omni-wallet' solution during Q1 2017 and shop teams are generating good quality new accounts for Online.

In Australia, we are now seeing the benefit of having taken full control of our technology platform as we are rapidly executing on our pipeline of competitive and innovative product launches. Amongst these, developments such as Cash Card, Quick Bet, an extended US basketball range and the provision of our sports content on iOS native have proved very popular. At the end of the period, amounts wagered were growing 18%, ahead of market growth rates which are estimated to be around 15%.

Overall, however, there remain further improvements to make and we have some very clear focus areas for the coming months:

1. Maintain the pace of Online's turnaround;
2. Deliver the technology roadmap;
3. Drive increased efficiencies across the Group; and
4. Refocus the international growth and expansion.

1. Maintain the pace of Online's turnaround

We are confident the mobile Sportsbook is now back to being competitive having addressed the user experience and closed the gap in key product areas such as Cash In My Bet. Mobile accounted for 70% of Sportsbook net revenue in the period. Our next priorities are to replicate the Sportsbook success to address the underperformance in gaming, and to address key customer journeys such as registration while introducing more unique product features to Sportsbook.

We are also increasing the efficiency of our marketing by addressing account management issues to reduce the levels of bonus abuse, optimising our digital spend through Pay Per Click efficiencies and weighting more of our marketing investment towards digital spend driven by broader trends in consumer behaviour.

Our brand is one of our greatest strengths and we will look to encourage 'reassessment' by returning customers through a new advertising and offer campaign for the early stages of the new domestic football season. We have secured good marketing assets to drive awareness, including sponsorship deals with three English Premier League clubs – Chelsea, Everton and Tottenham Hotspur – and a top two-year Sky TV package. In addition, the Retail shop teams have been cross-selling Online accounts to customers since May with a very good 71% conversion rate of sign-up to deposit.

The majority of the product and marketing work will be complete in 2016 and we expect to see the benefit progressively come through in 2017.

2. Deliver the technology roadmap

We have made significant progress on our technology strategy during 2016 and our focus now is on delivering our technology roadmap to provide an even better experience for our customers.

The front-end customer interfaces, such as the website and apps, are where we believe we most differentiate our customer offering. Having taken control of these during 2015, this year we have changed our Online User Experience (UX) team and IT's leadership of the product delivery process to speed up product development timelines and to improve the quality of our UX design. This enabled our very rapid delivery of a redesigned Sportsbook in Q2 in preparation for EURO 2016.

Going forward, this will be further supported by our acquisition of Grand Parade, which was announced on 2 August. This brings us a large-scale development team who have worked with many of the industry's leading operators and are recognised for their user experience expertise and creativity. The acquisition immediately expands our capacity by filling existing resource gaps.

In parallel, we are now working towards building a new, more flexible back-end platform that supports greater differentiation of our customer offering across Online, the wider Group and in international markets. Through our investment in NYX and a ten-year commercial agreement with OpenBet, we have established the route by which we will develop that platform over the next two to three years. Grand Parade will form a core part of the team collaborating with OpenBet. In addition, they will provide development resources for other priorities, including the Retail omni-wallet and Online desktop refresh.

3. Drive increased efficiencies across the Group

Over recent months, we have reviewed our Retail operating structures and, in July, announced to employees the first major organisational change to the business for over a decade. We are modernising the organisational structure by creating 359 Business Performance Manager roles that will focus on enhancing the customer experience and bring management support closer to the shops teams, and reducing the number of existing District Operations Manager and Area Operations Manager roles. We have started a consultation process with employees and aim to implement changes from 1 January 2017. The exceptional cost of this project is c£12m and, in addition to the operational improvements we expect, it will help ensure Retail staff costs remain within manageable levels for the foreseeable future.

We are now reviewing other aspects of the Group to identify 'self-help' measures to improve our efficiency, for instance by optimising 'back office' functions. Initial reviews are identifying a number of areas where efficiency improvements can drive cost savings.

4. Refocus the international growth and expansion

The Group's strategy is to diversify our sources of revenue internationally, thereby reducing our reliance on the UK market and the impact of any fiscal, regulatory or economic changes. Today, 84% of revenues come from the UK and 16% from our international businesses, with more work to be done to take a more focused approach to international growth.

We have successfully gained top three positions in each of our core markets. Our immediate priority is to ensure that our current international businesses have the appropriate focus and resources to fulfil their growth potential, including the right product, marketing and management teams. We will also continue to identify ways to optimise returns from key markets, such as by localising the mobile product.

In addition, we will adopt a risk-based approach to evaluating new market opportunities on a case-by-case basis, incorporating both regulated and less developed markets. We will maintain our capital discipline with a flexible approach (in the use of technology platforms, organic growth or bolt-on acquisitions) but also ensuring we are positioned to invest where we see attractive opportunities.

Outlook

Looking ahead, our immediate priorities are to continue the recovery in Online, to leverage our technology improvements across the business and to advance a more focused approach to international growth. The Group's trading remains in line with our previous guidance of £260-280m of operating profit[1] in 2016. Further information in relation to this guidance is set out after the Responsibility Statement of the Directors. The impact of the 'Brexit' vote on the UK economy is, as yet, unclear and we are aware that, though implementation could take some time, the uncertainty this brings is expected to weigh on the UK economy in the near term. As a consumer-facing business, we do not expect to be immune from its effects, however our business has shown resilience in past downturns and we believe there remain opportunities to grow from structural growth in the digital and international markets.

We have a strong team in place to deliver on the opportunities before us and to improve the business for the long term. In addition, we see opportunities to benefit from increased efficiencies in certain areas of the business.

OPERATING REVIEW

Online (34% of Group revenue)[5]

	H1 2016 £m	H1 2015 £m	Change
Sportsbook amounts wagered	**2,235.9**	**2,256.8**	**-1%**
Gross win margin	7.3%	7.2%	+0.1 ppts
Core markets net revenue	245.4	251.4	-2%
Other markets net revenue	31.8	35.2	-10%
Sportsbook net revenue	139.9	141.0	-1%
Gaming net revenue	137.3	145.6	-6%
Online net revenue	**277.2**	**286.6**	**-3%**
Cost of sales	(62.0)	(64.1)	-3%
Operating costs	(171.8)	(157.9)	+9%
Operating profit[1]	**43.4**	**64.6**	**-33%**

During the period, Online's year-on year growth was reduced by the comparative period having revenues from five markets that were closed in mid-2015 and certain tennis turnover that has since been restructured to address its profitability. The level of average weekly actives is also lower partly as a result of the number of customers making use of the new time-out/automatic self-exclusion tools since November 2015. The EURO 2016 football tournament generated a better-than-expected £16.5m of gross win in the period, which helped to offset £5.5m of Cheltenham festival losses in March. As a result, gross win margins returned to a similar level year-on-year, but remained below our normalised expectation of c8%.

Growth in our core UK market, which accounted for 71% of Sportsbook amounts wagered and 78% of Online's total net revenue, remains a key focus area and is expected to benefit, over time, from the turnaround measures outlined above.

Italy and Spain continued to perform well, benefiting from expanded product ranges, particularly in gaming. In local currency terms, net revenue was 19% higher. The two markets together made an operating profit[1] of £0.5m in the period.

Within the amounts wagered decline of 1%, core markets grew 2% with the UK 1% lower and Italy and Spain up 22%, and non-core markets declined 15%. Core markets accounted for 84% of wagering in the period. Across the EURO 2016 tournament as a whole, Online's wagering was 85% higher than for EURO 2012.

Sportsbook fair value adjustments in the period were 8% higher than in H1 2015. Following actions taken in Q2 to address bonus abuse, these have reduced to 1.1% of turnover across H1 as a whole.

