

**William Hill PLC**

Annual Report and Accounts 2017

# Creating the best possible gambling experience



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A market-leading omni-channel offering



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## Chairman's introduction to governance

Stable and cohesive governance supporting strategy

## Introduction

We are one of the world's **leading** gambling companies. Millions of people enjoy betting with us every year.

Our brand, high street presence, product range, user experience and large-scale investment remain powerful drivers in this market. Our vision is to be the **brand in everyone's hand**.

With compelling **growth** opportunities, we aim to grow our market share further by investing in digital and international **expansion**. And we are building a **sustainable** business by balancing our commercial priorities with our responsible gambling goals.

## Chairman's statement

# A motivated team driving improvements

This business has been in transition. Now, we've returned to strong growth, with a new and reinvigorated leadership team in place implementing our plan to lead the industry and create long-term value.



### Performance overview

William Hill delivered a strong performance in 2017, reflecting our focus on rejuvenating Online, building an attractive omni-channel proposition and growing our position in the US.

Group net revenue<sup>1</sup> grew 7% to £1.7bn. There was a loss of £43.7m before interest and tax as a result of £335.0m of exceptional charges and adjustments, principally a £238.3m impairment to the value of the Australian business and £61.7m of costs relating to the transformation programme. These substantial charges reflect the transition the business is going through, whether regulatory or transformational changes.

Adjusted operating profit<sup>2</sup>, which gives a clearer picture of underlying performance, rose 11% to £291.3m, supported in particular by strong growth in our Online and US businesses. Basic, adjusted earnings per share<sup>3</sup> rose 24% to 27.6p. Our balance sheet is strong, with net debt to EBITDA<sup>4</sup> reducing to 1.4 times (2016: 1.8 times).

Online built positive momentum in 2017, benefiting from improvements we have made over the last 18 months. Retail delivered a resilient performance in a year without a major international football tournament. In the US, double-digit growth was driven by mobile betting. Australia grew net revenue and profits but performance is being impacted by the credit betting ban, and we are undertaking a strategic review of the business.

We are also making good progress on the transformation programme, which over the long term will deliver improved revenues, greater cost efficiency and better organisational effectiveness.

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

Overall, the Group has regained strength, focus and purpose, and with momentum building we are focused on delivering our strategic priorities as we look ahead with renewed confidence.

## Corporate governance

Over the last two years we have significantly strengthened the Board, increasing the breadth and depth of knowledge and the experience we contribute to the Group.

We are pleased to welcome Roger Devlin, who joined the Board on 1 February 2018 as Chairman Designate and takes over from me as Chairman on 2 April 2018 when I step down. Roger combines extensive experience of listed companies with highly relevant experience in the leisure, sport and gambling sectors, which makes him the ideal person to lead the Board over the coming years.

Philip Bowcock and Ruth Prior took on the CEO and CFO roles in March and October respectively, and it is satisfying to see how well they have performed. They are a strong team, with complementary skills. Philip is also building an experienced and effective Executive team who bring a healthy blend of longevity from within the Group and new insights from other companies and industries.

Our three additional Non-executive Directors – John O'Reilly, Robin Terrell and Mark Brooker – have integrated well and brought a new dimension to Board discussions. I'm delighted that Mark and John have taken on chairmanships of the Corporate Responsibility Committee and new Transformation Oversight Committee, respectively, as their industry experience has been invaluable.

A few thank yous. First, to Ashley Highfield for his service to the Board over the nine years of his term as a Non-executive Director and his further contribution as Chair of the CR Committee. Second, Imelda Walsh had informed the Board in 2017 that after six years as a Non-executive Director she was considering whether to take on new opportunities and she has now confirmed that she will not seek re-election at the 2018 AGM. Her stewardship of the Remuneration Committee has been exemplary. Third, to my Board colleagues and everyone across the business for their support over the last seven and a half years. Finally, and on behalf of the Board, to our William Hill colleagues. There have been some challenging moments over the last few years, but their passion for the business and commitment to our customers have been crucial to making William Hill strong again.

I have thoroughly enjoyed my time as Chairman of William Hill and I leave knowing that the business is now on a strong footing and well placed to embrace the opportunities and challenges ahead.

## Outlook

Looking ahead, we continue to focus on the UK growth opportunity, now that Online is growing well again, Retail is competing strongly and our omni-channel strategy is delivering a differentiated and attractive customer experience. This is underpinned by the transformation programme, which continues to deliver benefits in terms of both revenues and costs.

International expansion remains a key goal for the Group, both for the ability to generate faster revenue growth and for the benefits of diversifying our sources of income.

The potential for the Supreme Court of the US to overturn the federal ban on sports betting presents the Group with an exciting opportunity and one that we originally positioned ourselves for as far back as 2012. We look forward to hearing their decision this year.

There are challenges ahead. The long-awaited outcome of the UK Government's Triennial Review of gaming machine stakes and prizes will impact Retail but we will benefit from gaining much-needed clarity on the likely future cash flows from that business. We are also facing tough decisions on the Australian business, given how significantly regulation has moved – and continues to move – against us there, and recognising that management may need to prioritise our growth engines in the UK and the US.

Consolidation remains a prominent feature of this industry and is likely to be so for some years to come, particularly as substantial shareholder value can be generated from synergies. Our goal is to ensure William Hill is well placed to make the best decisions for shareholders.

**Gareth Davis**  
Chairman

## Performance highlights

Net revenue<sup>1</sup>

£1.7bn  
+7%

Loss before interest and tax<sup>2</sup>

-£43.7m  
-

Adjusted operating profit<sup>2</sup>

£291.3m  
+11%

Basic loss per share

-9.7p  
-

Basic, adjusted earnings per share<sup>3</sup>

27.6p  
+24%

Dividend per share

13.2p  
+6%

- 1 Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.
- 2 We incurred a statutory loss due to exceptional items. Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on exceptional items and adjusted measures is provided in note 3 to the financial statements.
- 3 Adjusted EPS is calculated using adjusted profit after tax and is used for remuneration purposes (see page 68 onwards) and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements. The calculation of EPS measures is shown in note 11 to the financial statements.
- 4 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 23 to the financial statements.

## Our business today

# One William Hill. Meeting our customers where they want us.

## Online



Our Online business has been around since 1998 when we launched [www.williamhill.com](http://www.williamhill.com). Since then, we have made significant advances in bringing customers a vast and engaging product range, tailoring the customer experience and investing in our brand. We are now one of the leading online betting and gaming providers to customers in the UK, Italy and Spain. Around 2.4 million customers gambled with us online in 2017. Our customers have access to more than a million betting opportunities every week. This includes in-play and pre-match sports betting, and a wide range of gaming products. Our customers can bet with us wherever and whenever they want, enhancing the fun of watching a match and enjoying the thrill of gaming.

[Find out more](#)  
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## Retail



William Hill is one of the most recognisable names on the UK high street, having taken bets in licensed betting offices (LBOs) since 1966. Today we have 2,342 of the c8,500 shops in the market. We offer sports betting on football, horseracing and other sports as well as gaming on machines. Customers can place a sports bet over-the-counter (OTC) or via our innovative, proprietary self-service betting terminals (SSBT). Having successfully completed the roll-out of these in 2017, we now have at least one in every shop. And for the customers who love their shop as much as online, we offer a great omni-channel experience.

[Find out more](#)  
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## US



With the US potentially opening up sports betting, we are well placed to be an early mover. We created this business in June 2012 by acquiring and merging three small sports book operators under the William Hill brand. Now, we are the largest operator of land-based sports betting shops ('sports books') in Nevada. We have 57% market share, running sports books in 108 out of the 190 casinos in Nevada. In Nevada, our customers also bet with us on our mobile app. We are also the exclusive bookmaker for the State of Delaware's sports lottery.

[Find out more](#)  
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## Australia



In Australia, we are one of the top three providers of online betting with over 270,000 active customers. We offer sports betting products online, on mobile devices and by telephone. Our business in Australia was created through the acquisition of Sportingbet (including Centrebet) and tomwaterhouse.com in 2013. These two businesses have been rebranded William Hill.

[Find out more](#)  
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**Product range**

>1m

betting opportunities available online every week

**Customers**

2.7m

active digital customers worldwide

**Group marketing**

£175m

invested in 2017

**Heritage**

80+

years of heritage

**High street footprint (at year-end)**

2,342

shops in UK

**International presence**

10

countries where we have a presence

**Colleagues**

c16,000

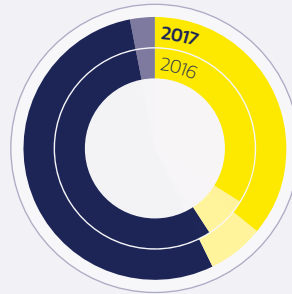
employees

**Group net revenue<sup>1</sup> by division**

2017

43%

Our digital divisions accounted for 43% of Group net revenue in 2017



Online	36%
Australia	7%
Retail	54%
US	3%
Other	0%

2016

Our digital divisions accounted for 41% of Group net revenue in 2016

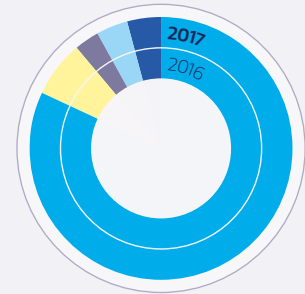
Online	34%
Australia	7%
Retail	56%
US	3%
Other	0%

**Group net revenue<sup>1</sup> by market**

2017

18%

International markets accounted for 18% of Group net revenue in 2017



UK	82%
Australia	7%
US	3%
Italy and Spain	4%
Other	4%

2016

International markets accounted for 18% of Group net revenue in 2016

UK	82%
Australia	7%
US	3%
Italy and Spain	4%
Other	4%

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

## CEO's review

# Strategy overview with Philip Bowcock

**Chief Executive Officer**

'William Hill is regaining strength, focus and purpose, with a new leadership team in place. Growth is being powered by Online and the US, Retail generates strong cash flows and there are exciting opportunities for expansion in the UK and internationally, particularly in US sports betting.'





## Our three focus areas

We are focused on three strategic priorities to drive UK growth and international diversification.

01

### Grow UK market share

02

### Grow international revenues

03

### Deliver key projects: technology and transformation

## Overview

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

Looking ahead, we will invest in more innovation in Online and our omni-channel platform, as well as in the US to ensure we can unlock its full potential at the right moment. A key pillar of our strategy moving forward will be to act in a sustainable way and to take greater account of all our stakeholders than we may have in the past. In the months ahead we will be taking a number of steps to ensure that we embed this approach for the long term.

We have continued to expand the already extensive skill set of the Executive team. Ruth joined us as CFO in October and we are pleased to welcome Ulrik Bengtsson, the former President and CEO of Betsson Group, in the new role of Chief Digital Officer, overseeing Online, global data, global brand, marketing and customer service. Crispin Nieboer, after two very successful years in charge of the Online business, is moving into the role of Group Corporate Development Director, with the US being his immediate priority.

With a strengthened team in place, we have started this World Cup year with a renewed sense of purpose and look forward to maintaining our momentum.

Personally and on behalf of the Board, I would also like to record our thanks to Gareth Davis, who steps down as Chairman in April after more than seven and a half years in the role. Gareth has steered the Board through some challenging times, during which his resilience and good humour have been invaluable. He leaves with our thanks and very best wishes.

## Strategy overview

In August 2017, we outlined our three strategic priorities and we have made good progress against these this year.

## Grow UK market share

The UK has been and continues to be our near-term priority given the scale of our business and the continued growth of the digital market. Our brand, high street presence, product range, user experience and large-scale investment in marketing and technology remain powerful drivers in this market and we aim to grow our market share further.

After a period of underperformance, Online is now competing well again. We continue to enhance the product and user experience for customers, with innovations like #YourOdds and improvements to make our service quick and easy to use. We have optimised our digital marketing activities and are investing in new capabilities using programmatic marketing and artificial intelligence to make these even more effective.

Recognising that a significant proportion of customers want to gamble both in the shops and online, we have built strong foundations for our 'omni-channel' experience, including our proprietary self-service betting terminals, and will continue to extend this to ensure customers can enjoy our products and experiences however suits them best. Retail remains a strong partner to Online, with a prominent brand within UK communities and a high-quality service provided by our shop teams.

## Grow international revenues

Internationally, there are opportunities for us to take our established expertise into other markets, particularly as digital has broken down borders and more governments are moving to regulate online gambling. Our goal is, ultimately, to reduce our reliance on the UK, where any economic, fiscal or regulatory changes currently have a meaningful impact on our performance.

The US is an obvious opportunity for us as we are the leading sports betting brand in Nevada, the only large-scale legalised state for betting. Should the federal ban – PASPA – be overturned by the Supreme Court, we will look to leverage the strengths we have built so far, including our casino relationships and our proven track record, and will invest to move quickly in this new market.

Should the US take longer to come through, we are exploring opportunities in markets elsewhere in the world, particularly in the Americas and Asia, to exploit our strengths in sports betting.

## CEO's review continued

### Deliver key projects: technology and transformation

There are two projects that underpin our strategy: the transformation programme, referred to as restructuring costs in note 3 to the financial statements, and evolving our technology platform.

The transformation programme is delivering both accelerated revenue growth and in excess of £40m of annualised cost savings, which we are reinvesting in the business. It is a wide-ranging programme addressing areas such as marketing efficiency, IT efficiency, customer service optimisation, third-party spend, location strategy, the omni-channel strategy and back-office functions. The three-year programme will be completed in 2019.

The global technology programme is designed to address our long-term strategic needs. Currently, the Group has three separate platforms that support our UK/ European operations, Australia and the US, much of it now developed and run in-house. Given the scale and cost of the technology infrastructure, our goal is to leverage a core platform across as much of the business as possible.

In addition to these three strategic priorities, we are changing how we build a sustainable business.

We recognise that it's not enough to grow: we have to grow the right way. Considerable concern is being expressed about the gambling industry and it needs to be addressed. Some of that is about helping people better understand what we already do. But we also need to change, to rebalance our commercial goals and our responsible gambling aims in order to build a sustainable business for all our stakeholders. It's about how we invest in delivering our objectives as a licensed company – to treat customers fairly and openly, to protect the vulnerable and to keep crime out of gambling. And it's about how we use William Hill's unique strengths – our community presence, the opportunities we offer and our relationship with sport – to make a positive contribution to the world.

## Q&A with Philip

### Q What's behind your outperformance in 2017?

This business has been in transition. We're now regaining strength, focus and purpose, with a new leadership team in place. Growth is being powered by Online and the US and we're investing to drive this faster, supported by savings we've delivered from the transformation programme. Retail has delivered another robust performance and we've managed our Australia business carefully given regulatory headwinds. So it's really the sum of the parts.

### Q How sustainable is that into 2018?

We're competitive again in the UK – both in Online and with our omni-channel customers who cross over between Retail and Online – and we're starting to regain market share. The World Cup will bring in more competition but we're well placed to compete. We've also positioned ourselves to be an early mover in the US, which potentially could open up sports betting. We're looking for clarity for Retail with a decision on the Triennial Review and a strategic review in Australia is taking place. Importantly, we're also changing our stance on sustainability, recognising wider social concerns and wanting to strike the right balance between our commercial and responsible gambling goals. This is about building a long-term sustainable business, not just what we can deliver in 2018.

### Q What excites you most? And what's your biggest risk?

Regulatory change is the answer to both of those. On the up side, it's about the US potential. There's been a federal ban on state-sponsored sports betting since 1992, but with a carve-out for four states. It's an anomaly that Nevada casinos can take bets but Atlantic City casinos can't. It was a surprise when the Supreme Court decided to take the case, but the legal arguments are strong.

This could be the most significant shift in the gambling sector in the last decade. And we're excited to go at it. This was exactly why William Hill US was created six years ago – to give us a presence in Nevada and have a strong platform should sports betting regulation change. We are an established entity with a brand presence, local management and an outstanding track record.

On the risk side, we're waiting to hear from the UK Government on the Triennial Review. It's clear gaming machine play will be further restricted, but how far has yet to be confirmed. That clarity is key to understanding what capital we have available to invest across our businesses. We've come a long way in encouraging responsible gambling among our customers. But we fully recognise people remain concerned and want to see us do more. It's part of the reason why sustainability has become a greater priority for the business.

### Q How can you offset the impact of the Triennial Review?

Retail is a well-run business so there isn't the scope to offset significant revenue reductions with cost-saving measures. Once we know what the Government sets as the new maximum stake, we'll know how much revenue is at risk and be able to estimate how much might be recycled or substituted into other products. That will give us a shop-by-shop view of revenues and profitability. Shop closures are sadly inevitable – the question is how many and over what timeframe. We have modelled different scenarios but we're dealing with an unprecedented set of circumstances so we can only guess at what the customer response will be. We'll need to see how that plays out before we can reasonably make decisions on the future of some of the shops. We will of course consult with our colleagues ahead of any closures.

**Q What's behind Online's rejuvenation?**

This is about a thousand different improvements that add up to making Online a highly competitive business again. Making the wider Group fitter and more focused. From overhauling the user experience (UX) and major product innovations to tiny tweaks to user journeys. From redesigning our geographic footprint and rationalising our data centres to buying pay-per-click words more effectively. It's been a huge task and the success we're now seeing is testament to the passion, commitment and sheer hard graft of so many people in the business.

**Q Some say you're behind the curve on the omni-channel strategy in the UK. What's your view?**

This is about doing it right, not doing it fast. Others have focused on plundering retail for new online customers. We're about bringing the experience to the customer. So it started with using SSBTs to bring great new products into the shops. And when the third-party solution didn't cut it, we built our own. That's also given us a seamless, integrated platform for everything else we wanted to give customers: the 'William Hill Plus' service – the app and the card – to extend the experience outside the shop, and the single wallet to give existing Online customers an easy way to deposit, withdraw or play with their account funds in the shop. We're very proud of what we're giving customers now.

**We increased our online marketing spend by**

**14%**

**Our strategic priorities**

**01 Grow UK market share**



In Online, we continue to evolve our product range and user experience (UX) to deliver a fast, efficient and engaging service.

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

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

**+** Find out more  
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## CEO's review continued

## Our strategic priorities

**02** Grow international revenues

Leveraging our scale and expertise outside of the UK.

Having built a highly competitive digital offering in the UK, one of the most advanced and innovative markets globally, we can compete strongly in international markets and thereby diversify our business.

**US**

We established William Hill US in 2012 and have built a strong track record and key relationships since then. We are keen to be in a position to take advantage of the evolving opportunity in the US.

The Supreme Court surprised everyone in June by announcing that it would hear the New Jersey case to repeal the Professional and Amateur Sports Protection Act 1992 (PASPA). After 25 years of a federal ban, the US could be on the verge of regulating sports betting with a number of states already drafting legislation. With a decision expected in 2018, we are investing to prepare for potential expansion opportunities.

**Australia**

While Australia has some attractive characteristics, regulatory change has made this a difficult market and our business has underperformed. These and potential future tax changes mean that greater scale is likely to be necessary for our Australian business to be sustainable. We are, therefore, currently undertaking a strategic review, considering organic and inorganic options. We expect to conclude the review by mid-2018.

**Rest of World**

Over the last year the UK has been the Group's priority. However, we have continued to invest in Italy and Spain to maintain a leading position. Online also takes revenues from a number of other regulating markets. These present interesting opportunities for future expansion.

**+** Find out more  
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## Our strategic priorities

**03** Technology and transformation

Enabling our business through technology and transformation.

**Setting up for success**

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

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

**Technology at the heart of our business**

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

**+** Find out more  
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'We are focused on improving our approach to responsible gambling to build a long-term, sustainable business for all our stakeholders, and especially for any of our customers who are at risk from problem gambling.'

**Q What makes you think William Hill can compete internationally?**

The digital world for gambling is still quite small – only about 9% of global gambling revenues. Within this, the UK is the single largest regulated market, five times bigger than the next. It's a sophisticated market where large-scale, sophisticated digital businesses have grown up in response to the competitive intensity. That stands us in good stead in other markets. The UK is also recognised by partners, governments and regulators as a well-run industry and, as one of the most trusted brands in the UK market, that opens doors for William Hill.

**Q Why do you think you can compete in the US?**

When William Hill started looking at the US six or seven years ago, it was always with a view to this kind of opportunity developing. At that time, it was difficult to assess where the US is going – as a market it could be massive or it could have been nothing, so putting a lot of capital at risk would have been a difficult decision. But, equally, the point at which change comes, it can come quickly and you don't want to be sitting in London, scratching your head for ideas on how to break into the market. Which is why William Hill moved into sports betting in Nevada in 2012. Now, we have a business with a strong track record, a respected and recognised management team, established relationships with casino operators and the wider industry, and the early foundations of brand recognition. If the Supreme Court overturns PASPA, this is a major new market with both enormous customer appetite for betting and no large-scale legal incumbent. It's a greenfield site. It's not going to be easy – it'll take time, management focus and capital – but we've given ourselves a real headstart.

**Q You talk about changing your approach to sustainability? Is this just 'lip service'?**

Far from it. This is 'bone deep' change within William Hill. And it resonates strongly internally. There's such pride among William Hill people. We love what we do, we love our customers and we're proud of our heritage. But it's hard to be proud when you're being vilified by media and politicians alike. Across society, there's clearly a wider mistrust of gambling companies. While some attitudes may not be balanced, they can't be ignored. How we go about this will define us as a company for years to come. It's about doing the right things for the right reasons. That starts and ends with our customers – treating them as we would want to be treated. We're at the very start of this journey. It will take time. And it's going to challenge all of us. But it's the right thing for us to do.