Gaming net revenues were 6% lower, with core markets down 5% and non-core markets down 9%. Gaming revenues were impacted by the time-out/automatic self-exclusion uptake and by market closures in 2015. In addition, we did not release new games to customers while we were implementing changes to around 1,000 existing games to support the new 'reality checks' tool required by the Gambling Commission; since completing implementation in May, we have returned to our normal content release cycle.

Mobile continues to grow as a proportion of the business, increasing to 70% of Sportsbook net revenue (H1 2015: 63%) and to 51% of gaming net revenue (H1 2015: 39%).

We continue to monitor customer use of the time-out/automatic self-exclusion tools we introduced in November 2015. At this stage, we are seeing slight improvements in the current run rate in the number of customers using these tools and the proportion who return to use their account at the end of the exclusion period.

Operating costs were 9% higher, driven by higher staff costs and a 12% increase in marketing, including much of the EURO 2016 campaign and equivalent to 25% of net revenue. Depreciation and amortisation also continued to increase reflecting higher capital expenditure in recent years.

As a result of the lower revenues and higher costs, operating profit[1] was 33% lower.

Retail (57% of Group revenue)

	H1 2016 £m	H1 2015 £m	Change
Over-the-counter amounts wagered	**1,184.7**	**1,229.9**	**-4%**
Gross win margin	19.0%	17.9%	+1.1 ppts
OTC net revenue	225.0	219.7	+2%
Gaming machine net revenue	242.2	229.2	+6%
Retail net revenue	**467.2**	**448.9**	**+4%**
Cost of sales	(116.4)	(110.7)	+5%
Operating costs	(256.4)	(247.7)	+4%
Operating profit[1]	**94.4**	**90.5**	**+4%**

Retail's overall performance has benefited from net revenue growth in both over-the-counter (OTC) betting and gaming.

Good gross win margins from Tier 3 horseracing and football – both EURO 2016 and the second half of the 2015/16 domestic season – helped to offset the weak Cheltenham festival and resulted in a significant year-on-year swing in gross win margin, which was above our normalised range of 17-18%. Wagering was 4% lower as a result but OTC net revenue grew 2%.

Gaming has seen improved growth rates following the restructuring of the Gaming Operations team over the last year, with a clear focus on content improvements, and benefiting from higher footfall in the shops during the EURO 2016 period and rolling over the implementation of the '£50 journey' in April 2015. Gross win per machine per week (net of free bets) was 5% higher at £998 (H1 2015: £949).

The average number of shops was broadly flat at 2,371 (H1 2015: 2,362), with seven new licences opened and five shops closed in the period.

The 4% increase in operating costs primarily reflects increases in staff incentive costs and property costs. As a result, operating profit[1] increased 4%.

William Hill Australia (6% of Group revenue)

	On a statutory reporting basis			On a local currency basis		
	H1 2016 £m	**H1 2015 £m**	**Change**	**H1 2016 A$m**	**H1 2015 A$m**	**Change**
Amounts wagered	**591.5**	**525.8**	**+12%**	**1,156.6**	**1,022.9**	**+13%**
Gross win margin	9.9%	11.2%	-1.3 ppts	9.9%	11.2%	-1.3 ppts
Net revenue	**47.7**	**53.2**	**-10%**	**93.2**	**103.4**	**-10%**
Cost of sales	(12.4)	(12.3)	+1%	(24.3)	(23.9)	+2%
Operating costs	(31.4)	(31.1)	+1%	(61.6)	(60.3)	+2%
Operating profit[1]	**3.9**	**9.8**	**-60%**	**7.3**	**19.2**	**-62%**

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

The Australian business is showing positive signs following our extensive work on rebranding, improving the product range, restructuring the operations, structurally improving the profitability of the turnover and refocusing the marketing spend. Wagering levels and new accounts increased strongly in the period and are strong lead indicators of a better financial performance to follow. For instance, turnover for the William Hill brand was up 28% in H1, while overall turnover was up 13% as the Centrebet brand is inhibiting growth rates during this transition period.

We successfully migrated the tomwaterhouse.com customers to the William Hill brand in January and we are now in the process of migrating the third and final portion of the customer base from the Centrebet brand; this is expected to be completed in the second half of the year.

The improved wagering levels, however, did not translate into higher net revenue in the period as gross win margins across the industry were impacted by poor horseracing results in the first months of the year. We do not believe these are the result of a structural shift and they should, therefore, normalise over time.

The H1 performance was also skewed by investment made in January to support the Australian Open sponsorship – the first time a bookmaker has sponsored a grand slam tennis tournament – and the migration of tomwaterhouse.com customers to William Hill. This meant H1 attracted an unusually high proportion of the fair value adjustments for free bets and the marketing investment that we expect to make across 2016 as a whole.

William Hill US (2% of Group revenue)

William Hill US continues to perform strongly with growth from amounts wagered up 39% (local currency: +31%). Net revenue was 16% higher (local currency: +9%) at £18.5m (H1 2015: £15.9m) with the gross win margin 1.1 percentage points lower at 5.7% (H1 2015: 6.8%). Operating costs were 2% higher (local currency: -5%) and operating profit[1] was 49% higher (local currency: +42%) at £6.4m (H1 2015: £4.3m).

Corporate costs

Net corporate costs increased £3.5m to £17.1m (H1 2015: £13.6m). Within this, associate income decreased to £0.5m (H1 2015: £1.6m) with losses for NeoGames offsetting profits from SIS.

FINANCIAL REVIEW

The presentation of our results has been amended in 2016 to reflect "adjusted" results alongside our statutory results, which we believe will be more useful to readers than our previous use of "pre-exceptional" measures. This change is described further in note 3 to the half-year results. Since we manage our businesses using adjusted measures, the narrative below will principally refer to adjusted results (except where we state otherwise).

As highlighted in our Trading Statement on 11 May 2016, Online now includes our Telephone division.

Overview

With revenue growth of 1% and adjusted costs increasing by 6%, operating profit[1] declined by £24.6m or 16% to £131.1m. However, statutory profits before interest and tax rose 24% to £122.0m, reflecting lower exceptional charges than in 2015. Adjusted EPS[2] fell 16% to 10.5p, while on a statutory basis it rose 23% to 9.7p.

We continue to demonstrate strong conversion of profits into cash, with operating cash flows of £166.3m, up slightly on the comparable period. Net debt for covenant purposes[5] rose to £586.2m, following our strategic investment in NYX and share buybacks.

Income Statement

Net revenue grew 1% or £6.3m over H1 2015. Retail delivered an extra £18.3m or 4%; OTC grew 2%, reflecting a strong OTC margin of 19.0% (H1 2015: 17.9%) and gaming was in growth by 6%, with improved focus following the restructuring of the Gaming Operations team and our continuing content rollout strategy. Online saw a £1.1m decline in Sportsbook net revenue as falls in Telephone wagering outweighed a small improvement in Online betting net revenue. In gaming, we saw a decline of £8.3m, driven by the impact of time-outs and automatic self-exclusions; overall, this led to a fall in Online revenues of £9.4m, 3% below the 2015 result. Australia wagering grew by 12%; with margin lower at 9.9% (2015: 11.2%), gross win was flat year-on-year but an increased level of free bets led to a fall in net revenues of £5.5m or 10%. Our US net revenue grew £2.6m or 16% from strong growth in amounts wagered, although this is flattered by currency movements and was 9% higher in US dollar terms.

Cost of sales grew 2% or £4.0m; in most divisions, this grew or fell in line with changes in revenue, although in Australia it remained broadly unchanged despite falling net revenues, reflecting the turnover basis of local gaming taxes. Retail saw cost of sales increase by 5% but this comparison is distorted by a lower rate of Machine Games Duty in the first two months of 2015; adjusting for this would lead to a growth rate of 2%.

Adjusted net operating expenses increased by 6% or £26.9m. The largest change was within Online, with costs up £13.9m to reflect increasing investment: marketing expenditure rose by £7.3m, in part to support promotions around the EURO 2016 tournament, while ongoing new product development resulted in an increase in depreciation of £3.4m and staff costs of £3.4m. Retail costs grew £8.7m, of which the largest component was staff costs. Corporate costs grew by £2.4m due to, *inter alia*, transaction support costs and exchange losses; in addition, our share of associates' results declined by £1.1m.

Operating profit, taking account of the above, fell £24.6m or 16% to £131.1m (H1 2015: £155.7m).

Adjusted net finance costs rose from £19.9m to £21.8m, reflecting the cost impact of the £350m bond financing completed in May. Owing to the dual-running costs of this new bond and our existing £300m notes due for redemption in November, we expect an additional c£6m of interest costs in H2.

NYX investments

Investments in NYX amounted to c£90m, comprising £80m into redeemable convertible preference shares and £10m into ordinary equity instruments.

The redemption and conversion components of the preference shares are accounted for separately:

i) The redemption component is treated as a loan receivable and is held at amortised cost, with a closing value of £37.7m. Finance income of £0.5m was accrued in the period; and
ii) The conversion component is treated as a derivative and held at fair value through profit or loss and its carrying value at 28 June 2016 was £39.3m. Changes in its value in the half resulted in a charge of £4.8m.

The ordinary equity instruments comprise ordinary shares in NYX of £8.8m along with warrants over ordinary shares of £0.4m. The shares are held at fair value, with a loss of £0.9m recorded in reserves. The warrants are also held at fair value, with changes recorded in the Income Statement and amounting to £0.2m in H1.

The charges from derivatives held at fair value (totalling £5.0m) and the income on loans at amortised cost (£0.5m) have been presented within adjustments.

Exceptional items and adjustments

Exceptional items amounted to a charge of £1.9m (2015: £52.6m). These include a £2.6m charge for restructuring and a credit of £0.7m relating to the early settlement of certain shop closure provisions.

Adjustments amounted to a charge of £6.7m (2015: £4.5m). These include £2.2m of amortisation of intangibles recognised on acquisitions, along with the £0.5m of finance income and £5.0m of fair value charges relating to our NYX investments.

Taxation

The effective rate on adjusted results was 15.4%, against 19.3% in the prior half. Our expectation for the full year is now c15%. The effective rate on statutory results was 15.9%.

Cash flow and net debt

Operating cash flows were £166.3m, £7.1m or 4% higher than in H1 2015. This comparison is flattered, however, by strong working capital inflows of £25.5m (including gaming tax accruals, EURO 2016 marketing costs and other accruals) and lower net corporation tax payments as the result of a refund following an agreement relating to prior years.

Investing cash flows in the period comprised £93m of investment in and loans to NYX as part of our long-term platform strategy, along with capital expenditure of £43.6m (compared to £27.5m in H1 2015).

The Group's capital and financing activities in the period included returns to shareholders comprising dividends of £73.4m and share buybacks of c£60m. In addition, the Group successfully completed a £350m bond issue in advance of the November redemption of its existing £300m bond. Net debt for covenant purposes[4] at 28 June 2016 was £586.2m, equivalent to 1.7x EBITDA (29 December 2015: £488.2m or 1.3x EBITDA).

FISCAL AND REGULATORY UPDATE

Responsible gambling

Responsible gambling continues to be an important focus for the Group and we have taken a number of steps both to improve the tools available to customers and to share and encourage best practice. In April 2016, we implemented a cross-operator self-exclusion system for betting shop customers. In July 2016 the industry promoted the second national GambleAware Week.

Gaming machines and Triennial Review

We are awaiting guidance from the Government on the timing for the Triennial Review of gaming machine stakes and prizes.

Funding for UK horseracing

In the March 2016 budget statement, the Government indicated its intent to replace the current Horserace Betting Levy by April 2017 to give British horseracing the right to funds from offshore remote betting operators. We await further clarification on this plan.

The 4th EU Money Laundering Directive

We continue to await HM Treasury's consultation on the implementation of the 4th EU Money Laundering Directive, which was passed by the European Parliament in June 2015. This may bring retail bookmakers under the auspices of the Directive for the first time, subject to HM Treasury's response to the national risk assessment, in which retail betting and gaming were classed as low risk activities. The provisions need to be implemented by June 2017.

Potential Australian regulatory changes

There have been a number of regulatory announcements since the beginning of the year that could impact William Hill Australia.

In April, in response to the O'Farrell Review of Illegal Offshore Wagering, the Australian Government indicated its intention to establish a national consumer protection framework, which would include a national self-exclusion register and a prohibition on credit betting. The Government also announced they would clarify the existing law by moving to prohibit 'click-to-call' in-play wagering services. Timing is unclear at this stage.

In June, the South Australian Government announced it intends to apply a 'place of consumption' tax to betting revenues generated in the state from 1 July 2017.

In July, the New South Wales (NSW) Government announced a ban on greyhound racing from July 2017. The Australian Capital Territory announced they would follow the lead of NSW, however other State governments have indicated they do not intend to implement a similar ban.

Along with other corporate bookmakers, we continue to engage with government at all levels to reinforce the benefits of a licensed, well-regulated on-shore gambling industry as a means of protecting consumers as well as generating revenues for governments.

BOARD AND EXECUTIVE CHANGES

On 21 July, the Board announced that James Henderson was stepping down as CEO and that Philip Bowcock had been appointed Interim CEO while the process to appoint a permanent CEO is ongoing. Mark Summerfield has been seconded from KPMG to fulfil the CFO role on an interim basis.

PRINCIPAL RISKS

We have reviewed our risk profile as set out in the Annual Report and Accounts and considered the risks facing the Group in the remaining six months of the financial calendar. In particular, we focused on the need to execute our IT strategy effectively, the impact of a challenging competitive environment, the potential for fiscal or regulatory change, and the ongoing need for robust business continuity arrangements.

To allow us to continue to operate as a scale player, we have made key changes to our IT leadership and continue to invest in our core strategy of controlling our technology. The continuing success of our mobile app, the embedding of our Trafalgar platform into day-to-day activities and the investment in NYX Gaming Group, which secures access to our back-end OpenBet platform and supports delivery of a new back-end platform, sees us well placed to compete in a challenging market.

The potential consequences of the result of the EU referendum could create further challenges for the industry in the coming months and years, including reduced growth expectations for the UK market.

One issue arising from the referendum result is the impact on Gibraltar, where we have key Online operations. Our investment in business continuity mitigates short-term impacts on operations in Gibraltar and our preparedness at other sites and within Gibraltar itself provides us with assurance in the medium term. We await with interest the position of the UK Government and the subsequent negotiations around the status of Gibraltar. Until this becomes clear, we do not foresee any material impacts on our Online operations.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE FINAL RESULTS

ANNOUNCEMENT

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

- The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting"; and
- The interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

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

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

P. Bowcock
Interim Chief Executive Officer
5 August 2016

FURTHER INFORMATION IN RELATION TO GUIDANCE

On 23 March 2016, William Hill announced a trading update for the period to 20 March 2016. Included in that announcement was guidance in the following terms (the "Guidance"): "Overall, taking these factors together, we now expect the Group's operating profit for 2016 to be in the range of £260-280m, subject to normalised gross win margins in the rest of the year."

The Guidance was subsequently repeated in substantively the same terms in announcements released on 11 May 2016 and 21 July 2016. The Guidance is again confirmed in this announcement.

The Guidance was originally published before William Hill had received the highly preliminary approach from 888 Holdings plc and The Rank Group plc referred to in the announcement made by William Hill on 25 July 2016. Accordingly, the requirements of Rule 28.1(c) of the City Code on Takeovers and Mergers apply in relation to the Guidance.

The Directors confirm that the Guidance remains valid and confirm that the Guidance has been properly compiled on the basis of the assumptions stated below and that the basis of accounting used is consistent with William Hill's accounting policies.