**Q Can you describe the changes you plan to make regarding sustainability?**

This touches every part of our business. We'll rebalance our commercial and sustainability goals. We'll ensure our 'assurance' functions are well invested and robust enough to challenge us and keep us honest. We'll make it part of every colleague's role. We'll revisit how we market and advertise to customers. We'll take ownership of problem gambling – understanding it and actively contributing to the wider engagement on research, education and treatment. We'll do more to help 'at risk' customers to stop problems developing. We'll build collaborative relationships to become a true partner to regulators and government. And we'll rebuild our relationships with other industries where the naturally symbiotic relationships have, to some degree, broken down – with horseracing and greyhound racing, for instance.

**Q How do you think about M&A in the context of your strategy?**

Consolidation is an obvious route for this sector. There are almost 800 remote gambling licences issued in the UK alone. And there's meaningful value to be generated from cost synergies as demonstrated by the three big deals in the last two years, which generated synergies in excess of £100m each. But, ideally, I'd want M&A to take us forward strategically as well, to diversify our revenue streams, whether geographically or through other products or channels, so we can reduce our reliance on the UK.

Right now, we're in a great place. We've got, in our view, a premium standalone sports betting brand. We're competing hard in the UK. We've got the potential of the US opening up. And we've got a robust balance sheet. What we need is clarity – from the Supreme Court on PASPA and from the UK Government on the Triennial Review. Only then can we know what's right for the future of this business.

**Q Do you plan to make any further changes to the team?**

We're in really good shape now having expanded the skillset of the Group Executive and with a new CEO, CFO and Chairman Designate, and three new Non-execs on the Board. The business will always change as we respond to opportunities and challenges, but I'm really happy with where we are now.

## Key trends in the market

# Key trends in our industry

### Regulation



Today, gambling legislation exists in practically every country, but most of it was written for land-based entities. Very few governments – just 16 at the last count – have so far updated their legislation to take account of online gambling. As a result, online only accounts for 9% of global gambling revenues.

The UK was among the first to regulate online gambling and it is by far the largest regulated digital market, five times bigger in revenue terms than the next nearest country. To date, 15 European countries have followed and Europe has become the most advanced region, with 21% of gambling revenues coming from digital sources<sup>1</sup>. In the UK, online is 43% of revenues, which indicates its potential in a well-regulated, commercially open market<sup>1</sup>.

More governments are moving towards legalising online, recognising its appeal for customers, the importance of consumer protection and the potential to generate tax revenues. Whilst many early movers are relatively small markets, more significant ones are in the pipeline, including countries such as Germany, Brazil, Russia and India. This could open up meaningful new opportunities for companies such as William Hill, so having well-developed digital and land-based capabilities, experience in regulated markets and the scale to invest internationally can give significant competitive advantages.

[Find out more](#)  
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1. H2GC

### Sustainability



As governments regulate, consumer protection is front of mind. And in a regulated market, striking the right balance between commercial and regulatory goals is becoming increasingly important.

In the UK, for instance, regulation of gambling is focused on treating customers fairly and openly, protecting the vulnerable – whether problem gamblers or under 18s – and keeping crime out of gambling.

In markets where gambling has grown rapidly – such as the UK and Australia – concerns have been raised that gambling companies are putting customers at risk. Media coverage and political commentary on problem gambling and TV advertising is intense, and society is looking to the companies to act.

This is about our licence to operate. And it is vital that the largest operators – including William Hill – lead the way towards a more sustainable approach to gambling.

We want relationships with our customers to last a lifetime, which is already what happens in many of our shops. It's in our interest, as well as customers' and governments', to enable customers to gamble responsibly. Some positive steps have already been taken, such as giving customers more ways to restrict or even block their gambling, and training colleagues to interact with customers that they are concerned about.

But this is just the start of a long journey. And we are continuously learning and improving what we do. Both as a company and as a strong voice in our industry.

[Find out more](#)  
Page 32

## Personalisation



Gambling is a fun experience for millions of people and over the last decade the industry has delivered ever more exciting and engaging ways to bet, from in-play to ‘cash in’ and tailored odds.

With more extensive product ranges, the need to make the customer experience quick and easy became paramount, and we’ve focused on optimising customer journeys, including learning from other consumer-facing businesses.

The personal experience already exists in the shops and has been enhanced further in 2017. Now, technology is opening up the potential for increasing personalisation. Taking it online is all about data: managing and translating vast volumes of data into ways of anticipating what customers want to do and then delivering it to them. And it’s about managing that across channels too, for customers gambling both online and in the shops.

We’re already delivering personalised bets through #YourOdds, our social media-based route for customers to ask for odds on a bet they’ve designed for themselves. We’re also giving them the choice of enhanced odds on a bet every day through Bet Boost. And our communications are becoming more personal through programmatic marketing.

But with the likes of Netflix and Amazon using recommendation engines to anticipate customers’ needs, expectations are getting higher by the day. So there’s much more to come.

[+ Find out more](#)  
Page 18

## Consolidation



In the UK, a large and sophisticated digital gambling industry has become established over the last decade. But with almost 800 licensees, it is also fragmented in a way that is not typical of – or sustainable in – a highly regulated digital market.

Consolidation is a natural trend for this industry and has already been evident in places. The cost of building and maintaining a highly competitive digital business is substantial and increasing – to keep pace with technological change, to invest in both digital and above-the-line marketing, and to pay gambling duties in regulated markets. And the cost of regulation is increasing as we move towards achieving a more sustainable balance for customers, governments and operators.

The benefits to be gained from consolidation are meaningful. It creates scale for operators, spreading their substantial cost base across wider revenue sources. It generates cost synergies that deliver meaningful near-term shareholder value. And it diversifies a company’s revenue streams, reducing the regulatory, macro-economic and competitive risks that come from being over-exposed to a single market.

In ten years’ time, no one would be surprised to see a much more consolidated sector with a smaller number of much larger scale companies leading the way. It’s not a matter of ‘if’ but when and how.

[+ Find out more](#)  
Page 18

## Our business model

### The resources we need

#### Non-financial People and knowledge

Our people are passionate about William Hill. Our team's expertise allows us to innovate and bring new and improved products to our customers.

**Find out more:** Page 38

#### Brand and reputation

Our 82-year-old brand is both highly recognised and trusted. Our high street presence and marketing investments both build brand awareness. This, together with our reputation for delivering a great but responsible experience, helps us differentiate ourselves.

**Find out more:** Page 05

#### Relationships

We work closely with customers, sports bodies and suppliers to help improve the business we operate in.

**Find out more:** Page 32

#### Proprietary technology

A key differentiator, driven by customer insight. We are investing to ensure our technology platform delivers the best customer experience. It also underpins other key business requirements.

**Find out more:** Page 10

#### Regulatory licensing

We operate in highly regulated markets where we need to be licensed. We work closely with governing bodies to lead the way in delivering a responsible gambling experience.

**Find out more:** Page 18

#### Financial Access to capital

In order to run the business and continue to invest in improving our operations, we need funds which we generate from profits or seek from our shareholders or debt providers.

**Find out more:** Page 28

## How we create value

### What we offer



**We provide exciting products across a range of betting and gaming opportunities.**

#### Betting

Our customers primarily come to us for sports betting. Customers are offered a price for various outcomes which have a margin built in. Our Trading team sets the pricing (odds). Customers can bet on the outcome of key sporting events – including in-play and pre-match sports betting – or anything from political events to reality TV.

#### Gaming

Our customers can also enjoy a wide range of gaming products, which extend the opportunity for customers to enjoy our products between betting events. Gaming outcomes are randomly generated and more frequent, operating at lower but more stable margins than sports betting.

### How customers bet with us



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

#### Retail

We have 2,342 of the c8,500 shops in the UK market. In our shops customers can enjoy sports betting on football, horseracing and other sports as well as gaming on machines.

#### Online

Our customers have access to more than a million betting opportunities available online every week. Customers can gamble with us wherever and whenever they want, including via mobile, tablet or PC.



## Why customers bet with us



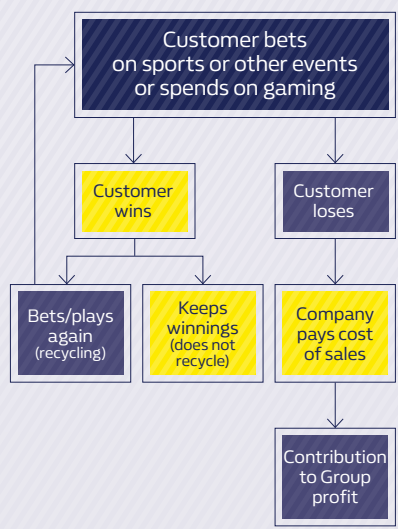
### Omni-channel delivery

By providing customers the choice of betting shops environments, SSBTs, mobile apps or traditional online access, we can leverage all channels to maximize our revenues.

### Customer experience

We aim to give customers an unrivalled choice of products and the best experience. We are focused on giving customers what they want, ensuring our product is fast and easy to use, and creating personalised rewarding experiences. While at the same time, encouraging and helping customers to gamble responsibly.

## How the financials work



## The results of what we do

### Operating profit

Profits enable reinvestment into the business and returns to shareholders and debt providers.

**Find out more:** Page 28

### Shareholder returns

The financial returns we generate for investors can be redistributed in the form of dividends or share buy backs.

**Find out more:** Page 28

### Encouraging responsible gambling

Our approach to responsible gambling is core to how we operate as a business and aims to protect our customers, our colleagues and the communities in which we operate.

**Find out more:** Page 34

### Taxes to the Government

We are a key contributor to the UK economy, paying £347.3m in 2017 to Treasury through direct, indirect and employee taxes. Betting shops also contribute to local services paying more than £21.9m in business rates each year.

**Find out more:** Page 17

### Employment

We employ around 16,000 people across our business. Our UK betting shops provide full- and part-time jobs for 11,726 people.

**Find out more:** Page 40

### Social and community

Through our community commitment – Close to Home – our colleagues volunteer their time and skills to support good causes in local areas. We also partner with a number of charities, support community youth programmes, mental health initiatives and support sport.

**Find out more:** Page 42

## Key performance indicators

# Driving our performance

### Indicators of strategic progress

We have been focused on three strategic priorities to drive UK growth and international diversification.

On page 07 we summarise the progress we made against these priorities under the leadership of Philip Bowcock, CEO.

#### From 2014 to 2016

Since 2014, senior management's Long Term Incentive Plans have been linked to our diversification strategy, with 25% of awards assessed against mobile growth in Online and digital growth in Australia. Between 2014 and 2017, the proportion of revenues from digital and international markets has remained relatively stable at 43% and 18%, respectively. This is because different divisions have experienced volatility at different times, effectively offsetting weakness in one part of the Group with growth in another. However, across the same period, we have seen mobile continue to increase as a percentage of Sportsbook and Gaming net revenues in Online, and digital has increased to 88% of Australia's revenues.

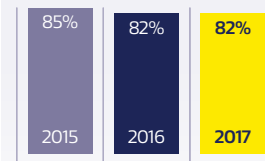
#### 2017 onwards

In 2017, reflecting the need to focus on the transformation of the business, the approach to management reward was changed so that 33.3% of the 2017 awards would be based on progress against our revenue growth and cost reduction transformation goals – see page 07 for further information. We have made good progress and continue to invest in our transformation programme, which we expect to deliver improved revenues, greater cost efficiency and better organisational effectiveness.

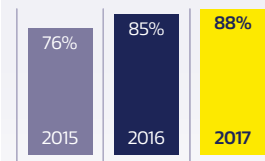
[Read more](#)  
Page 77

### Diversification

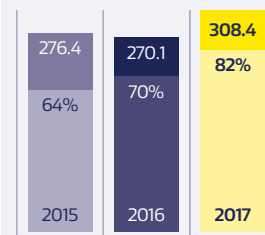
#### International: reducing reliance on UK-derived revenue (%)



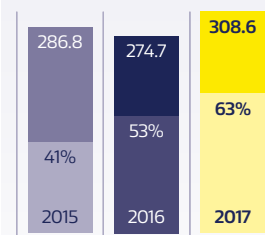
#### Digital and international: digital as a percentage of Australia revenues (%)



#### Digital: increasing mobile as a percentage of Online Sportsbook revenues (£m)



#### Digital: increasing mobile as a percentage of Online gaming revenues (£m)

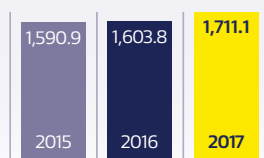


Prior year numbers have been re-presented to include Telephone.

## Group KPIs

### Net revenue<sup>1</sup> (£m)

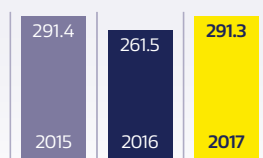
+7%



Net revenue<sup>1</sup> is the key indicator of the Group's top line growth. It is the revenue retained from the amounts staked after paying out customer winnings and deducting free bets. In 2017, Group net revenue<sup>1</sup> was 7% higher. Within this, Online revenue grew by 13%, reflecting growth in both sports betting and gaming. Retail revenue grew 2% with a gross win margin of 18% and revenue growth from gaming machines of 3%. Net revenue in Australia and the US increased by 5% and 29%, respectively.

### Adjusted operating profit<sup>2</sup> (£m)

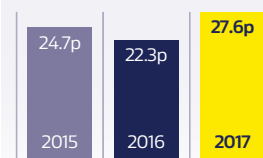
+11%



Adjusted operating profit<sup>2</sup>, which gives a picture of underlying performance, is a key indicator of the Group's success in delivering top line growth while controlling costs. In 2017, it increased by 11%. This is faster than the Group's revenue growth rate as costs were well controlled, in spite of additional marketing investment in our Online business.

### Basic, adjusted EPS<sup>3</sup> (pence)

+24%

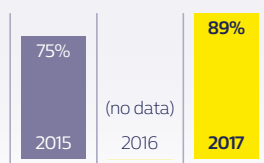


Basic, adjusted earnings per share (EPS)<sup>3</sup> is a key indicator of the Group's growth after allowing for all costs, including interest and tax, but excluding exceptional items and adjustments. The increase in EPS reflects the adjusted operating profit<sup>2</sup> growth, lower finance costs and the full year impact of the share buy-back programme throughout 2016.

## Corporate responsibility KPIs

### Employee engagement participation (%)

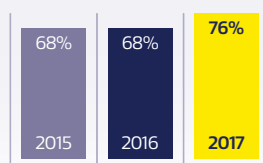
89%



This KPI reflects the proportion of our colleagues who participate in our annual employee survey 'Your Say', which measures our colleagues' satisfaction in working for William Hill and highlights areas we can address to improve. In 2017, almost 13,000 colleagues participated in the survey, which increased the participation rate to an all-time high of 89%. The results highlighted an improvement in colleagues' understanding of William Hill's strategy and in working collaboratively across divisions and functions. Career progression at William Hill was highlighted as the biggest area to be addressed.

### Retail net promoter score (NPS) (%)

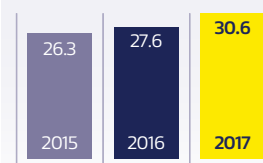
76%



This KPI addresses the overall satisfaction of our Retail customers with their experience of our shops, reflecting the quality of our customer service, product range and in-shop experience. The NPS is based on customers' likelihood of recommending our shops. In 2017, the NPS increased to 76% following the Retail restructure we implemented in January 2017. Customer service is central to our vision for Retail and we are using customer service experts from our shop teams to work with underperforming shops through shop visits, and coaching.

### Community contributions (£m)

£30.6m



This KPI reflects our financial contribution to responsible gambling and our support for other related organisations and industries, some of which are heavily reliant on the success of our industry. It includes: our annual donations to the Senet Group and to GambleAware to fund research, education and treatment of problem gambling; levies on our UK horseracing and greyhound racing revenues; sponsorships; and charitable donations, including matched donations for colleagues' fundraising efforts. In 2017, charitable donations amounted to £1.9m, including £1m to GambleAware and £56,219 in matched funding.

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

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

3 Adjusted EPS is calculated using adjusted profit after tax and is used for remuneration purposes (see page 77 onwards) and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements. The calculation of EPS measures is shown in note 11 to the financial statements.

## Our marketplace

# Our markets

William Hill's core strategy is to invest in regulated markets where we can take a licence and operate sustainably.

Approximately 96% of the Group's revenues were generated from such markets in 2017. We also take revenues from regulating markets where we have formed a risk-assessed legal view on each market.

### Market overview

Gambling takes many forms and varies from country to country.

The industry consists of government-run operations, licensed monopolies or open commercial markets. In some countries there is an outright ban on gambling. A wide range of products are available, from lotteries to sports betting, casino games, poker and bingo. And they're accessed in many different formats, from land-based clubs, pubs, casinos, betting shops and race tracks to online gambling.

Land-based activities remain the format of choice for most gambling customers, generating 89% of the €395bn gross gambling yield<sup>1</sup>. Online gambling first started in earnest in 1998 while mobile gambling became more prominent from 2010 onwards. In many countries, gambling regulations were originally designed with land-based operations in mind. With digital gambling overcoming physical borders, governments are gradually moving to update their regulations to take account of online and mobile gambling.

This is creating opportunities for companies – such as William Hill – who have built a substantial digital business. Technology has become a key enabler of differentiation and innovation, opening up both new products such as in-play betting and new channels such as mobile gambling.

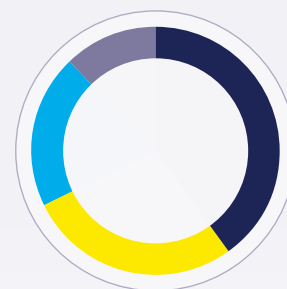
## The UK

The UK is William Hill's primary market, generating 82% of Group net revenue in 2017. We have 28% of the betting shops and around 11% of the digital betting and gaming revenues.

Around 48% of the UK adult population participates in gambling a month, including the National Lottery.

The UK generated £13.7bn of gross gambling yield (GGY) in the last year<sup>1</sup>. Within this, digital has become the largest part of the UK market, accounting for 34% of GGY and growing 10% in the last year. Betting revenues (licensed betting offices (LBOs) and on-course bookmakers) remain resilient in spite of the rapid digital growth, up 1% in the same period.

**UK market share by number of LBOs**  
(%)



■ Ladbrokes Coral	40%
■ William Hill	28%
■ Betfred	20%
■ Other	12%

1. H2GC.



## UK retail

LBOs were first legalised in 1961 when the Government recognised that significant levels of gambling were happening illegally. The number of betting shops reached a peak of c16,000 in the 1970s and then has declined to the current level of c8,500. Over the last five years, the number of LBOs has declined 7%.

The LBO market has consolidated over the decades and three major operators now account for 88% of shops<sup>2</sup>. William Hill is the second largest operator, but the leading brand by number of shops.

LBO GGY in the last year was £3.2bn<sup>2</sup>, 43% from betting and 57% from gaming. Over the last five years, GGY from the LBOs has increased at 1% CAGR in spite of the rapid growth of digital gambling. Customer experience is a key reason for the LBOs' continuing popularity with customers.

The regulatory environment for LBOs last changed significantly with the Gambling Act 2005 and the regulation of gaming machines. We pay 15% for General Betting Duty and 25% for Machine Games Duty.

The UK LBO industry is a key contributor to the UK economy. We support around 43,000 full-time equivalent jobs and our total economic contribution is around £3.2bn towards GDP, including around £1bn a year to Treasury through direct, indirect and employee taxes<sup>3</sup>.

As a well-regulated industry, we also provide a safe environment for gambling activities, with colleagues regularly trained to identify potentially harmful gambling behaviour and to engage with customers to encourage responsible gambling.

## UK online

Online, including mobile, is the fastest growing segment of the UK gambling industry.

First established in 1998, in the early years the market was led by the major land-based brands – notably William Hill and Ladbrokes – as the most recognised and trusted operators. The entrance of more technology-led, specialist online operators eroded the leaders' market share. However, the established brands fought back, addressing their technology gaps and investing in marketing to re-establish competitive positions.

Online was regulated by the Gambling Commission on a 'point of transaction' basis from 2007. In November 2014, the regulations changed to a 'point of consumption' basis and from December 2014 all licensed operators have been taxed on that same basis, paying 15% General Betting Duty and 15% Remote Gaming Duty.

Online GGY in the last year was £4.7bn, 41% from betting and 59% from gaming, up 10% year-on-year. As the market matures, this is expected to slow to 7% CAGR between 2017 and 2022.

Years of low barriers to entry encouraged the proliferation of gambling companies. Although the barriers are now higher – and increasing – the market remains fragmented, with the Gambling Commission reporting 788 remote gambling activities licensed by them<sup>2</sup>.

Sports betting is a key product for driving customer acquisition, benefiting from a relatively lower cost per acquisition, longer customer lifespans and good cross-selling potential. It also offers the greatest opportunity for competitive differentiation and controlling sports betting technology is key to both driving innovation and rapidly responding to changes in the market.

1. H2GC.

2. Gambling Commission Industry Statistics, April 2016 to March 2017, published November 2017.

3. Association of British Bookmakers.

Our marketplace continued

## Our markets

### International markets

Changing regulations are opening up opportunities in international markets, primarily in digital but also – in the US – in land-based sports betting. This enables us to diversify our sources of revenue. In addition to the UK and Gibraltar, William Hill is currently licensed in other territories including Nevada, Australia, Italy, Spain and the Republic of Ireland.