Assumptions

The Guidance was prepared on the basis of the following assumptions, any of which could turn out to be incorrect and therefore affect whether the Guidance is achieved:

Factors outside the influence or control of the Directors

- there will be no significant change in either the tax or regulatory environment applicable to gambling in the principal markets in which the Group operates;
- demand for the Group's gambling products and services in its major markets continues in line with recent trends;
- there will be no significant change in the economic environment in the Group's primary markets;
- the competitive environment in which the Group operates will remain broadly stable;
- cost inflation experienced by the Group due to external factors will remain in line with expectations;
- the Group's businesses will experience normalised gross win margins for the remainder of the 2016 financial year;
- there will be no material change to foreign exchange rates currently prevailing;
- there are no material adverse consequences to the Group's business or operations as a result of the UK's decision to leave the European Union;

- there will be no disruption or change to the sporting calendar or broadcasting of any major sporting event due to weather or other factors;
- there will be no business interruptions that materially affect the Group, its major suppliers or its customers by reason of technological faults, natural disasters, industrial disruption, civil disturbance or government action;
- there will be no material change in the ownership or control of the Group;

Factors within the influence and control of the Directors

- the Group's Retail business is successfully able to complete new LBO openings, re-sites and refurbishments broadly in line with its planned schedule;
- the Retail business completes its roll out plan for the Group's proprietary SSBTs in line with its current expectations;
- measures taken to implement the Retail modernisation deliver the expected result;
- the Online business succeeds in slowing the rate of revenue decline in its non-core markets compared to the 2015 financial year;
- the Online business can successfully exploit the benefits of its new Project Trafalgar platform;
- actions taken to restructure the Australian business deliver an improved revenue and profit performance in the 2016 financial year compared to 2015 financial year;
- there will be no material acquisitions or disposals; and
- there will be no material strategic investments over and above those currently planned.

William Hill PLC
Interim Consolidated Income Statement (unaudited)

for the 26 weeks ended 28 June 2016

		26 weeks ended 28 June 2016			26 weeks ended 30 June 2015			
	Notes	Adjusted £m	Exceptional items and adjustments (note 3) £m	Total £m	Adjusted £m	Exceptional items and adjustments (note 3) £m	Total £m	52 weeks ended 29 December 2015 £m
Continuing operations								
Revenue	2	**814.4**	-	**814.4**	808.1	-	808.1	1,590.9
Cost of sales	2	**(192.8)**	-	**(192.8)**	(188.8)	-	(188.8)	(377.9)
Gross profit	2	**621.6**	-	**621.6**	619.3	-	619.3	1,213.0
Other operating income		**3.8**	-	**3.8**	3.7	-	3.7	8.9
Other operating expenses	3	**(494.8)**	(9.1)	**(503.9)**	(468.9)	(57.1)	(526.0)	(1,000.3)
Share of results of associates	2	**0.5**	-	**0.5**	1.6	-	1.6	2.7
Profit before interest and tax	2	**131.1**	(9.1)	**122.0**	155.7	(57.1)	98.6	224.3
Investment income	2,3,4	**0.7**	0.5	**1.2**	0.8	-	0.8	1.4
Finance costs	2,5	**(22.5)**	-	**(22.5)**	(20.7)	-	(20.7)	(41.0)
Profit before tax	2	**109.3**	(8.6)	**100.7**	135.8	(57.1)	78.7	184.7
Tax	3,6	**(16.8)**	0.8	**(16.0)**	(26.2)	17.0	(9.2)	5.2
Profit for the period (attributable to equity holders of the parent)		**92.5**	(7.8)	**84.7**	109.6	(40.1)	69.5	189.9
Earnings per share (pence)								
Basic	8			**9.7**			7.9	21.6
Diluted	8			**9.6**			7.9	21.5

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

William Hill PLC

Interim Consolidated Statement of Comprehensive Income (unaudited)

for the 26 weeks ended 28 June 2016

	Notes	**26 weeks ended 28 June 2016 £m**	26 weeks ended 30 June 2015 £m	52 weeks ended 29 December 2015 £m
Profit for the period		**84.7**	69.5	189.9
Items that will not be reclassified subsequently to profit or loss:				
Actuarial remeasurements in defined benefit pension scheme		**12.6**	(11.9)	(14.9)
Tax on remeasurements in defined benefit pension scheme		**(2.3)**	2.4	1.7
		10.3	(9.5)	(13.2)
Items that may be reclassified subsequently to profit or loss:				
(Loss)/gain on cash flow hedges		**(0.1)**	-	0.3
Exchange differences on translation of foreign operations		**42.6**	(21.5)	(21.8)
Changes in fair value of available-for-sale financial assets	13	**(0.9)**	-	-
		41.6	(21.5)	(21.5)
Other comprehensive income/(loss) for the period		**51.9**	(31.0)	(34.7)
Total comprehensive income for the period (attributable to equity holders of the parent)		**136.6**	38.5	155.2

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)
for the 26 weeks ended 28 June 2016

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserves £m	Retained earnings £m	Total equity £m
At 30 December 2015	**88.4**	**686.6**	**6.8**	**(26.1)**	**(4.1)**	**(126.8)**	**591.0**	**1,215.8**
Retained profit for the financial period	-	-	-	-	-	-	84.7	84.7
Other comprehensive income for the period	-	-	-	-	-	42.5	9.4	51.9
Total comprehensive income for the period	-	-	-	-	-	**42.5**	**94.1**	**136.6**
Purchase and issue of own shares (note 12)	-	-	-	-	(60.0)	-	(0.2)	(60.2)
Transfer of own shares to recipients	-	-	-	-	0.5	-	(0.5)	-
Other shares issued in the period	0.2	0.3	-	-	-	-	(0.2)	0.3
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.1	3.1
Tax charge in respect of share remuneration	-	-	-	-	-	-	(1.9)	(1.9)
Dividends paid (note 7)	-	-	-	-	-	-	(73.4)	(73.4)
At 28 June 2016	**88.6**	**686.9**	**6.8**	**(26.1)**	**(63.6)**	**(84.3)**	**612.0**	**1,220.3**

	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 reserves £m	Retained earnings £m	Total equity £m
At 31 December 2014	**87.7**	**683.2**	**6.8**	**(26.1)**	**(1.1)**	**(105.3)**	**515.1**	**1,160.3**
Retained profit for the financial period	-	-	-	-	-	-	69.5	69.5
Other comprehensive loss for the period	-	-	-	-	-	(21.5)	(9.5)	(31.0)
Total comprehensive income for the period	-	-	-	-	-	**(21.5)**	**60.0**	**38.5**
Purchase of own shares	-	-	-	-	(3.0)	-	-	(3.0)
Transfer of own shares to recipients	-	-	-	-	0.2	-	(0.2)	-
Other shares issued in the period	0.5	0.1	-	-	-	-	(0.5)	0.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.4	3.4
Tax credit in respect of share remuneration	-	-	-	-	-	-	1.0	1.0
Dividends paid	-	-	-	-	-	-	(72.2)	(72.2)
At 30 June 2015	**88.2**	**683.3**	**6.8**	**(26.1)**	**(3.9)**	**(126.8)**	**506.6**	**1,128.1**

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)

	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 reserves £m	Retained earnings £m	Total equity £m
At 31 December 2014	**87.7**	**683.2**	**6.8**	**(26.1)**	**(1.1)**	**(105.3)**	**515.1**	**1,160.3**
Retained profit for the financial period	-	-	-	-	-	-	189.9	189.9
Other comprehensive loss for the period	-	-	-	-	-	(21.5)	(13.2)	(34.7)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(21.5)**	**176.7**	**155.2**
Purchase and issue of own shares	-	-	-	-	(3.7)	-	0.7	(3.0)
Transfer of own shares to recipients	-	-	-	-	0.7	-	(0.7)	-
Other shares issued in the period	0.7	3.4	-	-	-	-	(0.5)	3.6
Credit recognised in respect of share remuneration	-	-	-	-	-	-	7.2	7.2
Tax credit in respect of share remuneration	-	-	-	-	-	-	0.9	0.9
Dividends paid	-	-	-	-	-	-	(108.4)	(108.4)
At 29 December 2015	**88.4**	**686.6**	**6.8**	**(26.1)**	**(4.1)**	**(126.8)**	**591.0**	**1,215.8**

William Hill PLC
Interim Consolidated Statement of Financial Position (unaudited)
as at 28 June 2016

	Notes	**28 June 2016 £m**	30 June 2015 £m	29 December 2015 £m
Non-current assets				
Intangible assets		**1,779.1**	1,737.1	1,732.3
Property, plant and equipment		**203.0**	215.4	210.6
Investments and interests in associates	13	**43.0**	15.8	33.7
Deferred tax asset		**1.5**	10.4	4.2
Retirement benefit plan asset		**40.9**	20.7	23.0
Loans receivable	13	**40.9**	2.3	-
Derivative financial instruments	13	**39.7**	-	-
		2,148.1	2,001.7	2,003.8
Current assets				
Inventories		**-**	0.1	0.1
Trade and other receivables		**52.3**	48.8	56.2
Cash and cash equivalents		**535.9**	227.6	282.1
Investment property held for sale		**3.6**	4.5	4.4
Derivative financial instruments		**-**	-	0.1
		591.8	281.0	342.9
Total assets		**2,739.9**	2,282.7	2,346.7
Current liabilities				
Trade and other payables		**(352.5)**	(317.7)	(325.8)
Corporation tax liabilities		**(38.7)**	(49.1)	(24.5)
Borrowings	9	**(299.6)**	-	(299.1)
Derivative financial instruments		**(12.5)**	(7.7)	(13.8)
		(703.3)	(374.5)	(663.2)
Non-current liabilities				
Borrowings	9	**(717.7)**	(667.3)	(369.5)
Deferred tax liabilities		**(98.6)**	(112.8)	(98.2)
		(816.3)	(780.1)	(467.7)
Total liabilities		**(1,519.6)**	(1,154.6)	(1,130.9)
Net assets		**1,220.3**	1,128.1	1,215.8
Equity				
Called-up share capital		**88.6**	88.2	88.4
Share premium account		**686.9**	683.3	686.6
Capital redemption reserve		**6.8**	6.8	6.8
Merger reserve		**(26.1)**	(26.1)	(26.1)
Own shares held	12	**(63.6)**	(3.9)	(4.1)
Hedging and translation reserves		**(84.3)**	(126.8)	(126.8)
Retained earnings		**612.0**	506.6	591.0
Total equity (attributable to equity holders of the parent)		**1,220.3**	1,128.1	1,215.8

William Hill PLC
Interim Consolidated Cash Flow Statement (unaudited)
for the 26 weeks ended 28 June 2016

	Notes	**26 weeks ended 28 June 2016 £m**	26 weeks ended 30 June 2015 £m	52 weeks ended 29 December 2015 £m
Net cash from operating activities	10	**166.3**	159.2	300.9
Investing activities				
Dividend from associate		**-**	-	0.4
Interest received		**0.7**	0.8	1.4
Proceeds on disposal of property, plant and equipment		**-**	0.3	1.1
Proceeds on disposal of investment property		**0.8**	-	-
Net cash flows relating to loans receivable		**1.4**	-	-
Acquisitions and investments including associated costs	13	**(90.7)**	(0.2)	(17.4)
Purchases of property, plant and equipment		**(8.5)**	(9.0)	(22.5)
Expenditure on intangible assets		**(35.1)**	(18.5)	(45.0)
Net cash used in investing activities		**(131.4)**	(26.6)	(82.0)
Financing activities				
Proceeds on issue of shares under share schemes		**0.3**	0.1	3.6
Purchase of own shares and associated costs	12	**(60.2)**	(3.0)	(3.0)
Dividends paid	7	**(73.4)**	(72.2)	(108.4)
Repayments under borrowing facilities	9	**-**	(50.0)	(50.0)
Issue of £350m Guaranteed notes due 2023	9	**350.0**	-	-
Finance fees paid on £350m Guaranteed notes	9	**(2.1)**	-	-
Net cash from/(used in) financing activities		**214.6**	(125.1)	(157.8)
Net increase in cash and cash equivalents in the period		**249.5**	7.5	61.1
Changes in foreign exchange rates		**4.3**	(2.0)	(1.1)
Cash and cash equivalents at start of period		**282.1**	222.1	222.1
Cash and cash equivalents at end of period		**535.9**	227.6	282.1

1. Basis of accounting

General Information

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The condensed consolidated financial information for the 26 weeks ended 28 June 2016, which has been approved by a committee of the Board of Directors on 4 August 2016, has been prepared on the basis of the accounting policies set out in the Group's 2015 Annual Report and Accounts on pages 146 to 152, which can be found on the Group's website www.williamhillplc.com. This condensed consolidated financial information for the 26 weeks ended 28 June 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial information for the 26 weeks ended 28 June 2016 should be read in conjunction with the annual financial statements for the 52 weeks ended 29 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented.

The condensed consolidated financial information for the 26 weeks ended 28 June 2016 is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but has been reviewed by the auditor and their report is set out at the end of this financial information. The results for the 52 week period ended 29 December 2015 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts, which have been filed with the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The directors consider that the 'adjusted' earnings per share measure, as disclosed in note 8, provides additional useful information for shareholders on the underlying performance of the business. It is not a recognised measure under IFRS and may not be directly comparable with 'adjusted' measures used by other companies. A summary of adjustments excluded from 'adjusted' profit as disclosed within the 'adjusted' earnings per share calculation is shown in note 3.

Adoption of new and revised standards

There have been no new or amended standards or interpretations that became effective in the period which have had an impact upon the values or disclosures in the interim financial information.

Basis of accounting

The interim condensed consolidated financial information has been prepared in accordance with IFRS as adopted by the European Union and therefore complies with Article 4 of the EU IAS Regulation.

The interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

Basis of consolidation

The financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 28 June 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the interim 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 is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition.

Going concern

The Group meets its day-to-day working capital requirements from positive operational cash flows and its available cash resources. These are supplemented when required by a committed £540m revolving credit bank loan facility which expires in May 2019. As at 28 June 2016 the Group had no drawings under this facility.

Whilst there are a number of risks to the Group's trading performance, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group issued £350m of corporate bonds in May 2016 in part to redeem £300m of corporate bonds maturing in November 2016. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

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

Seasonality

The Group's overall profitability is primarily sensitive to sporting results, largely in terms of outcome but also in terms of the timing and presence of significant events that attract a large amount of stakes. For example, the current reporting period included part of the EURO 2016 football tournament whereas the previous reporting period did not. In addition, adverse weather conditions can disrupt the sporting calendar and limit betting opportunities.

Fair values

Assets and liabilities measured at fair value include ante post bets, derivative financial instruments and investments classified as available-for-sale financial assets.

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

The valuation of derivative financial instruments is determined by valuation techniques using both observable inputs and inputs that are not based on observable market data as described in note 13. The impact of changes in fair value of derivative financial instruments was a loss of £5.0m in the period (£4.8m loss relating to the convertible element of the redeemable convertible preference shares and £0.2m loss relating to the warrants, both as described in note 13). This was recognised as an adjustment within operating expenses in the consolidated income statement.

The valuation of available-for-sale financial assets is determined with reference to quoted prices in active markets. The impact of changes in fair value of available-for-sale financial assets was a loss of £0.9m in the period, as described in note 13. This was recognised in other comprehensive income.

2. Segment information

The Board reviews its reportable operating segments in line with guidance provided by IFRS 8 'Operating Segments'. The segments are aligned with the reports the Board and the Group's Chief Executive Officer review to make strategic decisions.