### US

The US market is dominated by land-based casinos and lotteries. Online gaming is largely illegal with only Delaware, New Jersey and Nevada having licensed operators to provide certain gaming products. Online sports betting is illegal under the Interstate Wire Act 1961. State-sponsored sports betting – land-based and online – is banned under the Professional and Amateur Sports Protection Act 1992 (PASPA) in all but four states – Nevada, Delaware, Montana and Oregon.

In Nevada, sports books have to be sited within casinos and are typically either run by the casino operator themselves or outsourced to a specialist end-to-end operator. William Hill US is the largest such operator, having been created through the acquisition and consolidation of three small operators. Nevada also permits mobile betting for customers who create their accounts through the casino sports books.

The Nevada sports betting market generated \$5.2bn of amounts wagered and \$293m of revenues<sup>1</sup>. William Hill US has 57% market share by number of outlets, operating 108 of the 190 sports books in the state.

In Delaware, sports betting is run by the Delaware State Lottery and William Hill US is the exclusive bookmaker for that service, in partnership with Scientific Games.

A number of states have been exploring ways to challenge PASPA and enable land-based or intra-state mobile sports betting. The most advanced legal challenge has been progressed by New Jersey, which sought to decriminalise sports betting in the state within casinos and race tracks. In December 2017, the Supreme Court heard arguments in the state of New Jersey's challenge.

To date, 13 states have progressed or passed legislation that would enable sports betting in those states should PASPA be overturned by the Supreme Court. A decision is expected in 2018.

William Hill US has a

57%

market share by  
number of outlets

1. H2GC.

## Australia

Australia has the highest per capita spend among the ten largest gambling countries, and is seeing double-digit growth in online gambling. It has a narrow regulatory regime with only pre-match betting allowed online. No in-play and no gaming.

Sports betting – or wagering as it is known locally – accounts for 17% of the Australian gambling market at A\$3.1bn of GGY a year. Between 2012 and 2016, total betting grew at around 9% CAGR, within which online grew at 21%. Online betting is projected to grow at 12% CAGR between 2017 and 2022<sup>1</sup>.

Under the Interactive Gambling Act 2001, pre-match betting is permitted online but in-play betting and gaming are prohibited. Australia's online betting market is more consolidated than in the UK and a number of European operators have moved into the market in recent years, including William Hill, Paddy Power, Ladbrokes and Bet365.

While the revenue potential is attractive, regulatory changes and increasing costs are making this a challenging market. In July 2017, South Australia introduced a Point of Consumption Tax. In February 2018, a ban on credit betting came into effect. Now a number of states are also implementing or considering a Point of Consumption Tax. Should this be introduced across all states as an increment to existing gambling duties and levies, the cost of sale will be unsustainably high at more than 40% of revenue.

Therefore, further consolidation is expected in the market.



## Italy and Spain

A number of European countries have followed the UK in amending or establishing licensing regimes for online gambling.

Italy generated €1.2bn of GGY from online gambling<sup>1</sup>. It is still dominated by gaming, which accounts for almost two thirds of revenue. However, sports betting is becoming more established as the regulatory framework has been gradually widened and new developments have been permitted, such as Cash In. The online market is expected to grow at 7% CAGR over the next four years<sup>1</sup>.

Spain generated €0.6bn of GGY from online gambling<sup>1</sup>. Sports betting features more strongly in Spain and is the largest single product, representing just under half of revenue. Gaming revenues are growing rapidly following the regulation of slots games in 2015. With no prominent land-based sports betting incumbent, the market is led by the major European operators. The online market is expected to grow at 18% CAGR over the next four years<sup>1</sup>.

## Rest of World

William Hill also generates revenues in other countries via williamhill.com. These markets make up c4% of Group revenue. These markets are often described as 'grey' or 'regulating'. This is because the governments have not yet updated or are in the process of updating their gambling legislation to take account of online or to create online-specific regulations. Companies rely on legal interpretations of the existing law to determine whether they can operate in that country.

We have taken legal assessments of the countries from which we accept customers and have processes in place to monitor and respond to regulatory change.

There are a number of countries from which we will not accept customers. This varies from countries such as the US and Turkey where we believe online gambling is explicitly illegal, to France where online gambling is regulated, but we have chosen not to take a licence because the tax regime is prohibitive.

1. H2GC.

## Divisional overview

# Online

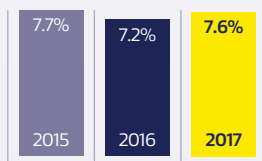


Online generated 36% of Group net revenue in 2017 and employed around 1,700 people in Gibraltar, UK, Italy, Spain, Bulgaria, Poland, Israel and the Philippines.

### Key Performance Indicators

#### Sportsbook margin (%)

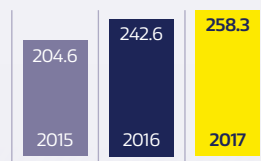
+0.4 ppts



This KPI gives an indication of how sporting results have affected our performance during the year. Our normalised range for Online is 7–8% for gross win. In 2017, the gross win margin was 0.4 percentage points higher year-on-year at 7.6%, reflecting a reasonable year in terms of sporting results. This comprised an in-play margin of 5.8% (2016: 5.8%) and a pre-match margin of 9.0% (2016: 8.4%). This KPI is an industry term and is described in the glossary under 'gross win margin' on page 163.

#### Revenue per unique active player (£)

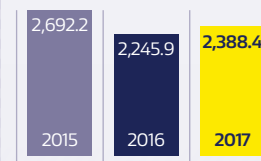
+6%



This KPI reflects the average revenue generated from customers who have used our products during the year. It demonstrates our effectiveness in growing the value of customers. Total Online net revenue was 13% higher in 2017, with Sportsbook up 14% and gaming up 12%. Within this, revenue per unique active player was stronger at +6%, reflecting the benefit of wide-ranging improvements to our product and user experience.

#### Unique active players ('000)

+6%



This KPI reflects the number of individual customers who have used Online's products during the year. This demonstrates how successful we have been in recruiting and retaining Online customers. In 2017, the number of unique active players was up 6% on the back of our focus on player retention and improved acquisition.



## Growing UK market share

The UK has been a key focus for us in 2017 given the continued growth of digital, which has become the single largest part of the UK gambling market. Following a period of underperformance, our Online business is now competing strongly again and gained momentum through the course of the year. We have continued to improve the product and user experience for Online customers. For Sportsbook, we launched #YourOdds, a social media-based personalised odds service, which is proving extremely popular. For gaming, we completed the redesign of the five casino verticals for mobile and desktop. We also launched a 'single wallet', removing a key friction point for customers and, as a result, increased levels of cross-sell. We also increased our investment in marketing in the second half of 2017, having optimised our marketing spend and increased efficiency to attract and retain customers.

## Giving customers what they want

We are focused on giving customers what they want. We're making our product 'fast and easy' making it quick and simple to use when placing bets or enjoying gaming. We're creating personalised experiences by tailoring what we do for each customer. We're giving customers rewarding experiences, relevant to them. And we're building a safe environment that encourages customers to gamble responsibly.

## Expanding internationally

As new markets open up, we'll step in. By operating in more places, we reduce the impact of regulatory changes in a particular market. We're investing in markets that have a strong gambling culture and a competitive regulatory and tax framework. We want to be able to offer customers a broad range of sports betting and gaming products, like in the UK – and being a market leader in the UK gives us some key advantages when we invest elsewhere.

In 2017, approximately 77% of Online's net revenues<sup>1</sup> came from the UK (2016: 76%). And 11% came from Spain and Italy (2016: 11%). The remainder were spread across a large number of other countries, with none accounting for more than 2% of Online's total revenues (2016: 2%).

## Performance review

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

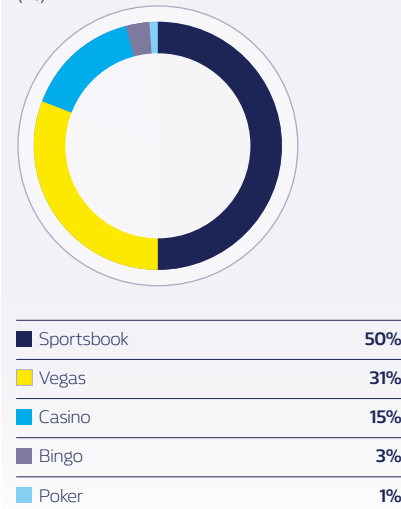
The gross win margin increased from 7.2% to 7.6%. Free bets over the year accounted for 1.1% of amounts wagered (2016: 0.9%). As a result, Sportsbook net revenue rose 14% to £308.3m. Standout results came from pre-match football in Q4, which were strong in their own right and benefited from their comparison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

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

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

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

Online net revenue – split by product (%)



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

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

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

As a result, adjusted operating profit<sup>2</sup> increased 32%.

[+ Read about the UK online market](#)  
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<sup>1</sup> Net revenue is an industry term equivalent to revenue as defined in the notes to the financial statements.

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

## Divisional overview continued

## Retail

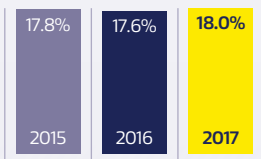


Retail is our largest division, generating 54% of Group net revenue in 2017. Retail employs around 12,300 people in the UK.

## Key Performance Indicators

Sportsbook margin  
(%)

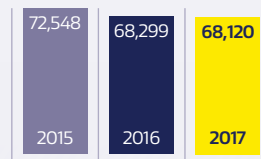
+0.4 ppts



This KPI gives an indication of how sporting results have affected our performance during the year. At 18.0%, the gross win margin was 0.4 percentage points higher than the prior year and at the top of our normalised range of 17–18%, reflecting positive sporting results. This KPI is an industry term and is described in the glossary under 'gross win margin' on page 161.

Average profit per LBO  
(£)

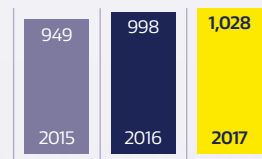
-0%



This KPI reflects the average profitability of the shops. Retail net revenue<sup>1</sup> increased with Sportsbook net revenue up 1% and gaming machine net revenue up 3%. Cost of sales and operating costs both increased by 3%. Overall, adjusted operating profit<sup>2</sup> was 1% lower at £160.9m. Average profit per LBO remained flat at £68,120. The average number of shops was slightly down at 2,362 (2016: 2,372), with eight new licences opened and 41 shops closed in the period.

Average gross win per machine  
per week (£)

+3%



This KPI reflects the trends in the underlying growth in gaming machine net revenue<sup>1</sup>. Based on an average of 9,313 machines, the average gross win per machine per week (net of free bets) was 3% higher at £1,028. A maximum of four machines are allowed per shop. Gaming machine net revenue increased 3%, benefiting from the regular release of new slots and casino games content.

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

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

## Alive and kicking

Retail is a powerful asset. Customers continue to want to be in betting shops – they love the convenience and also the social experience. And you can bet in cash (approximately 90% of Retail’s transactions are in cash). It is also a great partner to Online as customers increasingly want to be in the shops as well as to bet on their mobile. We focus on the quality of our customer service, strong responsible gambling measures and the fundamentals that matter most to our customers. This includes the shop environment, our product range and technology innovations to bring customers an attractive and differentiated offering.

## The best of William Hill – joining up the customer experience

We continue to extend our omni-channel offering, targeting UK customers who use both betting shops and digital services. We estimate around 30% of our regular customers bet in shops and online. Through our proprietary self-service betting terminals (SSBTs), we are now bringing much more of our extensive online product range to shop customers. Having successfully completed the SSBT roll-out in 2017, we now have at least one in every shop and have replaced all terminals previously provided by a third party. We’re also bringing more of the digital experience to our customers with the William Hill Plus card and app. This gives shop customers access to engaging products that have already proven popular with Online’s customers. By the end of the year, we had launched the first phase of an ‘omni-wallet’, making it even easier for existing Online customers to use their account funds in shop. Further innovations are planned.

Our Retail restructure, implemented on 1 January 2017, is encouraging even greater colleague support for our customers. We modernised the organisational structure by creating 359 Business Performance Managers who now focus on enhancing the customer experience. This is bringing management support closer to the shop teams and has reduced the number of middle management roles.

## Our estate

Around 90% of the shops in our estate are leased. The average remaining lease length, including break clauses, is just over three years. The average lease cost per LBO is c£22,000 per annum.

We have 2,342 shops as at the end of 2017. Our average number of shops during 2017 was 2,362.

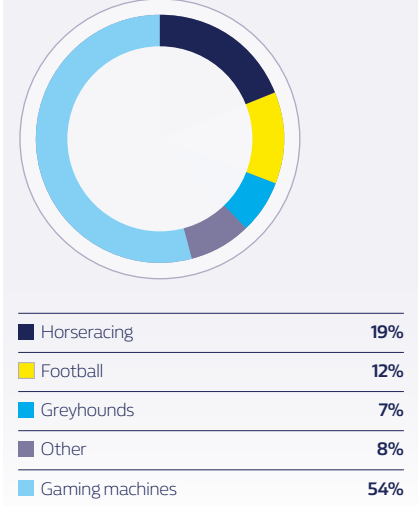
We expect that the implementation of IFRS 16 ‘Leases’ in 2019 will substantially alter the way that we record and present property costs in the Retail business. We will finalise our assessment of the likely impact in 2018 and communicate that in due course. This new accounting standard is explained in more detail in the notes to the financial statements.

## Performance review

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

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

Retail net revenue – split by product (%)



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

Operating costs were 3% higher, with increases in the major cost areas of staff, property and content all in line with expectations. As a result, adjusted operating profit<sup>2</sup> fell by 1%.

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

[+ Read about the Retail market](#)  
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## William Hill Plus The Retail app



The William Hill Plus card links a customer’s SSBTs transactions to their account, which is identified by their mobile phone number. The app allows them to track those bets and Cash In any time, anywhere. As their account is linked to a mobile phone number, we can also send offers to shop customers through push notifications for the first time. More than 80,000 customers registered for a Plus account within the first six weeks of it being available in just over half of the estate. Customer sign ups reached over 137,000 by the year-end.

## Divisional overview continued

# US



William Hill US generated 3% of Group net revenue in 2017 and employs around 400 people, mainly in casino-based sports books in Nevada.

### Building the leading Nevada business

Nevada is one of only four states allowed to license land-based sports betting in the US and is the only one that currently operates an open commercial market. Sports books can only be operated inside casinos. While the major casinos operating on the Las Vegas Strip tend to manage their own sports books, the majority of the other casinos outsource this specialist capability. William Hill is now the preferred outsource supplier, operating 108 of the 190 sports books in Nevada.

We have successfully grown William Hill US by winning more sports book contracts and expanding the product range. This includes in-play betting, developing the mobile app and redeveloping the existing sports books, which are branded as William Hill. Customers who have signed up to mobile accounts in the sports books can now deposit via kiosks provided in casino and bar locations, and via Sightline, a pre-paid card.

We are also the exclusive risk manager for the State of Delaware's sports lottery.

### Potential opening up of the US sports betting market

There has been a lot of discussion in the US about the potential for overturning the federal ban on land-based sports betting. Now, all eyes are focused on the Supreme Court, who in December 2017 heard arguments in the state of New Jersey's challenge to the Professional and Amateur Sports Protection Act 1992 (PASPA), which bans state-sponsored sports betting. A decision is expected in 2018. A number of states, most recently Pennsylvania, have taken steps to prepare for legalised sports betting should the Supreme Court overturn the federal ban.

We are well positioned to take advantage of these emerging opportunities. Through our Nevada operations, we have built a strong track record, relationships with casinos, recognition of our strengths in sports betting and awareness of the William Hill brand. The Company and individual licences awarded by the Nevada Gaming Commission bring increased trust, given the high level of probity checks required to achieve those licences.

We have already invested in relevant opportunities, such as the agreement with Monmouth Park racetrack in New Jersey where we have created a William Hill sports bar that could be converted into a sports book should the law permit it.

### Performance review

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

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

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



[Read about the US market](#)  
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# Australia



William Hill Australia generated 7% of Group net revenue in 2017 and employs around 300 people based in Sydney, Darwin and Manila.

## Product-led offering

Only online sports betting is legal in Australia. While there is not enough sport for endless content for our customers to bet on, there are 80 races every day. So we focused in 2017 on enhancing our core racing product. We're competing for customers' attention by bringing out exciting new products. Product development is our principal competitive advantage in this market. We own our technology platform, and we focus on this to compete against companies of greater scale with larger marketing budgets. In 2017, we launched Price Pump, which gives customers daily personalised enhanced odds, and William Hill Rewards, redeemable as bonus bets and Velocity frequent flyer points.

## The core business – the home of racing

As in-play products were curtailed by changes to Northern Territory licensing conditions in October 2016, we are focusing on enhancing our core racing product to generate growth. Racing is still the most popular product amongst Australian betters, accounting for 80% of the business.

To drive growth, we are focused on:

- 1) providing the best customer experience in the market, delivering on our 'fast and easy' promise by resolving pain points and introducing personalisation that simplifies product usage; 2) delivering a competitive 'value' proposition to customers to ensure we are competitive in the market as customers can move from brand to brand very easily; and 3) rewarding loyalty through products like William Hill Rewards or Price Pump.

## Revenue diversification

While betting is our core product, there is a strong gaming culture in Australia and gaming products account for 79% of that country's gambling revenues. In a market that is facing some serious regulatory challenges, we are diversifying our product range by experimenting with some new betting products, such as virtual racing.

## Performance review

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

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

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

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

[+ Read about the Australia market](#)  
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<sup>1</sup> Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the financial statements.

## Financial review

# Q&A

## with Ruth Prior

### Chief Financial Officer



#### **Q This is your first set of results as CFO. What are the headlines for you?**

It's great to see the business deliver a strong set of results – we're more confident, more focused and building momentum again. We've worked very hard to return Online to growth and to strengthen our long-term competitiveness. There's more we're doing but we've made massive strides. Retail has had a good year. As the market-leading brand in a declining market, to deliver a consistent result is a good outcome. The US continues to do well and we're addressing Australia's challenges. We're much stronger than we were a year ago and looking ahead towards our next opportunities.

#### **Q What's behind the difference between your reported and adjusted numbers?**

There are some meaty exceptional items that fall into two main areas: addressing historical issues and building the future of our business. The first area includes, for instance, impairing the value of our Australia business, which has both underperformed and been meaningfully impacted by regulatory change. The second includes the transformation programme, referred to as restructuring costs in note 3 to the financial statements, which is underpinning both revenue growth and cost savings that are being reinvested in the business.

#### **Q What savings has the transformation programme delivered? And at what cost?**

We expect to save in excess of £40m a year, which we're reinvesting, and the operating cost of the programme will be two times that amount. But the programme has delivered so many improvements in the business that its benefits are as much about growth and our long-term competitiveness as they are cost savings.

#### **Q What do you expect from the strategic review of Australia?**

I won't pre-empt the decision. We're looking at organic opportunities – both inside and outside Australia – and we're considering the potential to merge or sell the business. With tax headwinds likely in 2019, this business needs more scale, one way or another.

## Q How do you prioritise capital allocation for the Group?

Investing in the business is our first priority. Planning for the long term, the biggest question to be answered is whether the Supreme Court will overturn PASPA. If the US opens up, that will be a priority for us and could require a significant amount of capital. And we're investing in the UK, competing hard for digital growth. We need clarity, too, on the Triennial Review to know what cash flows we can expect from Retail and establish investment levels needed. And we will consider M&A opportunities that can diversify the business into other geographies, channels or products. Beyond that, we pay a dividend and we pay down our debt.

## Q Any changes to your dividend and balance sheet policies?

No, both seemed very sensible to me when I joined. We pay dividends that are 50% of adjusted earnings, and have been able to sustain the dividend through some challenging times recently. The target balance sheet is currently 1–2x net debt to EBITDA<sup>2</sup>. While this is lower than in the past, it's appropriate while we are dealing with the risk of regulatory change, particularly the Triennial Review.

## Q What were your expectations of William Hill before joining? And what was your experience when you arrived?

I like to join organisations that have headwinds, but with high quality underlying assets and brands that enable them to regain momentum. When I joined William Hill I was very pleased to see the transformation programme was not the usual cost-cutting exercise, but had focused attention on revenue generation, particularly in the online space. I also found a team who understood the need for change and the desire to carry it out. The results of this are beginning to come through. And, last but not least, at William Hill there is a team who know we need to change the conversation we have with our regulator, customers and the general public to build a sustainable, balanced business.

## Consolidated income statement

	Statutory results			Adjusted results		
	2017 £m	2016 £m	%	2017 £m	2016 £m	%
Revenue	1,711.1	1,603.8	+7	1,711.1	1,603.8	+7
Cost of sales	(432.0)	(382.2)	+13	(414.9)	(382.2)	+9
Gross profit	1,279.1	1,221.6	+5	1,296.2	1,221.6	+6
Net operating expenses	(1,322.8)	(996.0)	+33	(1,004.9)	(960.1)	+5
(Loss)/profit before interest and tax	(43.7)	225.6		291.3	261.5	+11
Net finance costs	(30.9)	(44.3)	-30	(36.4)	(47.5)	-23
Tax	(8.6)	(16.8)	-49	(18.0)	(19.8)	-9
(Loss)/profit after tax	(83.2)	164.5		236.9	194.2	+22
(Loss)/earnings per share	(9.7)p	18.9p		27.6p	22.3p	+24

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

Net finance costs decreased by 30%, primarily due to a period of overlap through the refinancing of one of our bonds in the prior year. The tax charge decreased by 49% due to the loss in the year, partially offset by exceptional items that were

non-deductible. Loss after tax was £83.2m leading to a loss per share of 9.7p, although on an adjusted basis there was a 24% increase in earnings per share to 27.6p.

Net operating cash flows remained strong with a 9% increase to £290.1m, broadly in line with the increase in adjusted operating profit<sup>1</sup>. The strong operational cash flow led to a reduction in net debt for covenant purposes to £515.2m from £618.1m, decreasing the ratio of net debt to EBITDA<sup>2</sup> for covenant purposes to 1.4x (2016: 1.8x), comfortably within the target ratio of one to two times.

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

2 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 23 to the financial statements.

## Financial review continued

## Income Statement by division

	Revenue			Adjusted operating profit		
	2017 £m	2016 £m	%	2017 £m	2016 £m	%
Online	616.9	544.8	+13	132.5	100.5	+32
Retail	913.1	893.9	+2	160.9	162.0	-1
Australia	119.7	113.8	+5	17.5	15.4	+14
US	56.5	43.7	+29	17.7	14.3	+24
Other	4.9	7.6	-36	(0.2)	(0.1)	+100
Corporate	–	–	–	(37.1)	(30.6)	+21
Group	1,711.1	1,603.8	+7	291.3	261.5	+11

The commentary below on divisional performance reflects adjusted results, since that is the basis on which they are reported internally and in our segmental analysis. An explanation of our adjusted results, including a reconciliation to the statutory results, is provided in note 3 to the financial statements.

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

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



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

### Exceptional items and adjustments

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

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

### Taxation

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

### Earnings per share

Basic EPS declined to a loss per share of 9.7p, reflecting the loss after tax made of £83.2m compared to a profit after tax in 2016 of £164.5m. Adjusted EPS<sup>3</sup> increased by 24% to 27.6p, due to a 22% increase in adjusted profits after tax and the full-year impact of the share buyback programme throughout 2016.

### Cash flows and net debt

	2017 £m	2016 £m
Cash flows from operations	290.1	265.9
Acquisitions and loans	–	(104.0)
Disposals	9.8	–
Net capital expenditure	(92.3)	(89.2)
Purchases of own shares	–	(94.4)
Dividends	(108.1)	(109.0)
Increase in bonds in issue/ (repayment of debt)	–	50.0
Other	4.2	7.0
Net cash flows	103.7	(73.7)
Net debt (for covenant purposes)	515.2	618.1

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

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

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

The Group returned £108.1m to shareholders through dividends leading to a cash inflow in the period of £103.7m. This drove a reduction in net debt of £102.9m and our net debt to EBITDA<sup>2</sup> for covenant purposes to a multiple of 1.4x (2016: 1.8x).

In considering the Group's capital structure, the Board continues to take into account the ability to deliver cash generation, its organic investment strategy and the ability to accelerate that through strategic acquisitions, as well as the wider competitive environment and the potential for disruptive regulatory changes. Specifically, the Board has considered the potential impact of an unfavourable ruling from the Triennial Review of staking limits and gaming, and is developing alternative strategies depending on a range of outcomes and will continue to apply its existing dividend policy of a payout ratio of around 50% of adjusted earnings, which could lead to reductions in the dividend per share.

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

2 Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures used to assess compliance with our debt covenants. These are explained further in note 23 to the financial statements.

3 Adjusted EPS is calculated using adjusted profit after tax and is used for remuneration purposes (see page 77 onwards) and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements. The calculation of EPS measures is shown in note 11 to the financial statements.

## Corporate responsibility

# Embedding responsible gambling

Responsible gambling is an integral part of both our daily operations and our commitment to a sustainable business model. We have three key areas of focus: our customers, our colleagues and our communities.

In 2017, we have continued to promote responsible gambling to our customers through enhanced tools and increased information. We evolved our ground breaking Multi Operator Self Exclusion Scheme, enabling customers to self-exclude from multiple betting shops at any given time. We have also enhanced our player behaviour algorithm to help us improve our tracking and prevention of problem gambling in both our Retail and Online divisions.

We have applied significant focus to safeguarding our colleagues through our security processes, which have, for the third time, received recognition at the Outstanding Security Performance Awards.

Additionally, we have extended our approach to supporting local communities as part of our Close to HOME commitment, to increase our positive impact on society. This includes volunteering work, our charitable partnerships, including with the Bobby Moore Fund and CLIC Sargent, and our innovative work with the Scottish Football Association in tackling mental health in sport.

### Customers



# 20%

of shop window advertising is committed to responsible gambling messages

### Colleagues



# 1,700

nominations were made by colleagues for our Excellence Awards

### Community



# 6,918

hours of colleagues' time have been given in the last year to support good causes

# Performance

<b>Customers</b>				
Performance		2017	2016	Comments
<b>Customer protection</b>	Number of self-exclusions – Retail	<b>9,881</b>	9,687	We have continued to improve responsible gambling interactions, supported by training for colleagues to identify patterns of potentially harmful behaviour. Since October 2015 we have provided automatic and short-term self-exclusion systems for Online customers.
	Number of self-exclusions – Online and Telephone	<b>29,191</b>	23,886	
	RIDDOR reportable accidents – customers	<b>3</b>	2	RIDDOR requires all accidents to be reported.
<b>Customer satisfaction</b>	Retail Net Promoter Score	<b>76%</b>	68%	Mystery shopper scores in Retail have improved significantly, supported by our customer service training programmes.
	Disputes referred to IBAS IBAS disputes found in customer's favour	<b>315</b> <b>1.0%</b>	719 1.0%	Our customers have access to an independent arbitrator to resolve customer disputes. In around 99% of cases, our original decisions are upheld.
<b>Colleagues</b>				
Performance		2017	2016	Comments
<b>Protection</b>	RIDDOR reportable accidents – colleagues	<b>7</b>	11	RIDDOR requires accidents to be reported when they result in absence from work for over seven days.
	Incidents of violence in the workplace	<b>340</b>	344	The number of physical attacks on shop colleagues decreased slightly. During the year, we held 75 anti-social behaviour workshops to address violence in the workplace, involving 156 shops and attended by 465 employees.
	Number of robberies	<b>97</b>	89	The number of actual robberies remains stable at 48 (excluding 49 failed attempts).
	Number of burglaries	<b>53</b>	56	The proportion of burglaries classed as failed attempts reduced slightly, supported by our Counter Plan training and cash control procedures.
	Number of cash-in-transit incidents	<b>15</b>	9	The number of cash in transit incidents increased, but still remains very low.
	Average cash loss from OTC robberies (£)	<b>233</b>	405	Average cash loss was significantly reduced this year by 43%.
<b>Training and development</b>	Total number of training days	<b>25,062</b>	24,559	Our business is made more sustainable by attracting and retaining engaged employees. We encourage this by investing in our people.
	Value of training investment (£'000)	<b>1,344.9</b>	1,019.4	
<b>Engagement</b>	Employee Engagement Index – participation	<b>89%</b>	–	The participation rate of 89% in our engagement survey, 'Your Say', is the highest we've ever recorded. We did not conduct a full survey in 2016.
<b>Support</b>	William Hill Foundation grants (£)	<b>28,004</b>	48,645	The William Hill Foundation's hardship fund supported colleagues across the Company, making 25 grants in 2017.
<b>Community</b>				
Performance		2017	2016	Comments
<b>Environment</b>	Total CO <sub>2</sub> equivalent (tonnes)	<b>41,275</b>	48,584	Our tonnes of CO <sub>2</sub> e decreased further this year by 15%.
<b>Industry relationships</b>	UK horseracing levy (£m)	<b>19.1</b>	14.6	We continue to support sports through sponsorship, Racing media rights and the horseracing and greyhound racing levies.
	Sports sponsorship (£m)	<b>11.4</b>	8.8	
<b>Community engagement</b>	Employee charity matching scheme (£'000)	<b>56.2</b>	74.3	Our colleagues participated in 108 charity events for which we matched their fundraising in 2017.
	Research, education and treatment contributions (£'000)	<b>1,350</b>	1,300	Donations shown relate to GambleAware and the Senet Group. We also fund other services via the ABB.

## Corporate responsibility continued

# Customers

We are focused on improving our approach to responsible gambling to build a long-term, sustainable business for all our stakeholders, and especially for any of our customers who are at risk from problem gambling.

### Responsible gambling

We are committed to conducting our operations in a manner that is consistent with the three licensing objectives set by the UK Gambling Commission:

- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
- Ensuring that gambling is conducted in a fair and open way; and
- Protecting children and other vulnerable persons from being harmed or exploited by gambling.

We don't just want to take necessary steps to protect our customers, we want to develop innovative measures to increase understanding of gambling-related harm and how to prevent it.

We want to take ownership of problem gambling, understanding it and actively contributing to the wider engagement on research, education and treatment. We want to do more to help 'at risk' customers to stop problems developing.

In 2017 we undertook a number of new trials and initiatives, both on a cross-industry basis working closely with other operators and also by ourselves.



One example is the pilot programme we completed and evaluated in 2017 with Betknowmore, an innovative problem gambling support service based in North London. The pilot in our Islington betting shops, which started in October 2016, was carried out in conjunction with the Association of British Bookmakers and saw shops trial a new referral system for problem gamblers, direct to Betknowmore, who were able to provide rapid response assistance within 24 hours. The Betknowmore service provides holistic support for gamblers, seeking to address not only their problems with gambling but also the underlying issues and other impacts from problem gambling such as debt, relationship breakdown or housing problems.

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**'We are delighted that the pilot phase progressed well and yielded promising results. William Hill staff have fully supported the project and their engagement has been really positive. The collaboration is helping to reduce the impact of gambling-related harm.'**

**Frankie Graham**  
Founder and CEO of BetKnowMore

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Almost 100 customers were helped by the service; many required only brief intervention support but, for those with more serious problems, the vast majority considerably improved their ability to successfully manage their gambling behaviour.

Gaming machines in betting shops are among the most advanced in the world in terms of player protection measures. At William Hill we have had our own player protection algorithm in place since 2015. It has been developed in partnership with data scientists and experts in behaviour change decision technology, and we continue to seek ways to improve this. Further development and research over the course of 2017 has allowed us to focus the algorithm on problem gambling player characteristics and improve the accuracy of the model, allowing us to carry out more interventions with customers.

The ability to set time and spend limits on machines before starting to play, combined with mandatory reminders and breaks in play for every £150 or 20 minutes on the machine, is unique to betting shop machines. Analysis of the changes in player behaviour in response to the alerts has allowed us to identify ways to improve how the alerts work and when they occur, so they can have the maximum impact for the player, and these have been trialled during 2017. New pop-ups were trialled in three areas across all ABB member shops, in response to player behaviour identified as problematic by independent research, such as chasing losses and chaotic behaviour. Independent evaluation of these measures has shown that they are of value and updates to gaming machines across our estate are planned once further refinements recommended in the report have been made.

### Protecting vulnerable persons

For the vast majority, gambling is an enjoyable leisure activity. However, we recognise that, for a small number, gambling can become a problem. We are therefore dedicated to implementing preventative and supportive measures to ensure all our customers gamble in a responsible way.

We acknowledge that some of our former policies were insufficient to ensure full regulatory compliance, particularly in relation to the identification of the possible proceeds of crime. An independent process review is underway and we will work to implement any recommendations that emerge from that review. We are fully committed to operating a sustainable business that properly identifies risk and better protects customers.



Self-exclusion is an important tool for our customers when they feel their gambling is causing them harm and who want to take back control. The Multi Operator Self Exclusion Scheme, in operation since April 2016, continues to offer customers a quick and easy way to self-exclude from one or several operators at once. An independent evaluation published in 2017 has shown that 83% of customers believe the scheme has helped them control their gambling.

At William Hill we are committed to working closely with other operators, using the scheme to help make sure customers continue to get the most out of the scheme. Improvements are planned for 2018 to allow the service to operate longer out of hours and at weekends.

We also continue to invest in improving self-exclusion for our customers in shop. This includes a pilot in 2017 of a tablet-based self-exclusion form, making for a clearer and easier process for the customer. The pilot was successful in demonstrating the potential of the technology and we hope to roll out a similar solution across our estate in 2018. Importantly, this improved technology will also help shop colleagues access the images of self-excluded customers in shop and better support them by identifying customers who may attempt to breach their agreement.

We acknowledge that young people are amongst the most vulnerable to gambling-related harm. That is why we have such strong controls in place across our estate to prevent underage gambling. All our shops operate a 'Think 21' policy, and as well as receiving regular training, shop teams are assessed using independent testers aged below 21 to make sure ID is being requested. These test results show that ID is requested 85% of the time, and we want to keep improving that record. In 2017 we signed a Primary Partnership agreement with Reading Council to help review and improve our policies and procedures, and worked with Westminster Council to carry out under 18s test purchase visits to learn where improvements could be made.

### Treating customers fairly and openly

William Hill has actively engaged with the Competition and Markets Authority (CMA) enquiry into unfair terms and conditions, which involved a number of operators. Its outcomes will apply to the whole gambling industry. Making sure that our promotional offers are clear and easy to understand, with customers able to make informed decisions, is of the utmost importance to us.



The lessons learnt from the CMA enquiry process have enabled us to strengthen our approach and include: a full review of all terms and conditions by external lawyers; technical updates to our website making it easier for customers to access information; and new processes for internal review and sign-off of marketing proposals, making sure we always put the customer first.

We have a clear process for customers to make and escalate complaints. Where complaints are not resolved to the customer's satisfaction in the first instance, matters can be referred to the Independent Betting Adjudication Service (IBAS). Every effort is made to resolve complaints at the earliest opportunity. In total 315 complaints were referred to IBAS in 2017 with 99% judged in our favour.

## Corporate responsibility continued

## Customers

**GambleAware week**

Following the successful launch of Responsible Gambling Week across betting shop operators in 2015 and 2016, William Hill took part in the first cross-industry Responsible Gambling Week in 2017 to promote responsible gambling with other members of the Industry Group. The campaign involved full shop window take-overs for the week, with key messages focused on letting customers know where to get help and support, and the tools available in shop to help stay in control. At William Hill we were also pleased to have the support of Robbie Savage, our brand ambassador, who helped promote the campaign and the role of the William Hill Foundation. Customer feedback gathered after the event highlighted how much customers value this type of activity, and we are committed to further promoting responsible gambling in 2018.

**Keeping crime out of gambling****Retail security**

We take the safety and welfare of our colleagues, our customers and the people who live and work in the communities in which we are located very seriously. With a dedicated Security function and considerable investment in training, systems and products, we have developed a security-conscious culture that has reaped benefits over a number of years.

We have a number of security systems that have been installed in every LBO to protect the safety of our colleagues. These include StaffSafe, a security safety monitoring system that supports colleagues in dealing with anti-social behaviour, provides protection for colleagues during periods of lone working and offers immediate response in the event of a serious incident. We also have safe havens in 95% of shops and CCTV installed in every LBO.

Training for shop colleagues includes: dealing with serious incidents; conflict management; and, where appropriate, anti-social behaviour (ASB) workshops, run in conjunction with local police and Safer Neighbourhood teams. These provide greater understanding of ASB and practical advice on relevant issues, as well as enhancing relationships with external agencies.

Our Security team is the three-times winner of national security industry awards, the latest of these being Security Team of the Year at the Outstanding Security Performance Awards in February 2017.

**Good Neighbour scheme**

We launched the Good Neighbour scheme in 2016 to better support colleagues and local communities in dealing with anti-social issues in and around our shops. The scheme introduced early warning systems to identify areas of risk, improved colleague awareness and delivered clear processes to report and help deal with any issues. Where issues are identified, we work with colleagues, line management, support teams and the relevant authorities to develop a remedial action plan. The scheme is aligned to our licensing objectives and has consistently received positive feedback from local authorities and colleagues.

**Money laundering**

We have a Money Laundering Officer in place to coordinate our initiatives in this area. Money Laundering is defined as the method by which criminals attempt to legitimise monies derived from the proceeds of crime. As a regulated company we must have in place certain controls to prevent the business from being used for money laundering.

Examples of these include:

- Assessing the risk of the business being used by criminals to launder money; and
- Monitoring customers' activity and reporting anything suspicious to the National Crime Agency (NCA).

William Hill has played a pivotal part in the industry Gambling Anti-Money Laundering Group, which has successfully delivered an industry standard risk assessment, highlighting the risk of each product with the aim of promoting a better understanding of associated threats and risks. In January 2018, the industry group implemented an industry standard for operator thresholds. This will achieve an industry standard where operators will be required to implement Know Your Customer (KYC) checks.

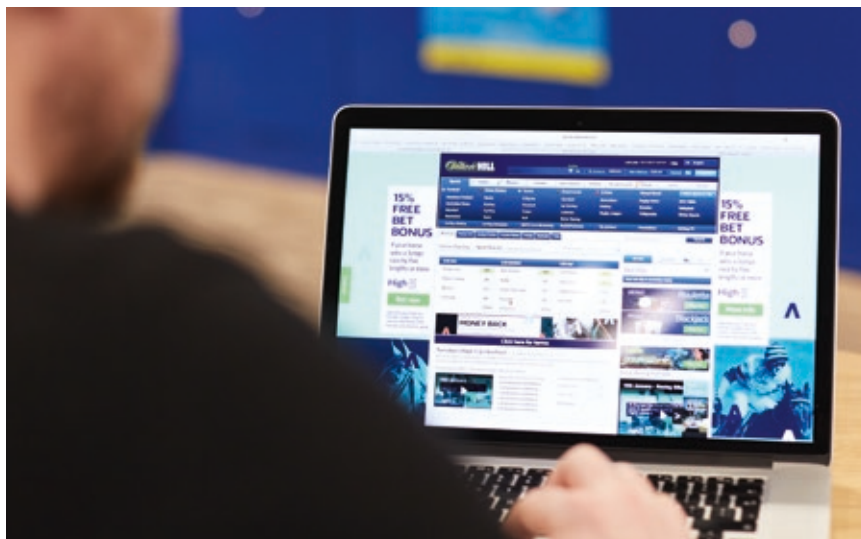
A Suspicious Activity Report (SAR) is submitted either when we have knowledge of or suspicion that a money laundering offence has taken place or under our legal obligation to report potential criminal spend under the Proceeds of Crime Act 2002.

In 2017 we submitted 686 SARs to either the National Crime Agency or the Gibraltar Financial Intelligence Unit (2016: 614). We received 366 law enforcement or financial institution enquires that required investigation (2016: 435). By submitting a SAR to the NCA, we provide law enforcement agencies with valuable information of potential criminal activity.

**Keeping crime out of gambling**

Our continuing low levels of burglaries and robberies is a testament to the rigorous cash management measures we have in place.

There were 53 burglaries in 2017, a 5% decrease on 2016. 92% of incidents resulted in zero cash loss, 5 percentage points better than the previous year. Costs arising from this form of crime, at £41,500, were the lowest recorded and an improvement of 38% on 2016.



## Leading sports betting integrity

Integrity in sports betting is essential to the industry in ensuring we address a range of potential gambling-related issues. We have robust systems in place that help us efficiently identify and act upon unusual or suspicious activities.

We are a member of ESSA, the sports betting integrity body, launched by leading regulated sports betting operators to monitor suspicious betting patterns. In the case of potentially fraudulent activity taking place, identified by our internal monitoring mechanisms, notably in our Trading teams, ESSA is able to report this activity to the relevant sport's governing body.

We have a number of memoranda of understanding in place with sports governing bodies such as the British Horseracing Authority, the Scottish Football Association, the English Football Association, Rugby Football Union and the Tennis Integrity Unit. We work closely with these sports bodies in sharing best practice in identifying and reporting suspicious betting patterns. We also have company representation at ESSA's board level.

We are also a member of the Sports Betting Integrity Forum, established in 2012 to develop Britain's approach to protecting sports and sports betting from being corrupted and have contributed to the associated Sports and Sports Betting Integrity Action Plan, a national approach designed to address risks to the integrity of sport and sports betting.

We had 97 robbery incidents in 2017, an increase of 9% on 2016. However, this still represents a significant reduction on 2015 and the level of incidents compares favourably to figures from the Office of National Statistics, indicating robberies increased by 23% in the 12 months ending June 2017. The average cash loss of £233 is our lowest annual figure recorded and the proportion of attempts compared to substantive robberies of 51% demonstrates highly effective application of our Counter Plan training, cash controls and comprehensive deployment of safe havens.

### Protecting our customers' data

Information Security, or Cyber Security, continues to be classed as one of the key risks facing companies, particularly digital companies, who hold sensitive customer data or perform transactions and business online. At William Hill we take the security of our customers' data very seriously throughout the Group and continue to invest in an ongoing programme of security enhancements aligned with the ever-changing nature of the threat. We have a dedicated Chief Information Security Officer to coordinate security across our business.

Both our Retail and Online operations are certified compliant with the Payment Card Industry's data security standards. We undertake annual security audits for our regulators and continue to monitor our key third-party suppliers.

During 2017 we continued to mature our programmes around intelligence, risk management, vulnerability management and incident response.