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online[3] segment comprises all online and telephone activity outside of Australia, including sports betting, casino, poker sites and other gaming products along with telephone betting services. The US segment comprises all activity undertaken in the USA. The Australia segment comprises online and telephone sports betting in Australia. Other activities include on-course betting and greyhound stadia operations. There are no inter-segmental sales within the Group.

Business segment information for the 26 weeks ended 28 June 2016:

	Retail £m	Online[3] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	**467.2**	**277.2**	**18.5**	**47.7**	**3.8**	**-**	**814.4**
GPT, duty, levies and other costs of sales	(116.4)	(62.0)	(1.6)	(12.4)	(0.4)	-	(192.8)
Gross profit	350.8	215.2	16.9	35.3	3.4	-	621.6
Depreciation	(12.6)	(0.4)	(0.5)	(0.2)	(0.1)	(1.6)	(15.4)
Amortisation	(2.2)	(18.7)	-	(2.9)	-	-	(23.8)
Other administrative expenses	(241.6)	(152.7)	(10.0)	(28.3)	(3.2)	(16.0)	(451.8)
Share of result of associates	-	-	-	-	-	0.5	0.5
Operating profit/(loss)[1]	**94.4**	**43.4**	**6.4**	**3.9**	**0.1**	**(17.1)**	**131.1**
Operating exceptional items and adjustments	0.7	(0.7)	(1.0)	(0.5)	-	(7.6)	(9.1)
Profit/(loss) before interest and tax[2]	**95.1**	**42.7**	**5.4**	**3.4**	**0.1**	**(24.7)**	**122.0**
Investment income						1.2	1.2
Finance costs						(22.5)	(22.5)
Profit before tax							**100.7**

[1] The Group defines operating profit/(loss) as adjusted profit/(loss) before interest and tax, as described in note 3.

[2] The reports used by the Chief Executive Officer to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

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

Business segment information for the 26 weeks ended 30 June 2015:

	Retail £m	Online[3] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	**448.9**	**286.6**	**15.9**	**53.2**	**3.5**	**-**	**808.1**
GPT, duty, levies and other costs of sales	(110.7)	(64.1)	(1.3)	(12.3)	(0.4)	-	(188.8)
Gross profit	338.2	222.5	14.6	40.9	3.1	-	619.3
Depreciation	(13.0)	(0.4)	(0.4)	(0.5)	(0.1)	(1.9)	(16.3)
Amortisation	(1.7)	(15.3)	-	(2.0)	-	-	(19.0)
Other administrative expenses	(233.0)	(142.2)	(9.9)	(28.6)	(2.9)	(13.3)	(429.9)
Share of result of associates	-	-	-	-	-	1.6	1.6
Operating profit/(loss)[1]	**90.5**	**64.6**	**4.3**	**9.8**	**0.1**	**(13.6)**	**155.7**
Operating exceptional items and adjustments	0.5	(0.7)	(1.3)	(55.6)	-	-	(57.1)
Profit/(loss) before interest and tax[2]	**91.0**	**63.9**	**3.0**	**(45.8)**	**0.1**	**(13.6)**	**98.6**
Investment income						0.8	0.8
Finance costs						(20.7)	(20.7)
Profit before tax							**78.7**

1 The Group defines operating profit/(loss) as adjusted profit/(loss) before interest and tax, as described in note 3.

2 The reports used by the Chief Executive Officer to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

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

Business segment information for the 52 weeks ended 29 December 2015:

	Retail £m	Online[3] £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	**889.5**	**563.1**	**33.3**	**97.9**	**7.1**	**-**	**1,590.9**
GPT, duty, levies and other costs of sales	(222.8)	(128.2)	(2.9)	(23.2)	(0.8)	-	(377.9)
Gross profit	666.7	434.9	30.4	74.7	6.3	-	1,213.0
Depreciation	(26.9)	(0.7)	(0.9)	-	(0.2)	(3.5)	(32.2)
Amortisation	(2.5)	(33.7)	-	(5.1)	-	-	(41.3)
Other administrative expenses	(465.9)	(275.2)	(20.3)	(56.2)	(6.1)	(27.1)	(850.8)
Share of result of associates	-	-	-	-	-	2.7	2.7
Operating profit/(loss)[1]	**171.4**	**125.3**	**9.2**	**13.4**	**-**	**(27.9)**	**291.4**
Operating exceptional items and adjustments	1.6	(1.3)	(2.3)	(65.1)	-	-	(67.1)
Profit/(loss) before interest and tax[2]	**173.0**	**124.0**	**6.9**	**(51.7)**	**-**	**(27.9)**	**224.3**
Investment income						1.4	1.4
Finance costs						(41.0)	(41.0)
Profit before tax							**184.7**

[1] The Group defines operating profit/(loss) as adjusted profit/(loss) before interest and tax, as described in note 3.

[2] The reports used by the Chief Executive Officer to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

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

3. Exceptional items and adjustments

Exceptional items
Exceptional items are those items the Group considers 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 profit and which are not considered by the directors to be exceptional. They are the following:

- The amortisation of specific intangible assets recognised in acquisitions
- The recognition of interest income on redeemable convertible preference shares
- Fair value movements relating to redeemable convertible preference shares and warrants over equity investments

The directors believe that exceptional items and adjustments impair visibility of the underlying performance of the Group's businesses and, accordingly, these are excluded from our non-GAAP measures of Operating Profit and Adjusted EPS, which we use in internal management reports and for remuneration purposes. Certain items are capable of allocation to divisions and are shown thus in note 2 as part of the segmental disclosures. The total below is presented in the consolidated income statement to permit an illustration of "adjusted" results.

The presentation of adjustments alongside exceptional items is a departure from that applied in previous periods, which are re-presented accordingly.

	Exceptional items £m	**Adjustments £m**	**26 weeks ended 28 June 2016 Total £m**	Exceptional items £m	Adjustments £m	26 weeks ended 30 June 2015 Total £m	52 weeks ended 29 December 2015 Total £m
Operating							
Restructuring costs [1]	**(2.6)**	**-**	**(2.6)**	-	-	-	-
Portfolio shop closures [2]	**0.7**	**-**	**0.7**	0.7	-	0.7	1.8
Accelerated brand amortisation	**-**	**-**	**-**	(53.1)	-	(53.1)	(60.6)
VAT repayment	**-**	**-**	**-**	(0.2)	-	(0.2)	(0.2)
Fair value movements on derivative financial instruments [3]	**-**	**(5.0)**	**(5.0)**	-	-	-	-
Amortisation of acquired intangibles [4]	**-**	**(2.2)**	**(2.2)**	-	(4.5)	(4.5)	(8.1)
	(1.9)	**(7.2)**	**(9.1)**	(52.6)	(4.5)	(57.1)	(67.1)
Non-operating							
Investment income on redeemable convertible preference shares [5]	**-**	**0.5**	**0.5**	-	-	-	-
	-	**0.5**	**0.5**	-	-	-	-
Total exceptional items and adjustments before tax	**(1.9)**	**(6.7)**	**(8.6)**	(52.6)	(4.5)	(57.1)	(67.1)
Tax on exceptional items and adjustments	**0.3**	**0.5**	**0.8**	15.8	1.2	17.0	20.1
Exceptional tax items	**-**	**-**	**-**	-	-	-	19.4
Total exceptional items and adjustments	**(1.6)**	**(6.2)**	**(7.8)**	(36.8)	(3.3)	(40.1)	(27.6)

1 Restructuring costs relate to costs incurred as part of cost optimisation and business model restructuring initiatives. These costs are considered exceptional as they are material initiatives in scale and one-off in nature.

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

3 The fair value movements on derivative financial instruments represent primarily the change in fair value of the convertible element of the redeemable convertible preference shares issued by NYX, as well as the change in fair value of the warrants acquired as part of the investment in equity of NYX. These are further described in note 13.