More specifically, we opened our new 24/7/365 Enterprise Operations Centre in Kraków, which brings together our Network and Security Operations, and are currently engaged in delivery of a new strategy to mitigate the threat from the recent large-scale, high-profile Distributed Denial of Service attacks against businesses globally. We have embedded secure development and security testing practices into our internal development teams and are also embarking on a new company-wide security awareness campaign to ensure all our colleagues are briefed and aware of the risks associated with information security.

Finally, we have been actively engaged on a programme of compliance around the new EU General Data Protection Regulation (EU-GDPR), using specialist support to ensure that we are good shape to achieve compliance in May 2018.

## Corporate responsibility continued

# Colleagues

2017 has been about transforming our ways of working and building our capability to go one better by making William Hill a great place to work.

### Transforming the way we work

Our transformation includes changing our culture and ways of working. We have said that we want to become an organisation set up for continuous improvement.

As our culture is shaped and underpinned by our values, we announced at the end of last year that we would be replacing our HOME values with a new set of values.

These values are designed to protect what is already great about our culture while providing the aspiration we need to drive change. They are provocative, simple and direct, and define what is expected of all our colleagues, every day. The roll-out and embedding of the values in all our people processes will take place throughout 2018.

In parallel we have revised our leadership expectations. We know that culture change starts at the top and have therefore created new leadership Vitals which are the over and above things expected of all our leaders.

### New ways of working initiatives

We have introduced bite-size learning, managing virtual teams and cross border working development sessions. These are vital for success in a digital world and are helping our Online teams work together, on the same side, across different locations using virtual technology. We started updating our working environments to create open spaces to improve collaboration.



### Setting up smart Introducing the Standard Bearers

We have a vision to be 'the brand in everyone's hand'. We also have goals and a strategy, which we call Setting the Standard.

Our colleagues hear about these from their leaders. But for any message to stick, it needs to be heard multiple times and from multiple sources. So we introduced a new way for colleagues to find out more by introducing our Standard Bearers.

They are colleagues who put up their hands to get involved in our transformation programme – Setting up Smart. They are our change champions and represent every division, function and location.

Change can be challenging and the Standard Bearers are there to help and answer colleagues' questions. The other important role they have is to give the leadership team honest feedback on the mood of the organisation.

### William Hill values and leadership vitals

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

**1** Go  
**one**  
**better**

👁️ Eyes on the customer  
👊 Give a damn  
👤 Own it  
👥 On the same side  
👉 "It'll do" will never do



## Engagement

In 2017, 89% of colleagues completed our employee engagement survey, Your Say, our highest ever participation rate. We asked our colleagues to let us know how they feel about working at William Hill. And they have given us a clear steer on the areas that they think we do well and those that they want to see improve.

There were improvements in 26 out of the 31 questions with historically comparable scores. The highest scoring questions related to our commitment to customer experience and pride in our products and services. Two of the priority focus areas for the Executive team in 2017 – understanding of the William Hill vision and strategy and communication by leaders – saw the greatest positive improvement.

Every leadership team is responsible for creating action plans to address priority improvement areas and drive our employee Net Promoter Score. This starts with the Executive team which will be focusing on recognition, strategic direction and action taking.

## Recognising our people

Our colleagues are pivotal to our successful performance, and we recognise the importance of rewarding and championing our colleagues' success. We want them to be excited and motivated to be part of William Hill.

We hosted Excellence Awards events across Retail, Group and Online in 2017, celebrating the efforts of our people around the world.

From over 15,000 colleagues, we received a record 1,700 nominations, from 2,439 locations across a range of categories, including a Community Contribution Award recognising colleagues' efforts in supporting local communities through our Close to HOME commitment.

The Excellence Awards for Retail and Group were held at Ayr Racecourse on Gold Cup day, with ambassadors Robbie Savage and Freddie Flintoff hosting our 200 finalists. On the night 16 finalists were crowned the winners.

Our Online and Kraków Excellence Awards took place over a five-week recognition roadshow in four events held in Manila, Sofia, Kraków and Gibraltar. Across these events over 360 finalists were recognised for their efforts and 25 were crowned as winners.



We also hosted Home Awards in Australia and All Star Recognition events in US.

## Developing our people

We continue to place a strong emphasis on developing our people. We want to give our people meaningful career development opportunities, attracting talent and building leadership development programmes to enable strong succession pipelines which will leave a positive legacy. Our focus for 2018 is building better career paths and programmes for all employees and becoming a great place to work.

### William Hill Retail Academy

The William Hill Retail Academy provides the framework to support our colleagues in developing the skills, knowledge and behaviours they need to be effective in their roles, whilst also providing a structured career development pathway from Customer Experience Assistant right through to Regional Manager.

The Retail Academy was updated in 2017 and now has five programmes. Aligned with core Retail roles, there is a development programme available for all colleagues. This is supported by regular mandatory training to ensure colleagues maintain their knowledge and skills in subjects such as Health & Safety, Security, Responsible Gambling and Compliance.

### Leadership programmes

We made a significant investment in two new leadership programmes, 'Strategic Leader' and 'Leading Edge', designed to build essential leadership skills in our Area Manager and Regional Manager teams. Over 60 colleagues were involved in this training and were supported by action learning sets and one-to-one coaching, and also took part in collaborative work-based projects to embed their new skills.

We also implemented a new 'Managing for Success' programme, aimed at new and aspiring Business Performance Managers (BPMs). Over 350 BPMs went through the development programme in 2017, along with a talent bank of around 55 aspiring BPMs (with over 50% of these promoted during the year). Development for BPMs will continue in 2018 with the new talent bank intake of over 70 aspiring BPMs.

Building on this success we have started to roll out similar leadership programmes in Online, Technology and Group functions.

### Senior C Suite talent programmes

In September 2017, we launched our C Suite Executive Development Programme. We delivered two high-quality learning experiences facilitated by world-class professors, for which feedback has been positive. We are working in partnership with London Business School to maintain levels of learner satisfaction.

## Corporate responsibility continued

# Colleagues

Our ambition is to improve our leadership bench strength within the senior talent succession pipeline and create credible candidates ready for the next C Suite vacancy. We want to grow confidence and visibility of our internal talent while reducing reliance on recruiting from the external market.

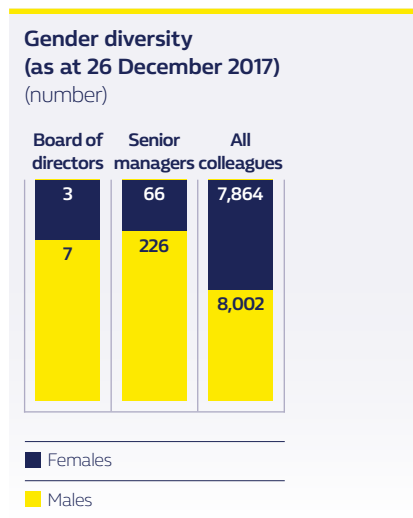
### Technology graduate scheme

In March 2017 we launched a Technology Graduate Scheme. Eleven graduates joined us in September 2017 for a two-year structured programme where they will go on rotations throughout our technology business. We provided a structured induction, taking our graduates through the ins and outs of life at William Hill. They are also studying for a qualification over the two years. And each graduate has a performance coach and a buddy so they know who to turn to when it comes to any questions. We are growing our own stars of the future and making our mark as an employer of choice in Leeds, especially when it comes to the technology we are using.



### Gender diversity

At William Hill, we are committed to creating a diverse and inclusive workplace for everyone. Not only is this the right thing to do, but we also believe that a diverse team means a stronger business, which benefits our customers and makes us a more attractive employer. The gender diversity within the Board, management and the Group as a whole is shown below.



We welcome the requirement for more transparency on pay and are committed to improving our gender pay gap as evidenced by our membership of the '30% Club'. We take our responsibility to our colleagues very seriously and have a number of initiatives in place which we believe will increase the number of women in senior management positions and in other roles across the business.

We have released our gender pay statistics, details of which can be found on our website ([www.williamhillplc.com](http://www.williamhillplc.com)) along with page 09 of the Directors' Remuneration Report. The Company is committed to gender pay equality and our gender pay disclosure outlines the steps we are taking to eliminate any disparity in pay and opportunity.

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

For reporting purposes, there are 58 directors of subsidiary companies in 2017, comprising 47 men and 11 women.

### Human rights

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

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

The Group's approach to the implementation of the Modern Slavery Act 2015, which involved a Group-wide supply chain risk assessment, has been updated and is available via the Group website ([www.williamhillplc.com](http://www.williamhillplc.com)).

# Community

With around 16,000 of our colleagues living and working in nearly 2,500 communities across four continents, we recognise that we have a real opportunity as an organisation to make a significant impact in the areas in which we operate.

## Close to HOME

Close to HOME is William Hill's community commitment launched in 2015. It includes supporting our colleagues in giving their time and skills to make a positive contribution to the communities where we live and work.

Close to HOME focuses on three areas to support our local communities:

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

From working with homeless shelters to arranging sports sessions for local children's charities, our colleagues have made considerable efforts to support their communities in 2017. In total this year, colleagues have committed 6,918 hours to volunteering for good causes in their local areas that they have chosen to support, an increase on last year (2016: 6,393).

### Close to HOME charitable partnerships



As well as providing volunteering opportunities to colleagues, we also partner with a number of charities as part of Close to HOME.

### Employability programmes

Providing skills and opportunities for employment is a key focus for the organisation.

Since Close to Home started, through our partnerships, including with social enterprise Our Club and the Tottenham Hotspur Foundation, we have provided employment to 106 individuals from our employability programmes. Many of these people were previously long-term unemployed.

## International Community Week

We are committed to providing volunteering opportunities for colleagues across the organisation and countries where we are based.

Following on from the launch of Close to HOME's 'International Community Day' in 2016, we expanded the event to a full week in 2017.



Our International Community Week took place in March and saw projects take place on every day of the week across the world, starting in Sydney and Manila on Monday and finishing in Bulgaria on Sunday. Over 300 colleagues directly participated in the event, arranged multiple projects that they had chosen throughout the week, supporting different charities and community-based initiatives.

- Our US team organised two projects for the week, helping to sort through donated books at 'Spread the Word' Nevada, a charity distributing books to local schools in the area. They also packed 700 bags of food for families in need in the local community.
- Colleagues in Australia arranged a variety of projects across the week, supporting three charities and involving over 50 colleagues. The team cooked meals at charity Oz Harvest, preparing restaurant-quality meals to distribute to disadvantaged families in Sydney, and also helped out at The Habitat, a woodland regeneration project. Colleagues in Darwin and Sydney collected clothes for The Smith Family, providing support for disadvantaged people in the community; and groups of colleagues from our London office spent a day painting at two local charities, Mind in Haringey and Bikes for Good Causes. Forty colleagues in Blackpool also spent the week clearing land for a community park and garden for Mereside M.A.F.I.A, a local charity redeveloping recreational areas for the community.

## Haringey Box Cup

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

We also have a presence at the event, inviting boxing clubs and members of the public to win a volunteering project for their community on behalf of William Hill. As a result, our team in Liverpool spent two days supporting their local boxing club, the 'Solly Boxing Academy', by carrying out renovation on the area surrounding the club's gym, which was overgrown with vegetation.

'William Hill have provided outstanding support for this competition over the years. As a major player in the Haringey Borough, they enable us to host the Box Cup each year and also take an active approach in engaging with visitors to the event. We look forward to continuing our partnership over the next two years.'

**Gerry Willmott MBE**  
Haringey Box Cup founder

## Everton in the community youth zone programme

We have a partnership with Everton in the Community to create a Youth Zone evening programme to engage young people in the Merseyside area in sport. The Youth Zone works with young people aged 5–19 years old who are living in poverty, at risk of being criminally exploited, in care or at risk of entering the care system.

The programme gives them the opportunity to experience fun activities, improve physical well-being and also to explore family and personal difficulties to help enhance their emotional well-being.

## Corporate responsibility continued

# Community

In 2017, the programme has seen a total of 118 sessions in football, dance, fitness and karate, engaging 161 different individuals, 128 of whom are now attending sessions each week, increasing their physical activity by at least 150 hours per week. Through follow-up research with the Children's Society, they have reported that the young people on the programme had demonstrated improved self-esteem and confidence following the programme, on a level they had never seen before from a consultation.

### Chelsea Foundation

In 2017 we ran two joint Small Business Accountancy Courses in partnership with the Chelsea Foundation. The courses, delivered by an AAT accountancy qualified trainer at Stamford Bridge, provides adults who are looking to start up their own business with basic accountancy skills to help them maintain solvency in the medium to long term of their business cycle.

**'Working with William Hill enables the Chelsea Foundation to have a greater impact within our local community and to help create a new and innovative approach to employment and small business development – we believe this initiative can have a real impact.'**

**Louise Marriott**  
Chelsea Foundation further  
education manager

Members of the William Hill finance and estates teams delivered workshops over the course to provide financial skills to help the group manage their businesses whilst they are starting out.

### Scottish Football Association (SFA) mental health initiative

We have continued to support the SFA's 'Support Within Sport' initiative, now in its second year. It aims to provide medical intervention for professional footballers, coaches and managers suffering from depression and mental illness.

Impact data from the first year of the programme has shown that to date 108 people have made contact with the service, including five coaches and one referee. Following 3–6 months of specialist clinical support, individuals demonstrated significantly reduced symptoms of anxiety and depressive illness.

### Bobby Moore Fund & CLIC Sargent



For the second year running, we sponsored and took part in Football Shirt Friday, a national campaign run by the Bobby Moore Fund aiming to promote bowel cancer awareness and raise funds. On Football Shirt Friday, colleagues and customers donated £2 to wear their football shirt for the day.

The event took place in April as part of bowel cancer awareness month. As part of our commitment to helping the Fund increase awareness of bowel cancer across the UK, we distributed 120,000 leaflets to our shops and offices. We also had the support of William Hill ambassadors Robbie Savage and Hayley McQueen to help promote the campaign on social media.

In total we raised just over £24,000 as a company, making it £44,000 we have donated to the Fund in the last two years. This will help fund a project run by a leading psychologist to help understand people's motivations and fears around bowel cancer screening with the aim of producing a nationwide bowel cancer screening programme.

CLIC Sargent, the UK's largest children's cancer charity, was our Retail Charity of the Year for 2017. Through our shop colleagues' fundraising efforts we have raised over £60,000 for the charity this year. This will fund clinical and non-clinical care for hundreds of children with cancer to maximise the time they can safely spend at home.



## Support for sport

We make substantial contributions to sport through levy and media rights payments into horseracing and greyhound racing, as well as through sponsorship opportunities.

This year we made an overall horseracing levy payment of over £19m. We also have sponsorship deals as Official Betting Partners for Chelsea, Tottenham Hotspur and Everton, and sponsor the William Hill World Darts Championship and, in horseracing, the William Hill St Leger. We also have a partnership with Matchroom Boxing which has seen us sponsor Heavyweight Champion Anthony Joshua's bouts this year, including his world title unifying defeat of Wladimir Klitschko at Wembley Stadium in April.

## Environmental impact

We continue to focus on reducing our carbon footprint, principally through the reduction of our CO<sub>2</sub> emissions. We report an emissions figure based on tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). This includes Scope 1 and Scope 2 emissions, including natural gas consumption, electricity consumption, refrigerant emissions and fuel from Company cars. In 2017, we saw a 15% decrease to 41,275 tCO<sub>2</sub>e (2016: 48,584 tCO<sub>2</sub>e). Within this, Scope 1 emissions were 2,696 tCO<sub>2</sub>e (2016: 3,015 tCO<sub>2</sub>e) and Scope 2 emissions were 38,579 tCO<sub>2</sub>e (2016: 45,569 tCO<sub>2</sub>e).

Since 2013, we have used an intensity measure – tonnes of CO<sub>2</sub> equivalent per £1m of net revenue – to track our performance. In 2017, we saw a year-on-year decrease of 20% to 24.12 (2016: 30.29). These data points were calculated using DEFRA guidelines and conversion rates.

Our internal Energy Management Forum will continue to meet throughout 2018 with an aim of managing energy more efficiently and introducing positive environmental practices throughout our global operations.

## The William Hill Foundation

Our work through the William Hill Foundation has focused on two main areas: supporting our colleagues in times of difficulty through the hardship fund; and also Project Africa, helping the remote village of OI Maisor in Kenya.



### Project Africa

Our five-year commitment to Project Africa came to a close this year. Through the outstanding efforts of our colleagues and the support of the William Hill Foundation, we have raised £220,000 and helped the remote community of OI Maisor in Kenya become more self-sufficient.

Over 80 colleagues have been out to Kenya in that time to help build and renovate the local Island School and its surrounding facilities.

Over the last five years, we have helped provide the community of OI Maisor with:

- Fresh drinking water and electricity;
- A fully stocked and staffed library;
- A health clinic with an AIDS nurse;
- New teachers' accommodation and classrooms, supporting an increase in the number of students from 180 to 500; and
- Further education scholarships for high performing students.

Although our commitment has come to an end, we continue to work with the tribespeople, teachers and the governing health and education ministries as part of a careful handover process.

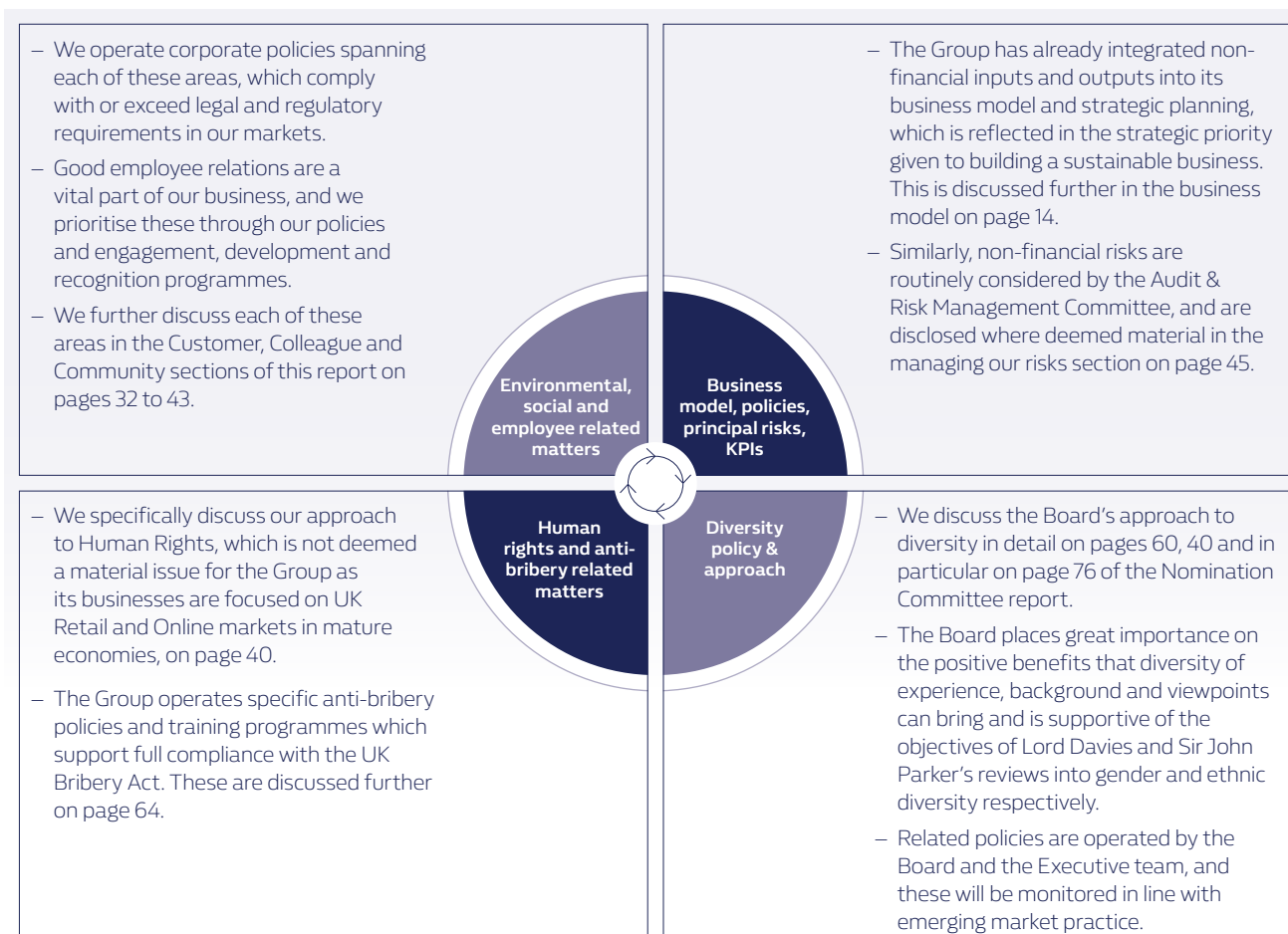
### Hardship fund and matched donations

The William Hill Foundation also continues to support our colleagues through times of difficulty through our hardship fund, and runs a match funding scheme to encourage colleagues' fundraising efforts for charities and community initiatives.

## Corporate responsibility continued

Non-Financial Reporting  
Directive

The EU Non-Financial Reporting Directive applies to the Group for the first time this year and the following chart summarises where you can find further information in this Annual Report on each of the key areas of disclosure that the directive requires.