4 The amortisation of acquired intangibles represents the amortisation of specific intangible assets recognised in acquisitions.

5 Investment income on redeemable convertible preference shares relates to the interest income on the loan element of the redeemable convertible preference shares issued by NYX as described in note 13.

4. Investment income

	26 weeks ended 28 June 2016 £m	26 weeks ended 30 June 2015 £m	52 weeks ended 29 December 2015 £m
Interest on bank deposits	**0.7**	0.8	1.4

The above does not include investment income classified as exceptional or as an adjustment as described in note 3.

5. Finance costs

	26 weeks ended 28 June 2016 £m	26 weeks ended 30 June 2015 £m	52 weeks ended 29 December 2015 £m
Interest payable and similar charges:			
Bank loans, bonds and overdrafts	**21.8**	20.1	39.7
Amortisation of finance costs	**1.2**	1.2	2.5
Interest payable	**23.0**	21.3	42.2
Interest on net pension scheme assets or liabilities	**(0.5)**	(0.6)	(1.2)
	22.5	20.7	41.0

The above does not include finance costs classified as exceptional or as an adjustment as described in note 3.

6. Tax on profit on ordinary activities

The effective rate in respect of adjusted results from ordinary activities is 15.4% (26 weeks ended 30 June 2015: 19.3%; 52 weeks ended 29 December 2015: 13.6%). This differs from the 2016 UK statutory rate of 20% as a result of lower tax rates in overseas territories and the release of tax provisions in respect of prior periods. The effective rate in respect of ordinary activities is 15.9% (26 weeks ended 30 June 2015: 11.7%; 52 weeks ended 29 December 2015: minus 2.8%).

7. Dividends proposed and paid

The directors have approved an interim dividend of 4.1 pence per share (2015: 4.1 pence per share) to be paid on 2 December 2016 to ordinary shareholders on the Register of Members on 21 October 2016. In line with the requirements of IAS 10 – 'Events after the Reporting Date', this dividend has not been recognised within these interim results.

The 2015 final dividend of 8.4 pence per share (£73.4m) was paid in the period.

By agreement, the William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Shares held in treasury also do not qualify for dividends. The Company estimates that 867m shares will qualify for the interim dividend.

8. Earnings per share

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

	26 weeks ended 28 June 2016			26 weeks ended 30 June 2015		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period (£m)	**84.7**	**-**	**84.7**	69.5	-	69.5
Adjusted profit after tax for the financial period (£m)	**92.5**	**-**	**92.5**	109.6	-	109.6
Weighted average number of shares (million)	**877.2**	**3.3**	**880.5**	879.1	5.6	884.7
Earnings per share (pence)	**9.7**	**(0.1)**	**9.6**	7.9	-	7.9
Adjusted earnings per share (pence)	**10.5**	**-**	**10.5**	12.5	(0.1)	12.4

	52 weeks ended 29 December 2015		
	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period (£m)	189.9	-	189.9
Adjusted profit after tax for the financial period (£m)	217.5	-	217.5
Weighted average number of shares (million)	880.9	4.3	885.2
Earnings per share (pence)	21.6	(0.1)	21.5
Adjusted earnings per share (pence)	24.7	(0.1)	24.6

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

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 8.3m in the 26 weeks ended 28 June 2016 (30 June 2015: 0.8m, 29 December 2015: 0.9m).

9. Bank loans and other borrowings

	28 June 2016 £m	30 June 2015 £m	29 December 2015 £m
Borrowings at amortised cost			
Bank loans	**-**	-	-
Less: expenses related to bank loans	**(2.5)**	(3.4)	(3.0)
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(0.1)**	(0.5)	(0.3)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(0.3)**	(1.0)	(0.6)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	375.0	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(2.3)**	(2.8)	(2.5)
£350m 4.875% Guaranteed Notes due 2023	**350.0**	-	-
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	**(2.5)**	-	-
Total borrowings	**1,017.3**	667.3	668.6
Less: amount shown as due for settlement within 12 months	**(299.6)**	-	(299.1)
Amount shown as due for settlement after 12 months	**717.7**	667.3	369.5
The gross borrowings are repayable as follows:			
Amounts due for settlement within one year	**300.0**	-	300.0
In the second year	**-**	300.0	-
In the third to fifth years inclusive	**375.0**	375.0	375.0
After more than five years	**350.0**	-	-
	1,025.0	675.0	675.0

Bank facilities

At 28 June 2016, the Group had the following bank loan facilities:

1. A committed revolving credit loan facility of £540m provided by a syndicate of banks. At the period end, £nil of this facility was drawn down. This facility matures in May 2019.
2. An overdraft facility of £5m, of which £nil was drawn down at the period end.

£540m Revolving Credit Facility

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

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated Net Debt to EBITDA ratio as defined in the loan agreement. 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 and offset against the loan in the Consolidated Statement of Financial Position and are being amortised on a straight line basis over the life of the facility.

Overdraft facility

At 28 June 2016, the Group had an overdraft facility with National Westminster Bank plc of £5m (30 June 2015: £5m; 29 December 2015: £5m). The balance on this facility at 28 June 2016 was £nil (30 June 2015: £nil; 29 December 2015: £nil).

Corporate bonds

£300m 7.125% Guaranteed Notes due 2016

As part of its strategy to diversify its funding and strengthen its balance sheet, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by the Company and certain of its operating subsidiaries. The bonds carry a coupon of 7.125% but, together with the discount on issue of the bonds, bear an effective interest rate of 7.25%.

£375m 4.25% Guaranteed Notes due 2020

In June 2013, the Company 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 bond used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon rate of 4.25% and are due for redemption in June 2020.

£350m 4.875% Guaranteed Notes due 2023

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

Finance fees and associated costs incurred on the issue of bonds, together with the discount on the 2009 issue, have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

10. Notes to the cash flow statement

	Notes	**26 weeks ended 28 June 2016 £m**	26 weeks ended 30 June 2015 £m	52 weeks ended 29 December 2015 £m
Profit before interest and tax		**122.0**	98.6	224.3
Adjustments for:				
Share of result of associates		**(0.5)**	(1.6)	(2.7)
Depreciation of property, plant and equipment		**15.4**	16.3	32.2
Amortisation of intangibles		**26.0**	76.6	110.0
Loss/(gain) on disposal of property, plant and equipment		**-**	0.1	(0.1)
Gains on early settlement of vacant property leases		**(0.7)**	(0.7)	(1.8)
Cost charged in respect of share remuneration		**3.1**	3.4	7.2
Defined benefit pension cost less cash contributions		**(4.9)**	(4.6)	(9.2)
Fair value movements on investment properties		**-**	0.2	0.3
Fair value movements on derivative financial instruments	13	**5.0**	-	-
Movement on ante post bet liabilities		**(1.5)**	(3.3)	2.8
Operating cash flows before movements in working capital:		**163.9**	185.0	363.0
Change in inventories		**-**	-	-
Decrease in receivables		**0.6**	5.6	0.6
Increase in payables		**24.9**	7.7	16.7
Cash generated by operations		**189.4**	198.3	380.3
Income taxes paid		**(2.9)**	(18.8)	(39.4)
Interest paid		**(20.2)**	(20.3)	(40.0)
Net cash from operating activities		**166.3**	159.2	300.9

11. Related party transactions

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

Trading transactions

Associates

The Group holds an investment of 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS). During the period the Group made purchases of £25.2m (26 weeks ended 30 June 2015: £24.6m; 52 weeks ended 29 December 2015: £49.9m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 28 June 2016 the amount due to or from Satellite Information Services Limited by the Group was £nil (30 June 2015 £nil; 29 December 2015: £nil).

The Group made no purchases from its associated undertaking, NeoGames. At 28 June 2016, no amounts were due to or from NeoGames (29 December 2015: £nil).