## Managing our risks

As we drive towards the delivery of our strategy, incurring change and investing to support our growth, it is important we understand the risks we face and take proactive action to manage our exposure to that risk.

Our targets cannot be met without taking an element of risk, but focusing on the potential implications allows us to take action to mitigate where necessary, or potentially to knowingly take balanced risks to capitalise on opportunities. The extent to which we seek to accept risk, after mitigations, must be balanced with safeguarding our operations and stakeholder needs.

Our Board are the ultimate owners of our Risk Management process, with day-to-day management of risk delegated to the Group Executive, guided by an agreed-upon risk appetite. Regular operational reporting from the Executive and Internal Audit team to the Audit and Risk Management Committee ensure that the Board is regularly apprised of how risks are being managed. Particular focus is given to those risks which may threaten our strategic priorities or regulatory compliance.

### Our approach

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

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

Throughout 2017 we have undertaken detailed bottom-up risk assessments in business units and support functions, highlighting key risks, their current mitigations and areas which require further action. This was presented to the Group Executive to support a consolidated assessment and to prioritise areas for action and assurance. This process is ongoing throughout the year and continues to evolve alongside our risk profile.

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

An explanation of how the Group manages its various financial risks is provided in note 23 to the financial statements.

Key:



## Managing our risks continued

Area of risk	Likelihood	Impact	Change
<h3>Regulatory compliance and change</h3>	 High	 High	 Stable
<p><b>Impact on strategy</b></p> <p>William Hill remains committed to upholding the standards required in all of our licensed territories. In our primary market, the UK, the impact of the Triennial Review is still to be finalised, but our continuing dialogue with the UK regulator allows us to focus on the need to monitor and evolve our ways of working to ensure that we remain a business with compliance embedded into its key operations.</p> <p>Holding licences in key markets is an essential part of our growth strategy and therefore a breach of local licensing regulations is a clear risk. Further, the complexities of regulation in multiple jurisdictions must be carefully managed. This multi-territory licensing drives a need to continually update processes and controls which seek to ensure compliance, and to review the ongoing changes to our business to assess the impact on our licensing position. Changes to regulations in each of our licensed markets may have a negative impact on Group results.</p>	<p><b>What are we doing to address the issue?</b></p> <p>Given the breadth and scope of our business, and the multiple territories and regulated markets we operate within, it is an ongoing challenge to maintain a fully compliant position, but this remains a cornerstone of our strategy. We support sustained investment in our compliance and other assurance functions to identify, understand and address changing regulatory requirements in an efficient and effective manner. We actively engage with the UK Government and significant other parties to discuss the measures by which we fulfil our obligations under the licensing objectives in the UK.</p> <p>We provide ongoing support and continued adherence to the voluntary ABB Code, and remain a committed member of the Senet Group, which aims to promote responsible gambling standards and to hold its members to account.</p> <p>We maintain a dialogue with regulators and other key stakeholders in our licensed territories internationally, continually monitor the changing legal landscape and adapt our strategy on a country-by-country basis to changes in regulation. A high proportion of Online's revenues are derived from licensed territories, which mitigates risks associated with operating on a non-locally licensed basis.</p> <p>We have well-resourced in-house compliance functions and have compliance officers in all of our strategic business units who are a core part of the local management teams, ensuring compliance has a voice at the top table in each location.</p>	<p>Our Compliance processes and controls across the Group are well established and the compliance functions operate independently of operational management to both support management's compliance obligations and to provide ongoing assurance over the adherence to local requirements. A bi-monthly Group Compliance Committee provides all compliance officers with direct access to senior Group leadership including the Group CEO, and ensures compliance issues are shared across the Group to allow for the identification of trends and common issues.</p> <p>We also engage with governments and regulators on a pro-active basis when changes to regulation are proposed and we actively contribute to public consultations. This is designed to promote the consideration of the interests of the Group and the industry before regulation is finalised. The Group Risk and Audit function also considers regulatory compliance as a core part of audit delivery, reporting directly to the Audit and Risk Management Committee, as an independent third line of defence.</p> <p>The Board has considered the potential impact of an unfavourable ruling from the Triennial Review of staking limits and gaming, is developing alternative strategies depending on a range of outcomes and will continue to apply its existing dividend policy of a payout ratio around 50% of adjusted earnings, which could lead to reductions in the dividend per share.</p>	



Area of risk

## Cyber crime and IT security

Likelihood



Impact



Change



### Impact on strategy

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

Furthermore, this threat landscape has evolved particularly rapidly over the course of the last year, as evidenced by the volume of high-profile incidents throughout 2017, and continues to do so. The sports betting and online gaming industries, and the increasing digital footprint of our global operations, means that this risk is a material threat facing the Group.

### What are we doing to address the issue?

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

As well as working with a range of specialist security firms to enhance, review and test our defences against these threats, we continue to invest significantly in our in-house capabilities. We have also undertaken changes to our network structures, with further changes planned, to reduce our exposure to external threats.

Cyber threats have had consistently high levels of air-time at Executive meetings and Board or Committees meetings throughout the year. The threat continues to change and it is clear that no company or sector is immune. We believe our exposure is being well managed and continue to be vigilant and not complacent.

Area of risk

## Programme optimisation

Likelihood



Impact



Change



### Impact on strategy

In the prior year we specifically noted a risk in relation to our transformation programme. That programme has progressed significantly and involves a considerable number of initiatives which have delivered, or are due to deliver, material change across the business. The mechanisms for managing this change and ensuring the cumulative effect is well understood are now embedded in our ways of working and will likely continue beyond the formal period of transformation itself. However this level of change is both time and resource heavy and must be delivered alongside other day-to-day activity, business change and externally imposed compliance initiatives such as the GDPR programme. Delivering such widespread change has the potential to impact core business processes, disrupt staffing models and adversely affect existing development roadmaps or business-as-usual activity

if not properly managed. For this reason we have widened the definition of the risk to include the need to effectively direct resources in order that programmes are delivered in an optimal way.

### What are we doing to address the issue?

We continue to work with a leading global consultancy firm who bring significant experience in delivering wide-reaching programmes of this type, which is now aligned to their in-depth understanding of William Hill's ways of working. The cadence of oversight and operational meetings across the transformation is now embedded in our business and the information needs of each management group is well understood. A fully resourced programme office is in place to manage the delivery timelines, dependencies and resourcing requirements in order to minimise delivery risk and the impact on existing plans.

Where other significant programmes or business needs are likely to clash with the transformation roadmap, they are discussed with the Group Executive and, if necessary, brought under the same governance model to ensure that all conflicting needs are understood and can be managed.

Each initiative is sponsored by a member of the Group Executive and led by a member of the senior management team within the relevant business unit to ensure full visibility of the impacts of change.

Programmes with significant business impact are also prioritised under the Internal Audit plan with multiple reviews scheduled throughout 2018, as well as considering the need for external specialist support.

## Managing our risks continued

### Area of risk

## Competitive landscape

#### Likelihood



Medium

#### Impact



High

#### Change



Increasing

### Impact on strategy

The challenge to acquire, retain and service customers remains a significant challenge across the industry. Competitor mergers have transitioned from proposed deals into the process of merging and refining their offerings throughout a period of transition. Meanwhile, new opportunities continue to arise, such as the prospect of international growth should the US Supreme Court opinion lead to the repeal of PASPA and open up new territories for licensed sports betting on a state-by-state basis.

Failure to differentiate and meet the needs of our customers may lead to a 'race to the bottom' on pricing, this being a natural outcome for those who serve commoditised offerings. Meanwhile, selecting the right business model and maximising the opportunities, should states open up in the US, will go a long way to determining success.

### What are we doing to address the issue?

We continue to offer our customers an increasingly personalised experience, without resting on our laurels. Investment in product development is continuing and our commitment to strengthening the Krakow (Grand Parade) development capabilities is a clear indication of this. We continue to leverage the significant efforts put in place to develop our UNO database and during the year introduced our William Hill Plus Card as a demonstration of the strategic strength of aligning our Retail and Online offerings.

The industry experience of the Board and key management positions aligned to operational excellence and insights brought in from other industries is driving a continuous improvement culture at William Hill, and this leaves us well placed to continue to evolve in established markets. Our long-term investments in the US, through our Nevada licence and contribution to the Delaware Sports Lottery leaves us in a position of strength to capitalise on in the US.

### Area of risk

## International footprint

#### Likelihood



Medium

#### Impact



High

#### Change



New risk

### Impact on strategy

Our Group operates across multiple locations, servicing customers in a large number of markets across the globe, regulated in multiple markets and partnering with third parties worldwide. These operations bring with them significant opportunities for growth or efficient and effective ways of working, however, as is well understood, globally diverse operations carry risk.

Although well established in key locations, the risk continually evolves. For example the ongoing negotiations which will determine the UK's relationship with our European neighbours. Key services throughout Europe, internally or with key business partners, requires the employment and movement of staff in EU locations; intellectual and physical properties are created and owned across the EU.

The nature of the Brexit arrangements are not yet known and may yet affect our ability to operate under current arrangements.

### What are we doing to address the issue?

Our governance model ensures that local CEOs and functional leads have a clear voice in the Executive Management meetings to raise issues specific to a location or region. This model is supported by clear reporting lines from local legal and compliance teams which provide a dual voice to local management and Group functional leads. Other governance meetings such as the Group Compliance meetings provide a platform for consideration of the impact of local changes on the Group with the direct involvement of the Group CEO.

Specifically we have assessed Brexit risk, and at this stage there is no clear material impact on our ability to service customer needs, although this remains under review.

This global diversification also presents significant opportunities, such as the potential repeal of PASPA in the US and the opportunities which would be available to us given our significant presence in Nevada already.

We also utilise the geographic spread of our business as an asset in our business continuity planning. Local sites have specific business continuity plans to allow for impacts to a specific location, whilst on a strategic level we consider the ability to switch work across locations and countries should there be wider issues which prevent us operating in any key locations.

Area of risk

## Delivery of IT strategy

Likelihood



Medium

Impact



High

Change



Stable

### Impact on strategy

To succeed we must develop our services from commodity-driven offerings. It will be vital to enhance customer experience through our time to market, front-end flexibility, customer analytics and personalisation.

Our global technology footprint comprises a sophisticated combination of core central services and capabilities and more targeted, more localised and business-specific capabilities, delivered from multiple locations, to meet specific local business needs. The complexity of this technology footprint and our changing business needs means that the execution within IT is a key area of management focus.

### What are we doing to address the issue?

We continue to evolve our technology infrastructure and throughout the year have made significant investment in ensuring we are fit to meet our customer needs. Our support for the change in ownership of NYX ensures we retain access to a critical supplier whilst also delivering a sound financial result for the Group. The prior year acquisition of Grand Parade continues to drive strong benefits to our technology strategy, specifically to increasing our development capabilities. The roll-out of our proprietary SSBTs across the Retail estate provides us with a market differentiator on the UK high street and has been supplemented by the successful recent launch of our Plus card Omni-channel product.

Area of risk

## IT disaster recovery

Likelihood



Low

Impact



High

Change



Stable

### Impact on strategy

As a global business sharing elements of our trading platforms across different time zones, and with a global sporting calendar generating round-the-clock activity, any disruption to core platforms or online services is likely to have a significant impact on our ability to service customer needs regardless of its timing. It is therefore important that we establish robust disaster recovery mechanisms for such services, to ensure that any customer visible downtime is minimised in the event of disruption.

### What are we doing to address the issue?

Minimising the impact of any platform or online service interruption to our customers, and the ability to serve their needs is essential. We therefore continue to work on refreshing our IT Disaster Recovery solution for the Online business, as well as leveraging next-generation technologies to continuously improve the underlying resilience of core services. In addition, as we look to drive efficiencies across the Group, we continue to consider whether our current data centre strategy is fully aligned to our needs, including whether opportunities exist to benefit our IT Disaster Recovery posture.

For our US and Australian businesses, separate local IT Disaster Recovery facilities, plans and processes are also in place.

We continue to monitor the status of our IT Disaster Recovery capabilities across the Group to ensure that our protective solutions are in line with business requirements, and that remedial action is taken where necessary. The status of our IT Disaster Recovery solutions have been regularly monitored by the Group Audit and Risk Management Committee.

## Managing our risks continued

### Viability statement

The following statement is made in accordance with Code provision C2.2.

After considering the current position of the Company, the directors have assessed the prospects and viability of the Company over a three-year period to December 2020. In making this statement, the Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten William Hill's business model, future performance, solvency or liquidity. The principal risks facing William Hill and how the Company addresses such risks are described in this Strategic Report and the key risks are summarised in this section 'Managing our risks'.

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

Accordingly, a three-year horizon is used to allow for a greater degree of certainty in our assumptions.

The directors' assessment includes a financial review, which is derived from the Group's annual medium-term strategic forecasts and identifies the expected cash flows, net debt headroom and funding covenant compliance throughout the three years under review. These forecasts also incorporate severe but plausible downside case scenarios, illustrating the potential impact upon viability of one or more of the Group's principal risks crystallising during the period, both individually and in combination. These forecasts also incorporate severe but plausible downside case scenarios, modelling the potential impact on viability of one or more of the Group's principal risks crystallising during the period, both individually and in combination. As a result a number of different scenarios were considered, including assessments of different outcomes of the DCMS's current Triennial Review. The forecasts also specifically modelled the impact of a potential maximum stake on gaming machines of £2.

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

- that funding facilities will continue to be available or renewed on the same or similar basis throughout the period under review;
- that, following a material risk event, the Group would adjust strategic capital management to preserve cash, but would not curtail normal capital investment or adjust dividend policies; and
- that the Group will be able to effectively mitigate risks through enacted or available actions, as described in this section 'Managing our risks'.

The sensitivity analysis considers all of our principal risks, although our assumption that we will be able to effectively mitigate some of our risks leads to a greater emphasis on those risks that are beyond our control (such as regulatory changes).

Through this analysis, the directors have concluded that we do not face a risk to our viability except in the event of highly improbable combinations of material events within the three-year window.

Based on this conclusion, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

## Introduction to Governance



**Gareth Davis**  
Chairman

'In what will now be my last governance report as Chairman, I am delighted to report excellent progress in refreshing the composition of the Board.

During the year, the Board's good governance has supported solid strategic progress and the Board is well placed to lead the Company in its considerable challenges and opportunities.'

### Introduction

The Board commenced the 2017 financial year with renewed optimism, which I feel on balance proved to be fully justified over the course of the last 12 months.

While uncertainties remain for the industry in which the Group operates, we can be confident that the action we have taken ourselves to transform the business in 2017, the customer focused improvements made by our Online business, and our robust governance processes supported by new Board appointments in the year, each position us well to take on the challenges and take advantage of potential opportunities in 2018 and beyond.

As Chairman, during the year I have worked with the Board to secure a more optimal composition, with three Non-executive Directors joining, the appointment of Philip Bowcock as CEO being made permanent and the appointment of Ruth Prior as CFO. I consider that the changes have made the Board more effective, as explained further below.

The Board made good progress in 2017 with succession planning for my planned retirement in 2018. We were delighted to announce that Roger Devlin will succeed me and I will provide further details in this governance report.

### Governance and Board composition

Having taken steps to address the Board's composition, the Board benefited considerably from the additional expertise of the newly appointed independent directors Mark Brooker, John O'Reilly and Robin Terrell. This has helped by improving the blend of experience and new thinking and by also adding more industry and digital experience.

## Introduction to Governance continued

We also formally appointed Philip Bowcock as CEO in March, having appointed Philip as Interim CEO in July 2016, and welcomed Ruth Prior as CFO in October to complete the executive element of the Board. The Board carefully considered both executive appointments, and having been delighted with Philip's contribution and leadership as Interim CEO, unanimously supported his permanent appointment. Ruth Prior joined William Hill from Worldpay Group, where she held the positions of Deputy CFO and latterly Chief Operating Officer, and is already applying her considerable digital, financial and technology expertise. Ruth's experience of transformation projects is now helping to drive the business forward.

As previously highlighted to shareholders, Ashley Highfield stepped down from the Board having completed nine years of service as an independent director in November. I would like to thank Ashley for his considerable contribution and independent counsel, particularly for his chairing of the Corporate Responsibility Committee. Mark Summerfield also stepped down as Interim CFO (although he was not appointed to the Board) on Ruth Prior joining the business. On behalf of the Board I would like to thank Mark for his valuable contribution.

Imelda Walsh, Non-executive Director and Remuneration Committee Chair, had informed the Board in 2017 that after six years as a Non-executive Director, she was considering whether to take on new opportunities. She subsequently confirmed that she will not seek re-election at the Annual General Meeting (AGM) in May 2018. As a result, she will step down from the Board at the conclusion of the AGM. Imelda will also step down as Chair of the Remuneration Committee with effect from 23 February 2018 and following review by the Nomination Committee, Georgina Harvey will succeed her as Remuneration Committee Chair from the same date. Georgina has been a member of the Remuneration Committee since her appointment in 2011. I thank Imelda for her sterling efforts, as she leaves our remuneration arrangements in good shape. Imelda is already co-ordinating a comprehensive handover to Georgina.

With such change in the Board's composition, I am very pleased with the contribution of all Board members throughout the year, and I thank each of them for their continuing commitment.

The good progress within the Board during the year has also provided a firm foundation for my succession planning as Chairman. As I disclosed in last year's governance report, I shall step down from my position, and the Board, before this year's AGM in May.

I am pleased therefore to report that significant progress was made during 2017 with regard to identifying and appointing my successor, with the Nomination Committee having appointed Sir Roy Gardner, Senior Independent Director, to lead the formal planning process, in conjunction with executive search firm Korn Ferry. A structured search process was followed, with regular reporting to the Board.

In December 2017, we announced the appointment of Roger Devlin as Chairman Designate with effect from 1 February 2018. Roger will be appointed Chairman on 2 April 2018, when I will step down from the Board. The Board and the Group Executive have already spent time working with Roger and I am confident that he will be a very good fit for William Hill as Chairman, with the Board benefiting from his sector and corporate knowledge. I will continue to contribute to Roger's induction and handover before stepping down in April.

### Transformation programme

Towards the end of 2016 the Board approved a comprehensive transformation programme which identified a potential £40m of annualised savings to be delivered by the Executive team. The programme is discussed in more detail in the Strategic Report on page 10. To ensure effective Board oversight for such a critical strategic initiative, the Board established a Transformation Oversight Committee in May 2017 with a remit to provide independent oversight on behalf of the Board of executive programme delivery, and to act as a sounding board by which advice, input and guidance could be shared by Non-executives with the executive project team.

John O'Reilly agreed to chair the Committee, and I can report that under John's stewardship the Committee is meeting its objectives and supporting the governance of the transformation programme. In addition to being kept regularly updated as to progress against identified transformation milestones, the Committee reviewed in detail a wide variety of transformation-related workstreams and plans during the year, with presentations from various Group Executive members.

The Committee ratified certain aspects of the transformation programme on behalf of the Board. Further information regarding the Committee's role and focus can be found on page 56.

### Industry and regulatory developments

The Board has kept close to the various industry and regulatory developments during the year, with management providing regular updates to the Board. As part of the Board's good governance, we have made sure that sufficient time has been devoted to consider the implications of such developments. This has helped to inform and guide the Board's strategic planning, which will remain flexible in order to address the challenges, uncertainties and opportunities which may face the business.

As discussed elsewhere in the Strategic Report, we await the outcome of the Triennial Review following a period of further consultation. The Board discussed with management our approach and the submissions made by the Company to the Government's DCMS which set out our key positions in respect of Retail gaming. Clearly, the Board will be working with management to address the impacts arising from the outcome of the Triennial Review.

The Board has also discussed and reviewed the circumstances which led to the recent regulatory settlement with the Gambling Commission. This followed the identification of a number of cases where former policies were insufficient to ensure full regulatory compliance, particularly in relation to the identification of the possible proceeds of crime. The Board is fully committed to operating a sustainable business and will be kept updated on an independent process review which is due to commence. The Board will retain oversight to ensure the Company works to implement any recommendations emerging from the review.

In the Group's other key markets, regulatory changes present both challenges and opportunities which the Board has regularly reviewed throughout the year. In respect of Australia, the Board has been kept apprised and has discussed on several occasions the likely impact of increasing regulatory headwinds.

In November 2017 the Board confirmed that it was in very preliminary discussions regarding a possible combination of William Hill Australia, but that there was no certainty that these preliminary discussions will lead to any transaction.

In respect of the US, the Board continued to monitor the developments with regard to the US Supreme Court's review of PASPA. It was prudent for the Board to consider the likely outcomes and to ensure that management have in place plans to take advantage of any repeal, as part of our operational strategy. The Board also reviewed and authorised the steps taken in November which led to the agreement with Scientific Games Corporation and NYX Gaming Group, under which we agreed to dispose of the Group's interests in NYX and enter into commercial agreements with Scientific Games to protect the Group's US proprietary technology.

### Industry consolidation

It is pleasing that following the corporate events of 2016, the Group has been able to focus in 2017 on the Board's strategy and operational delivery through the transformation programme, as described variously throughout the Strategic Report. However, sector consolidation has continued to be a trend. This was evidenced by the announcement in December of the recommended offer for our closest direct peer Ladbrokes Coral Group from GVC Holdings, the impact of which of course the Board is reviewing. Consolidation and significant transactions such as these also inevitably generate additional media speculation which can be distracting for a focused Executive team.

Whilst consolidation continues to be a market feature, the Board's good governance processes will ensure we keep a focus on our strategy and our duty to deliver long-term value for our shareholders. The Board will of course be prepared to consider strategic alternatives where it is appropriate to do so.

### William Hill people

On behalf of the Board I extend my thanks to our colleagues in a challenging year. The Board, in particular through the Transformation Oversight Committee, has discussed how our colleagues are rising to the challenge of the transformation programme and we have seen encouraging results. Colleague engagement was also a point of focus and the Board, through the Corporate Responsibility Committee, was kept well apprised of how management plan to further improve colleague engagement. The Board fully supports those initiatives as well as the Company's events which recognise colleague excellence.

During the course of the year, the Board met many managers across the business and we were impressed by their expertise, strong alignment to our strategy and high levels of energy and enthusiasm.

### Governance

The Board remains aware that the governance landscape in the UK continues to evolve, in particular with the Financial Reporting Council's (FRC) announcement in December of significant proposed revisions to the UK Corporate Governance Code (the Code). As a Board, we have reviewed the changes currently proposed to the Code and will continue to do so until the final version of the Code is published.

In the 2016 governance report, I indicated that the Board's gender diversity ratio had temporarily reduced to 20%. Following composition changes in 2017, the gender diversity ratio has increased to 30% as at 31 December 2017, already in line with the ratio expected by the Davies Report by 2020. The Board also continues to monitor the market response to Sir John Parker's review regarding the ethnic diversity of boards, and has considered the review's recommendations on nomination committee procedures.

The Board took time to review the findings of the external performance evaluation conducted in 2016. I consider that the Board has made good progress against the outcomes and that the Board continues to consider how it can further improve its performance going forward. This year's evaluation was completed internally, and further details are provided in the governance report.

The Board has been well informed of other significant new disclosure obligations. This includes Payment Practices reporting and Gender Pay reporting. The Board will review or approve the disclosures as needed and we will make the necessary information publicly available via appropriate channels and our Group website.

The key work of the Board and its Committees is discussed further in the following reports. A compliance statement against the 2016 version of the Code, applicable to the Group for the first time this year, can be found on page 66.

Our next AGM will be held on 8 May 2018 and I would like to thank all the shareholders who have attended past AGMs whilst I have been Chairman. The AGM in 2018 will be the first for Roger Devlin and I am sure he looks forward to welcoming all shareholders who can attend in person.

**Gareth Davis**  
Chairman

**Board of Directors:** A strong, cohesive Board providing strategic direction, industry expertise and broad based commercial experience.



**Gareth Davis**  
Chairman

C N R

**Responsibilities:**

Chairman of the Board  
Responsibility for good practice corporate governance

**Year of appointment:** 2010

**Key skills:**

Leadership; experience; strategic oversight; stakeholder liaison and external representation; network

**Focus in 2017:**

Board integration and composition; strategic oversight and stakeholder liaison

**Current directorships:**

Ferguson plc (Chairman)  
DS Smith PLC (Chairman)

**Former roles:**

Chief Executive, Imperial Tobacco Group PLC



**Roger Devlin**  
Chairman Designate

**Responsibilities:**

Will be appointed as Chairman of the Board on 2 April 2018; responsibility for good practice corporate governance

**Year of appointment:** 2018  
(with effect 1 February, and Chairman from 2 April)

**Key skills:**

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

**Focus in 2017:**

N/A

**Current directorships:**

Marston's plc (Chairman)  
Football Association (Senior Independent Director)

**Former roles:**

Non-executive Director, National Express Group plc; Senior Independent Director, RPS Group plc; Chairman, Sports Information Systems (Holdings) Ltd; Chairman, Gamesys Limited; Group Corporate Development Director, Hilton Group plc



**Philip Bowcock**  
Chief Executive Officer

C

**Responsibilities:**

Group strategy, operational management, leadership of the Executive team

**Year of appointment:** 2017  
(with effect 10 March, previously Interim CEO since July 2016. Appointed as CFO in 2015)

**Relevant qualifications:**

Chartered Management Accountant

**Key skills:**

Experienced executive; financial background; strategic formulation; leadership; network

**Focus in 2017:**

Appointment as permanent CEO; strategic formulation and operational delivery; composition and integration of the Group Executive; industry and stakeholder representation; executive leadership of the transformation programme

**Former roles:**

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



**Ruth Prior**  
Chief Financial Officer

**Responsibilities:**

All aspects of the Group's financing, financial performance, and stakeholder reporting; board accountability for internal audit, tax and strategic development; leading the executive relationship with the external auditor; and leadership of the Group Finance and other corporate functions.

**Year of appointment:** 2017  
(with effect 2 October)

**Relevant qualifications:**

Chartered Management Accountant

**Key skills:**

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

**Focus in 2017:**

Induction and building familiarity with business and operations; assuming executive responsibility for the Group's Finance and certain other corporate functions; executive contribution to the transformation programme

**Former roles:**

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



**Sir Roy Gardner**  
Senior Independent  
Non-executive Director

C N R

**Year of appointment:** 2014

**Key skills:**

Breadth of corporate experience; leadership; network

**Focus in 2017:**

Leading the Chairman's succession planning; liaison with other NEDs; independent challenge and scrutiny, providing continuity

**Current directorships:**

Serco Group Plc (Chairman)  
Mainstream Renewable Power Ltd. (Chairman)

**Other organisations:**

Senior Adviser, Credit Suisse Group; Fellow of the Chartered Association of Certified Accountants; Fellow of the Royal Society of Arts; Fellow of the City & Guilds Institute; Board of Governors St Albans School

**Former roles:**

Chairman, Compass Group plc; Chairman, Plymouth Argyle Football Club; Chairman, Manchester United plc; Chief Executive, Centrica plc; Group Finance Director, British Gas plc; executive director, General Electric Company plc; Chief Operating Officer, Northern Telecom; Chairman, EnServe Group Ltd.; Non-executive Director, Willis Group Holdings plc; Visiting Fellow, Oxford University Chairman; Advisory Board of the Energy Futures Lab at Imperial College London; Chairman, Apprenticeship Ambassadors Network



**Mark Brooker**  
Independent  
Non-executive Director

A C N R

**Year of appointment:** 2017

**Key skills:**

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

**Focus in 2017:**

Deepening familiarisation with business; independent oversight of the transformation programme through committee membership; assuming responsibility for chairing the Corporate Responsibility Committee from November; breadth of contribution to Group across Board operations and all formal Board Committees; industry and technology specific advice, experience, challenge and scrutiny

**Current directorships:**

Chief Operating Officer and executive director, Trainline

**Former roles:**

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



- A** Audit and Risk Management Committee
- C** Corporate Responsibility Committee
- N** Nomination Committee

- R** Remuneration Committee
- Chair



**Georgina Harvey** **C N R**  
Independent  
Non-executive Director  
Year of appointment: 2011

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

**Focus in 2017:**  
Independent advice, challenge and scrutiny, providing continuity

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

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



**David Lowden** **A C N R**  
Independent  
Non-executive Director  
Year of appointment: 2011

**Relevant qualifications:**  
Chartered Accountant

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

**Focus in 2017:**  
Leadership of the Audit and Risk Management Committee, in particular oversight of risk management and controls across the business; independent oversight of the transformation programme through committee membership; independent challenge and scrutiny, providing continuity

**Current directorships:**  
PageGroup plc (Non-executive Chairman)

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



**John O'Reilly** **A C N R**  
Independent  
Non-executive Director  
Year of appointment: 2017

**Key skills:**  
Sector and market experience; leadership; breadth of corporate experience; industry network

**Focus in 2017:**  
Deepening familiarisation with business; chairing the Transformation Oversight Committee; breadth of contribution to Group across Board operations and all formal Board Committees; industry specific advice, experience, challenge and scrutiny

**Current directorships:**  
New Bridge Foundation (Trustee)  
Weatherbys (Non-executive Director)

**Former roles:**  
Non-executive Director, Telecty Group; Non-executive Chairman, Grand Parade Limited; Managing Director, Online, Coral Interactive (Gibraltar) Limited; Various roles including executive director, Ladbrokes plc



**Robin Terrell** **A C N R**  
Independent  
Non-executive Director  
Year of appointment: 2017

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

**Focus in 2017:**  
Deepening familiarisation with business; breadth of contribution to Group across Board operations and all formal Board Committees; technology and online specific advice, experience, challenge and scrutiny

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



**Imelda Walsh** **C N R**  
Independent  
Non-executive Director  
Year of appointment: 2011

**Key skills:**  
People leadership; broad corporate experience; remuneration focus; network

**Focus in 2017:**  
Chairing the Remuneration Committee; approval of the Remuneration Policy (2017 AGM); approval of the remuneration arrangements for the permanent CEO, CFO and Chairman appointments; consultations with significant investors regarding executive remuneration Independent challenge and scrutiny, providing continuity

**Current directorships:**  
First Group plc (Non-executive Director)  
Mitchells & Butlers plc (Non-executive Director)

**Former roles:**  
Non-executive Director, Mothercare plc; Board member, Institute of Employment Studies; Human Resources Director, J Sainsbury Plc; Human Resource Director, Barclays Bank Plc; Commercial Human Resources Director, Coca-Cola & Schweppes Beverages Ltd; Human Resources roles at Diageo Plc; Commissioner, Workplace Retirement Income Commission; Comic Relief (Trustee); Now Pensions Ltd (Trustee); Mentoring Foundation (Non-executive Director)



**Luke Thomas**  
Company Secretary  
**Responsibilities:**

- Board support
- Company secretariat
- Corporate governance

**Year of appointment:** 2013  
**Relevant qualifications:**  
Fellow of the Institute of Chartered Secretaries and Administrators (ICSA)

**Key skills:**  
Corporate governance; listed company compliance; support for the Board; network

**Focus in 2017:**  
Induction programmes for new Board members; supporting Chairman's succession planning; advising on external governance developments

**Former roles:**  
Head of Governance, Centrica plc; Group Deputy Secretary, RSA Insurance Group plc; Deputy Secretary, Spirent Communications plc

## Report on Corporate Governance

### Overview of the Board

#### Board role and structure

William Hill has an effective Board whose role is to take collective responsibility for both leadership and driving the long-term and sustainable success of the Company. In order to support the Board in the discharge of its duties, there is a formal framework of Committees of the Board. This year the Board established an additional

Board Committee, the Transformation Oversight Committee, to provide additional independent oversight during the Group's transformation programme.

This section sets out a summary of the key roles and responsibilities of each Committee and how that committee supports the Board. Further details on the roles and responsibilities of each standing Committee and the work they have undertaken in 2017 is provided in the reports from each Committee commencing on page 67.

The Board of William Hill remains committed to high standards of corporate governance, which we consider to be vital to the effective management of the business and to maintaining the confidence of investors. We have a defined framework of roles and responsibilities in place to support the Board's operation, which are further discussed in the remainder of this governance report.

### Board structure

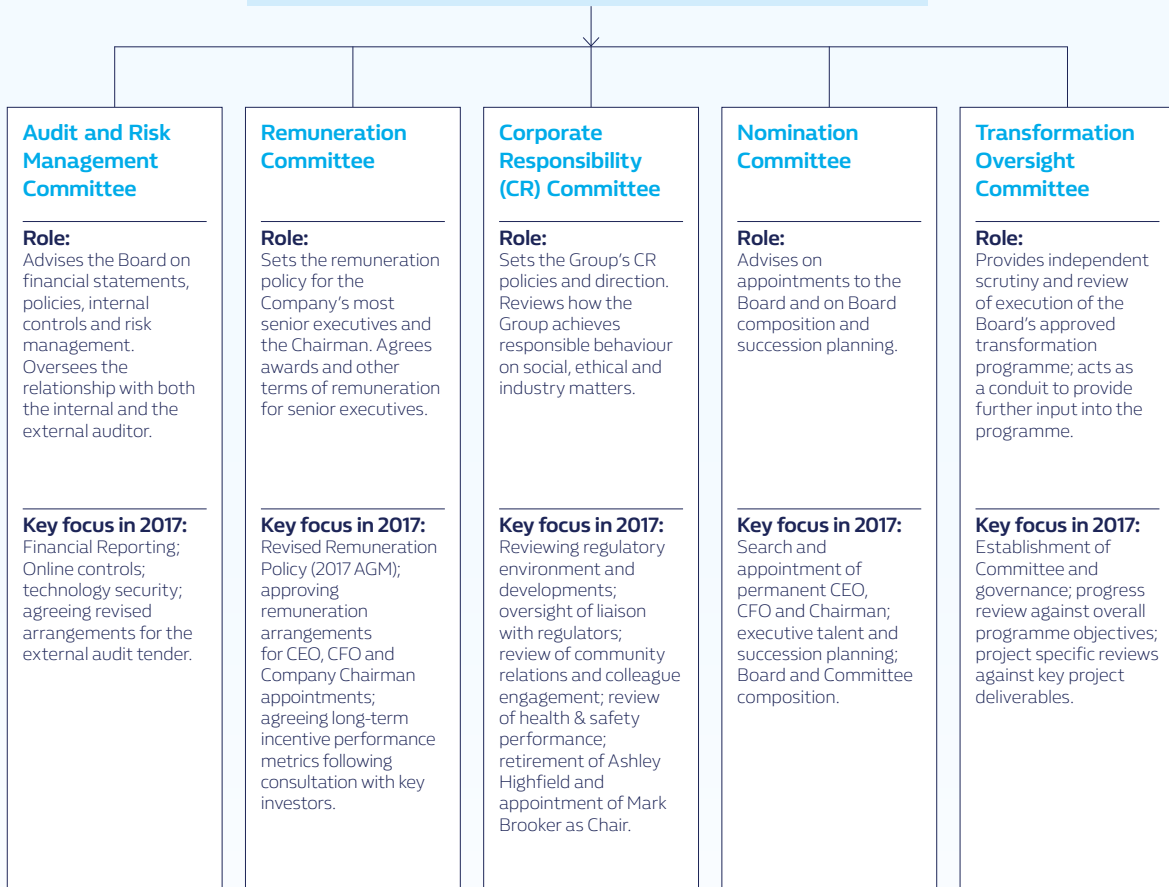
#### Board

##### Role:

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

##### Key focus in 2017:

Review of strategy; oversight of strategic and operational delivery; monitoring and responding to regulatory environment; review and approval of a transformation programme; review of opportunities and challenges in the Group's key international markets. See calendar of Board activities to the right of this page.



## 2017 calendar of Board activity and key dates

### January

Transformation programme

### February

2016 Full-Year results and dividend, Action Plan arising from external 2016 performance evaluation, authorisation of sale of greyhound stadia

### March

Appointment of Philip Bowcock as permanent CEO, and Ruth Prior as CFO, establishment of the Transformation Oversight Committee

### April

Review and approval of a transformation programme

### May

AGM; presentation by UK Gambling Commission executives, Global Technology Platform update; review of US market

### July

2017 Half Year results and interim dividend, transformation programme update

### September

Board Strategy Conference

### October

Follow-up from Board Strategy Conference; review of strategy regarding defined benefit pension deficit

### November

Board visit to Leeds offices: Retail, Trading and Technology operations

### November

Arrangements for the sale of William Hill's interests in NYX Gaming Group

### December

Strategic review of William Hill Australia; Approval of 2018 Budget and five-year forecast

At every meeting the Board receives and discusses updates from the CEO, CFO, the General Counsel and the Company Secretary in respect of progress against strategy, operational matters, financial performance (including a comparison against internal plans), compliance and regulation, legal matters and corporate governance. The Board of William Hill also receives monthly management accounts which provide regular and up-to-date assessments of Company performance.

## Matters reserved to the Board

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

Only the Board may exercise any of the powers in the Schedule of Matters Reserved. Other powers are delegated to the various Board Committees and senior management via formal Committee terms of reference or via the Group Delegation of Authority. The Group Delegation of Authority and Schedule of Matters Reserved to the Board are reviewed and updated on a regular basis, and were reviewed and updated in August 2017.

The Group Delegation of Authority and Schedule of Matters Reserved to the Board are circulated by the Deputy Company Secretary to all members of the Group Executive team and certain other senior managers to ensure the authorities which have been agreed by the Board are understood across the entire business.

Matters reserved to the Board include:

- setting the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the CEO;
- reviewing Group performance;
- reviewing the arrangements in place relating to regulatory and industry issues;
- approving the appointment and removal of any Board member and the Company Secretary;
- reviewing and approving the terms of reference of the various Board Committees and receiving reports from Committee Chairs on a regular basis;
- approving changes to the Group's capital structure, any significant acquisitions and disposals, capital investment projects and material contracts;
- approval of the Group's annual plan, five year strategic plan, Annual Report and Accounts, Half-Year Statement and setting the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide corporate responsibility policies;

- undertaking reviews of Board, Committee and individual director performance;
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee); and
- approving the governance arrangements and strategic plan for the Group's transformation programme.

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

## Board operation

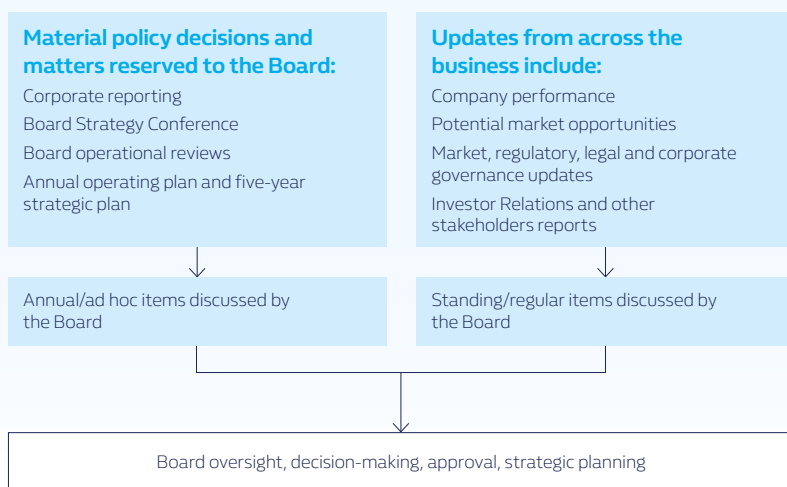
### How the Board operates

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

In addition to the information provided on a standing basis at Board meetings, the Board holds annual or ad hoc events which provide an opportunity to focus specifically on certain issues or areas of the business.

## Report on Corporate Governance continued

### Information flows to the Board



In particular:

- an annual Board Strategy Conference (BSC) is held with the Board and selected senior management to review and develop the strategy and direction of the Company. The BSC in 2017 reviewed each part of the business and the context of the transformation programme, ongoing regulatory reviews, as well as wider strategic issues such as industry consolidation. A comprehensive process is in place to track and follow up on actions arising from each BSC. The Board continues to also approve a medium-term five-year strategic plan which reflects over the longer term the Company's strategy and the environment in which the business operates;
- regular visits are held where the Board can see one of the Group's business locations away from the head office. This gives the Board an opportunity to gain far greater insight on the particular business and also provides an excellent opportunity for extended meetings and discussions with a broader range of the management team. In 2017 the Board visit was held at the Group's Leeds offices and included detailed reviews of the Group's Retail, Trading and Technology operations. In addition, individual directors also visit other business locations of the Company and when this is done the director provides a report back to the Board; and

- each year the annual operating plan for the following financial year is discussed and approved by the Board. This sets the targets and agrees the key operational matters for each part of the business for the subsequent year. Performance against plan is reviewed regularly during the year.

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

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

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

No one individual on the Board has unfettered powers of decision-making. Throughout 2017, the Chairman, Gareth Davis, was responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. Philip Bowcock, as the CEO from March 2017, and Interim CEO prior to that, is the executive responsible for the running of the business. Sir Roy Gardner is the Senior Independent Non-executive Director (SID) and his main role is to satisfy the function outlined in the Code of being available to shareholders if there are concerns which normal contact has failed to resolve.

The SID is also required to lead the process for evaluating the Chairman's performance and to chair the Nomination Committee when it is considering succession to the role of Chairman. During 2017, the SID took responsibility for initiating succession planning for the Chairman in anticipation of his retirement in 2018 (see the report from the Nomination Committee for more details).

The role of the SID also includes, if needed, a process under which he/she might intervene to maintain Board and Company stability. All of William Hill's Non-executive Directors, including the Chairman and SID, are required by their role to perform certain functions to improve the effectiveness of the Board. In particular they:

- constructively challenge and contribute to the development of strategy;
- scrutinise the performance of management in meeting agreed goals and objectives;
- through the Audit and Risk Management Committee, satisfy themselves that financial information is accurate and that internal controls and systems of risk management are robust;
- through the Remuneration Committee, take responsibility for determining appropriate levels of remuneration for senior executives;
- through the Nomination Committee, undertake the role of recommending the appointment, and where necessary removal, of positions on the Board; and
- through the Transformation Oversight Committee, monitor executive delivery during the Board's agreed transformation programme.