All transactions with associates were made at market price.

The Group has made available a US$15m loan facility to NeoGames, of which $nil is drawn down.

Key management personnel

Transactions between the Group and key management personnel in the first half of 2016 were limited to those relating to remuneration previously disclosed as part of the Director's Remuneration Report within the Group's Annual report and Accounts 2015. There have been no other material changes to the arrangements between the Group and key management personnel in the period.

12. Own shares

Further to the shareholders' resolutions of the Company passed at the Annual General Meetings held on 7 May 2015 and 11 May 2016, the Group purchased 17,777,376 shares with a nominal value of £1.8m, representing 2.0% of the Company's called-up share capital, for a consideration of £60.0m. Transaction costs of £0.2m were incurred on the purchases. The reason for the purchase was to reduce surplus cash balances and return cash to shareholders. The shares are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 11 May 2016, to purchase up to a maximum of 88,456,984 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

(i) 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

(ii) the higher of the price of the last independent trade and the highest independent current bid on the London Stock Exchange at the time the purchase is carried out.

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

13. Investment in NYX Gaming Group

On 4 April 2016, the Group entered into a long-term commercial agreement with NYX Gaming Group Limited ('NYX') and invested £80.0m into redeemable convertible preference shares issued by NYX ('Preference Shares').

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

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

i) Preference Shares

These are convertible into NYX ordinary shares or redeemable in cash, with an implied interest coupon of 6% payable in kind at the term of 10 years. This investment, along with £1.3m of associated transaction costs, is accounted for as a loan with an embedded derivative which has been accounted for separately.

Convertible element

The convertible element, which is categorised as fair value through profit or loss, was recognised at an initial fair value of £44.1m within non-current derivative financial instruments. The valuation was performed using a Black-Scholes Monte Carlo model framework and this will be re-performed at future reporting dates, with movements recognised in the consolidated income statement. The fair value at 28 June 2016 was £39.3m, leading to a loss in the period of £4.8m recognised as an adjustment, as defined by note 3, within operating expenses.

Loan element

The loan element, which is a loans and receivables financial asset, was accounted for at an initial value of £37.2m within loans receivable in non-current assets. This represents the remaining transaction price paid, including transaction costs, after deducting the fair value of the convertible element. This will be accounted for on an amortised cost basis at an effective interest rate of 13.6%. The interest accrued in the period was £0.5m which has been classified as investment income in the consolidated income statement as an adjustment, as defined by note 3, and as such the carrying amount of the loan at 28 June 2016 was £37.7m. The fair value of the loan at 28 June 2016 was estimated to be £55.4m.

ii) Ordinary Shares

The ordinary shares are held as an available-for-sale financial asset and therefore they are revalued to fair value at each period end with any movements recognised in other comprehensive income. As at 28 June 2016 the ordinary shares investment was reflected in the accounts as an asset of £8.8m, based on a share price of CAD $2.24 per share, within investments and interests in associates. This led to a loss for the period of £0.9m.

iii) Warrants

The warrants are a derivative and are therefore categorised as fair value through profit or loss. These will be revalued to fair value at each period end with any movements recognised in the consolidated income statement. As at 28 June 2016 the warrants were valued at £0.4m and held within non-current derivative financial instruments. This led to a loss in the period of £0.2m recognised as an adjustment, as defined by note 3, within operating expenses.

iv) Loan

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

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

	28 June 2016 £m
Fair value through profit or loss	
Non-current derivative financial instruments (Convertible element of Preference Shares)	**39.3**
Non-current derivative financial instruments (Warrants)	**0.4**
Total non-current derivative financial instruments	**39.7**
Loans and receivables	
Loans receivable (Loan element of Preference Shares)	**37.7**
Loans receivable (Loan)	**3.2**
Total loans and receivables	**40.9**
Available-for-sale	
Investments and interests in associates (Ordinary Shares)	**8.8**
Total financial assets	**89.4**

Fair value hierarchy

For the purposes of fair value hierarchy (as defined by IFRS 13), the ordinary shares are classified as Level 1 and the convertible element of the preference shares as well as the warrants are classified as Level 3.

The ordinary shares are valued based on the quoted share price of NYX.

The convertible element of the preference shares is valued using a Black-Scholes Monte Carlo model framework performed by a third party valuation specialist. The key inputs used in the model are as follows:

	28 June 2016
Share price	**CAD $2.24**
Expected dividend yield	**0.0%**
Risk free interest rate	**1.3%**
Expected volatility	**50.0%**
Default intensity	**12.7%**

A sensitivity analysis has been performed on the key unobserved inputs in the model as 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).

Assumption	Changes in assumption	Impact on fair value
Expected dividend yield	Increase by 1%	Decrease of £5.3m
Expected volatility	Increase by 1%	Increase of £0.9m
Default intensity	Increase by 1.3%	Increase of £0.2m

The warrants are valued using a binomial tree option pricing model. The inputs are as follows:

	28 June 2016
Share price	**CAD $2.24**
Exercise price	**CAD $3.50**
Expected dividend yield	**0.0%**
Risk free interest rate	**1.3%**
Expected volatility	**50.0%**
Time to expiration	**1,026 days**

There are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined.

14. Contingent liabilities

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

The value and timing of possible obligations in this regard are subject to a high degree of uncertainty and cannot be reliably measured. Accordingly, no amounts are provided.

15. Events after the reporting period

It was announced on 2 August 2016 that the Group has acquired 100% of Grand Parade Limited ('Grand Parade'), the betting and gaming digital solutions company for £13.6m in cash and shares. The purpose of the acquisition is to scale up the Group's product development team in support of our technology strategy.

Grand Parade is an award–winning software house that creates apps, websites and e-commerce platforms for the sports betting, gaming and media industries. Established in 2007, it has around 200 developers and creatives based in Bermondsey, London and Krakow, Poland.

Under the terms of the acquisition, as part of the consideration the Company will issue 495,048 new Ordinary shares of 10p each to Grand Parade. The shares will rank pari passu with the existing ordinary shares of the Company.

Due to the proximity of the acquisition to the date these interim financial statements were authorised, the accounting for the business combination is not yet complete. As such, disclosures surrounding goodwill; the assets acquired and liabilities assumed; details of transactions recognised separately and possible contingent liabilities have not been included. The fair value of the consideration is not expected to be materially different from the £13.6m consideration announced.

Independent review report to William Hill PLC

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the 26 week period ended 28 June 2016 which comprises the consolidated income statement, the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 week period ended 28 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5 August 2016

Glossary and abbreviations

Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised in acquisitions.
Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3.
Amounts wagered	This represents the gross takings in Retail OTC, Telephone, US, Australia and Online Sportsbook. Amounts wagered are also sometimes described as 'stakes', 'staking', 'wagering' and 'turnover'.
Basic, adjusted EPS	Basic, adjusted earnings per share (EPS) is based upon adjusted results after tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted earnings before interest, tax, depreciation and amortisation, and share remuneration charges, as set out in the Group's 2015 Annual Report and Accounts on page 125, which can be found on the Group's website www.williamhillplc.com.
Gross win and net revenue	Gross win and net revenue are used internally as key performance indicators of the Group's business. The Board believes presentation of gross win/net revenue enhances an investor's understanding of the Group's underlying financial condition and results of operations. Gross win is calculated as the total amount that the Group retains from customers' stakes after paying out any winnings. Net revenue is the primary measure for all divisions. This is defined as gross win, less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in Retail. Net revenue is a term used across the industry and is consistent with 'Revenue' as disclosed in the financial statements.
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue divided by amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers.
Net debt for covenant purposes	Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances, as set out in the Group's 2015 Annual Report and Accounts on page 125, which can be found on the Group's website www.williamhillplc.com.
Operating profit/loss	Adjusted profit/loss before interest and tax.
PBIT	Profit before interest and tax.