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

**Key aspects of the organisation of the Board include:**

- Board meetings are scheduled to ensure consideration of issues relevant to the Board and to provide adequate time for discussion of each agenda item. Agendas are set to provide the directors with a longer-term outlook of the business the Board needs to consider, but it also provides a regular and systematic opportunity for each director to add additional items which they consider to be important;
- the significant corporate activity that involved the Group in 2016 was not repeated in 2017, and other than the establishment of the Transformation Oversight Committee during the year, non-executive Board members were not required to regularly make themselves available to the Group outside of the usual calendar of scheduled meetings;
- comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excessive and unnecessary information. Papers are distributed and retained in an electronic system which is managed by the Company Secretary and this provides directors with instant access to current and prior papers at any time;
- a summary of the actions arising at each Board and Committee meeting is circulated by the Company Secretary following each meeting. The Company Secretary then ensures progress is made in respect of each action and a progress report against previously agreed actions is dealt with as a standing item to provide feedback to the entire Board that actions have been progressed appropriately;
- reporting packs are normally prepared by the executive directors and other senior managers and then distributed by the Company Secretary to the Board at least four working days in advance of Board meetings. This enables the reporting packs to be as up-to-date as possible whilst allowing sufficient time for their review and consideration in advance of the meeting. Verbal updates at Board meetings cover any material developments subsequent to the distribution of reporting packs. Presentations and discussions during Board meetings are provided by either the executive director concerned or by the relevant senior manager or external advisor who has been invited to attend for that particular item;
- each scheduled Board meeting reviews individual reports received from the CEO, the CFO, the General Counsel and the Company Secretary as standing agenda items;
- the annual calendar of scheduled Board meetings is also structured to allow the Board to review cyclical and ad hoc agenda items, which are scheduled by the Company Secretary to coincide with relevant key dates and events, or the culmination of relevant projects. Examples of each can be found in the annual calendar of Board activities 2017;
- where a director is unable to attend, he or she is still provided with the papers in order to comment ahead of the meeting on the matters to be discussed;
- financial updates with commentary are distributed to the Board on a regular basis. The Board regularly reviews risk management and challenges this where appropriate;
- Board discussions are held in a collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge, where appropriate. Where applicable, the minutes are also prepared in such a manner as to record directors' opinions or concerns regarding the operation of the Board or the management of the Company;
- in addition to formal Board meetings, during the year the Board held a series of informal dinners which provided an excellent opportunity for further discussion between the Board and for the Board to engage further with various members of the management team in discussions over various matters in a more informal setting;
- full debates allow decisions to be taken by consensus (although any dissenting views would be minuted accordingly);
- the development of strategy is led by the executives with input, challenge, examination and ongoing testing from the Non-executive Directors;
- good working relationships exist between Non-executive Directors and non-Board members of the senior management team, which is encouraged by the executive directors; and
- members of the senior management team draw on the collective experience of the Board, including its Non-executive Directors and the industry expertise of the Non-executive Directors who joined the Board in the year.

## Report on Corporate Governance continued

### Board composition

The Board currently comprises seven independent Non-executive Directors, the Chairman, the Chairman Designate and two executive directors.

In December 2017 Roger Devlin was appointed as Chairman Designate with effect from 1 February 2018, and is expected to be appointed Chairman on 2 April 2018 when Gareth Davis will step down from the Board.

Philip Bowcock was appointed as Interim CEO with effect from 21 July 2016, and was confirmed as CEO with effect from 10 March 2017.

Ruth Prior joined the Group as CFO on 2 October 2017 and joined the Board on that date. Mark Summerfield had been acting as Interim CFO (although he was not a member of the Board) and he stepped down from that position upon Ruth's appointment, whilst ensuring an effective handover of responsibilities and completing certain projects.

Sir Roy Gardner continues to act as Senior Independent Director, having been appointed to the position in 2014.

Throughout 2017, and up to the date of this report, the Company satisfied the Code requirements that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent.

The proportion of women members of the Board as 31 December 2017 stood at 30%. The Board continues to monitor composition of the Board, and is committed to ensuring that all appointments are made on the grounds of merit against specific role criteria. The Board is monitoring the various initiatives to further increase the diversity of boards and remains mindful of the considerable benefits greater diversity offers. The Board commits to review its approach to diversity regularly in the context of an evolving market approach and good practice.

The Company continues to regard each of Sir Roy Gardner, Mark Brooker, Georgina Harvey, David Lowden, John O'Reilly, Robin Terrell and Imelda Walsh as independent Non-executive Directors. The independence of each director is reviewed annually. Ashley Highfield stepped down as a director in November, on his completing nine years as an independent Non-executive Director. His re-appointment prior to retirement, at the 2017 AGM, also continued to be subject to rigorous review by the Board, in accordance with provision B.2.3. of the Code, which requires this of any term beyond six years for a Non-executive Director.

Also, Georgina Harvey, David Lowden and Imelda Walsh were all appointed in 2011 and the Nomination Committee and the Board reviewed their independence against provision B.2.3. The Board continues to regard each of Georgina Harvey, David Lowden and Imelda Walsh as independent in accordance with provision B.1.1. of the Code.

Gareth Davis satisfied the independence criteria detailed in provision A.3.1 of the Code upon his appointment as Chairman on 1 September 2010. Roger Devlin similarly satisfied the same criteria upon his appointment as Chairman Designate with effect from 1 February 2018.

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

### Board balance



**Philip Bowcock**  
Leisure, construction and finance



**Gareth Davis**  
International regulated business



**Roger Devlin**  
Leisure, betting and gaming industries, international business



**Ruth Prior**  
Digital, regulated financial services, finance



**Mark Brooker**  
Betting and gaming industry, international regulated business



**Sir Roy Gardner**  
International business



**Georgina Harvey**  
Media and publishing



**David Lowden**  
International business and finance



**John O'Reilly**  
Betting and gaming industry, international regulated business



**Robin Terrell**  
Online, retail and technology

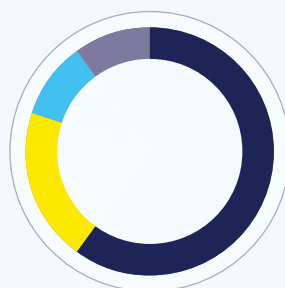


**Imelda Walsh**  
Retail and human resources

## Board composition and approach

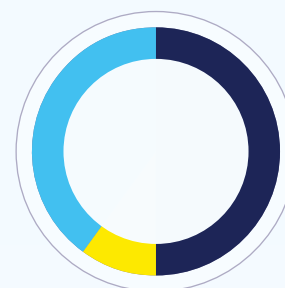
Composition of the Board as at 31 December 2017

### Composition of the Board (%)



Male non-executive	60%
Female non-executive	20%
Male Executive	10%
Female Executive	10%

### Length of service of Board members (%)



0-3 years	50%
3-6 years	10%
6-9 years	40%

## Attendance at Board and Committee meetings

Details of Board and Committee attendance during 2017 are set out in the table below. All directors are expected to attend all Board and relevant Committee meetings.

	Scheduled Board	Ad hoc/defined scope Board Committees <sup>3</sup>	Audit and Risk Management Committee <sup>2</sup>	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
<b>Number of meetings held</b>	8	11	5	4	11	9
<b>Meetings attended</b>						
Philip Bowcock	8	9	n/a	4	n/a	n/a
Mark Brooker <sup>4</sup>	6	2	4	3	6	4
Gareth Davis	8	11	n/a	4	10	9
Roger Devlin	n/a	n/a	n/a	n/a	n/a	n/a
Sir Roy Gardner	7	1	4	4	8	5
Georgina Harvey	8	2	4	4	10	8
Ashley Highfield <sup>5</sup>	6	3	4	3	8	6
David Lowden	8	5	5	4	10	9
John O'Reilly	8	3	5	4	9	7
Ruth Prior <sup>6</sup>	3	1	n/a	n/a	n/a	n/a
Robin Terrell	6	2	3	2	9	6
Imelda Walsh	8	4	4	4	10	9

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

In addition to attending Board and Committee meetings, each of the Non-executive Directors devotes sufficient time to the Company to ensure that their responsibilities are met effectively. This includes preparation ahead of each meeting and, for the Chairman and Committee Chairs, holding planning meetings and discussions with the relevant executives or senior management ahead of a meeting to ensure that each meeting has been well-prepared. The Chairman maintains frequent contact with all members of the Board between meetings and has regular meetings with the CEO and Company Secretary to keep apprised of material developments in the business.

1 During the year there were 11 additional ad hoc or defined scope meetings of the Board or Committees established by the Board for specific purposes, for example to give final approval to the release of the Company's trading results. The defined scope Committees comprised any two of the Chairman, the Chairman of the Audit & Risk Management Committee, the Chairman of the Remuneration Committee and the CEO, and there was full attendance at each convened meeting.

2 Following a periodic review by the Nomination Committee in November, composition of the Audit and Risk Management Committee was changed such that David Lowden (Chair), Mark Brooker, John O'Reilly and Robin Terrell were the only continuing members with immediate effect. The members who stepped down from the Committee each attended all of the meetings held prior to the changes in the composition of the Audit and Risk Management Committee.

3 The Board established the Transformation Oversight Committee in May 2017, which will operate for the duration of the transformation programme. The Committee is chaired by John O'Reilly, with Philip Bowcock, David Lowden and Mark Brooker appointed as members. The Chairman Gareth Davis attends meetings by invitation but is not formally appointed to the Committee. The Transformation Oversight Committee has not been included in the table due to its project specific remit.

4 Mark Brooker was appointed with effect from 3 April 2017, and attended all meetings to which he was invited following his appointment.

5 Ashley Highfield stepped down from the Board with effect from 16 November 2017 and attended all meetings to which he was invited prior to stepping down.

6 Ruth Prior was appointed with effect from 2 October 2017, and attended all meetings to which she was invited following her appointment.

## Report on Corporate Governance continued

### Approach to governance at William Hill

#### Conflicts of interest

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

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

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

#### Information and professional development

The Chairman, supported by the Company Secretary, takes responsibility for ensuring that the directors receive accurate, timely and clear information across a wide range of matters relevant for the Board to operate effectively. The Board continues to operate an electronic portal, by which papers, information and guidance are promptly and efficiently disseminated.

In addition to receiving presentations and briefings from internal management, the Board also on occasion requests that external advisers provide briefings. This supports a wider awareness of issues and facilitates decision-making.

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

Each newly appointed director receives an induction and each induction programme is tailored specifically to suit the needs of the new director. During the year John O'Reilly, Robin Terrell, Mark Brooker and Ruth Prior completed personalised inductions providing a range of in-depth general, industry and Group-specific information. Roger Devlin has largely completed a bespoke induction as Chairman Designate. The induction process also includes meeting members of the Board and of the Group Executive and visits to various business locations.

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

#### Performance evaluation

The Board continues to recognise the benefits of an effective evaluation of its performance. The UK Corporate Governance Code recommends that the evaluation of the Board should be externally facilitated at least every three years. The Board followed this recommendation and the process was conducted externally by Independent Audit Limited (IAL) in 2016. IAL also provides the Company with software to support Board performance evaluations but otherwise IAL does not have any other connection with the Company.

The external evaluation report comprised a number of main recommendations which have been reviewed by the Board and addressed during the year. An internal performance evaluation was also completed in 2017, which focused, in addition to the usual parameters, on the progress made from the external evaluation and key issues for the Board to address looking forward. Key points to note from the 2017 evaluation include:

- the areas identified in the previous evaluation had been largely addressed. In particular, the composition and dynamics of the Board had improved following the permanent appointment of the CEO and CFO and addition of new Non-executive Directors with sector and digital experience
- strengthening of the interaction between the Board and the Group Executive;

- acknowledgement of strategic areas which may become more of a priority and will require additional Board discussion. In particular, longer-term strategy following the transformation programme, ongoing industry consolidation and market opportunities, the regulatory environment and the Company's sustainability agenda were highlighted;
- certain other areas for further improvement were also identified by the evaluation. This included further longer term succession planning, further refining and improving the content and timeliness of reporting to the Board, and additional interaction with senior managers in the business. The Board also identified additional topic areas for further discussion and review.

The above areas which require further Board attention or improvement will be addressed in an action plan to be progressed and monitored in 2018.

#### Shareholder engagement

Each year, the Director of Strategy, Brand and Investor Relations (IR) prepares a scheduled programme of contact between the Company and its largest institutional investors. This supports a regular dialogue with the Company's institutional shareholders, where the CEO and CFO meet with investors to discuss the business further. Great care is exercised, however, during such meetings to ensure that any price sensitive information is not disclosed, as such information is only released at the same time to all shareholders, in accordance with the requirements of the Financial Conduct Authority.

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



The Chairman and Chair of the Remuneration Committee facilitated a number of meetings with key investors during 2017 as part of the ongoing contact programme to discuss proposed arrangements for executive long-term incentives to be granted in year. This is discussed further in the Directors' Report on Remuneration.

The Group also liaised with certain key investors during the year to discuss an approach for the share capital authority resolutions which received in excess of 20% opposition at the 2017 AGM.

The Group also obtains feedback from its corporate brokers and its investor relations adviser on the views of institutional investors on a non-attributable basis and the CEO and/or CFO, supported by the Director of Strategy, Brand and IR, communicate the issues and concerns of major shareholders to the Board. As a matter of routine, the Board receives regular reports from the Director of Strategy, Brand and IR and from the Company's external advisers on issues relating to recent share price performance, trading activity and general institutional investor sentiment. The Board also receives copies of relevant analysts' reports on an ad hoc basis via the Company's Investor Relations team and other matters of interest in the media via the Corporate Affairs and External Communications teams.

## Dividend Policy and Distributions

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

Both dividend payments in the year were approved in line with the Board's policy and reflect the Group's continued strong cash flow and confidence in delivery of the Board's strategic priorities. That policy is subject to periodic review by the Board. Further information regarding the strategic rationale for decisions taken with respect to both dividend payments in 2017 can be found in the Strategic Report on page 2.

The Board did not elect to extend the share repurchase programme completed in December 2016, under which £95m was returned to shareholders, pending further clarification of the regulatory outlook for the business, and given a significant pipeline of opportunities to invest savings generated by the approved transformation programme. As a result, an aggregated total of £108.1m was distributed to shareholders during the financial year, under the 2016 final and 2017 interim dividend payments.

The Board will continue to review application of its policy to both dividend payments and dividend cover, but does not anticipate that any policy changes will be necessary to stated policy in the forthcoming 2018 financial year in the context of the Group's projected financial performance and current outlook for its primary markets, or indeed for the foreseeable future.

The Board has specifically considered and modelled the potential impact of an unfavourable ruling from the Government's Triennial Review of staking limits and gaming on its dividend policy, and has alternative strategies depending on a range of outcomes. The Board remains comfortable that the existing dividend policy of around 50% of adjusted earnings will remain appropriate and sustainable.

All future reviews will encompass periodic assessments of the future profitability of the business, principal risks and asset valuations, as necessary, in accordance with best practice.

## The Annual General Meeting

The Board continues to consider the AGM as an important opportunity to communicate directly with all shareholders. At the AGM in 2017, the Chairman and the CEO took the opportunity to summarise William Hill's performance and achievements in the prior year and to provide a business update.

Board members, including the chairs of the Remuneration, Nomination, Audit and Risk Management, and Corporate Responsibility Committees, attended the 2017 AGM and intend to attend the 2018 AGM to be available to answer questions.

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

In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the AGM held in 2017 were made available at the general meeting and were published following the meeting on both the Company's website and to the London Stock Exchange.

Each of the resolutions at the AGM held in 2017 were passed with the requisite level of approval, however the Board noted opposition in excess of 20% to the standard allotment authority and non-pre-emptive share issue resolutions. Both resolutions were presented to shareholders in line with established UK market practice and are fully in line with the guidelines of Pre-Emption Group. In line with the recommendations of the Code, the Board released a statement acknowledging this significant opposition within the results of the AGM poll, and also conducted a further exercise to gauge the root causes for the level of opposition. One significant US investor opposed the resolutions on the basis that their global voting policy has a lower allotment authority than contained in the AGM resolutions. Following consultation with that shareholder, and after having taken into account the voting policies of another shareholder who subsequent to the 2017 AGM has become a material shareholder in the Company, the Board has agreed to reduce the level of both proposed authorities at the 2018 AGM. The Board acknowledges that the opposition to both 2017 AGM resolutions has been recorded by the Investment Association in its newly published public register of companies encountering shareholder opposition votes in excess of 20%, along with the Board's explanatory statement.

It is intended to continue with the Board's current practices that a separate resolution be proposed on each substantially separate issue. It is planned to post the Notice of the 2018 AGM to shareholders with the 2017 Annual Report and Accounts at least 20 working days prior to the date of the meeting. The website also contains the Notice of General Meeting and supporting explanatory notes.

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

## Report on Corporate Governance continued

### Board and corporate culture

The Board continues to prioritise a focus on culture, recognising its importance in any organisation. Whilst a clear 'tone from the top' remains a critical accountability for the Board, workstreams within the Group's transformation programme have sought to refocus the Group's core values this year and also identify improved ways of working to strengthen culture across the Group.

The outputs and recommendations of those workstreams were approved by the Transformation Oversight Committee, with executive sponsorship from the CEO. The workstreams are further supported by the Group's new location strategy, under which staff will be concentrated in fewer European hubs in London, Leeds, Gibraltar, Kraków and Sofia. It is expected that the location strategy will drive improved shared working practices between different areas of the business, support the emphasis omni-channel is now being given across the business, and also encourage a more flexible, solutions-orientated culture with customer service at the centre.

The Board delivers its responsibilities with regard to culture with the assistance of standing Committees and senior management as needed. From the point of recruitment, all staff are made aware of existing Company policies and codes which are designed to encourage and support good conduct, and these have been reviewed and refreshed in the year. Reward mechanisms are also designed to incentivise good behaviours and good performance and not to encourage excessive risk-taking. In particular, malus and clawback provisions exist in the bonus and incentive arrangements for the executive directors and for other executive management. This is more fully explained in the Remuneration Report. Other levels of management have reward mechanisms which are designed to promote our corporate behaviours and strong personal performance.

A formal whistle blowing policy and procedure for staff, suppliers and stakeholders to raise issues regarding possible improprieties is already in place. During 2017, the Audit and Risk Management Committee continued to monitor the use of the Group's whistle-blowing arrangements and was satisfied that appropriate actions were being taken.

The Company also continues to operate and refine its policies and procedures to prevent, detect and to report suspected fraud and money laundering, all under the supervision of the Audit and Risk Management Committee. The Company also has a robust policy in place regarding anti-bribery and corruption which is communicated to employees. The policy and its effectiveness is reviewed periodically by the Audit and Risk Management Committee and it requires strict adherence to good corporate behaviours.

It is vital that William Hill maintains the right culture to perform effectively in the regulated gambling markets in which the business operates. The Group Compliance Committee focused on its core remit to oversee regulatory compliance across the Group, under the responsibility of the Director of Regulatory Affairs. Meetings of the Committee continue to be attended by the CEO and CFO, which ensures that Board-level views on the culture of compliance within the organisation are communicated directly to those responsible for compliance within the business. Committee meetings are also attended by the Director of Risk & Audit and this helps to support a more holistic view of regulatory compliance as part of the business' framework of operational controls and risk management. Further information regarding the specific areas of focus for the Group Compliance Committee can be found in the Corporate Responsibility Report on page 72.

Looking forward, our culture will also evolve as we progress our sustainability strategy, which will take greater account of key stakeholders.

### Approach to risk management

The section 'Managing our Risks' outlines the Board's approach to the management of risks within the business and summarises the principal risks facing the business. The sections below provide further detail on the Board's actions to monitor the Company's risk management and internal control. The work of the Board in this regard is supported by the Audit and Risk Management Committee and further details of the activities undertaken by the Committee to support the risk management framework is provided in the report which appears on pages 67 to 71.

### Internal control

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

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

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

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

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group.

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

As with many large, complex and multi-jurisdictional organisations, it was necessary for the Group to introduce additional controls and further strengthen existing controls during the year to support operational initiatives, as a result of review findings, and also to keep pace with good practice. Specifically, we continue to review our internal regulatory and compliance controls to meet the changing regulatory requirements, but also to align with advice and requests from our regulators.

The Audit and Risk Management Committee were made aware of relevant control issues arising throughout the period and there is a robust process to capture, track and approve actions taken to remediate issues identified. The directors noted historic control weaknesses relating to sources of funds checks in the Online business and a remediation plan is in flight. Other than this, no significant failings or weaknesses were identified as a result of the review that may significantly impact the financial statements.

### Assessment of risk

A corporate risk register is maintained and is regularly updated following detailed review by the Group Risk and Audit function and senior management during the year. The register was discussed with the Group Executive and has been approved by the

Audit and Risk Management Committee and the Board.

The register records the key risks facing the business, the assessment of the likelihood of the risks crystallising and their potential materiality, and the Group's response to each risk. Responsibility for management of the risks is attributed to senior management and management remain aware of the risks facing the business and operate in a risk aware manner.

The Board uses the control and risk management processes to identify and manage any significant risks arising from social, environmental and ethical issues.

Further details of the Group's corporate responsibility practices are described on pages 32 to 44.

Risks and opportunities are also embedded for consideration where key decisions and approvals are required by the Board. In particular, part of the annual operating plan considers key risks and opportunities which may impact upon the business over the near term.

Additionally, each year the Board considers and approves a five-year strategic plan which reflects the Company's strategy and the environment in which the business operates. Risks are included as part of the consideration of the five-year plan to provide a longer-term assessment on issues which may impact the business.

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

### Internal Audit

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

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

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

The Group Risk and Audit function also prepares an annual plan for the forthcoming financial year which is approved by the Audit and Risk Management Committee and is then reviewed in greater detail on a quarter-by-quarter basis during the financial year, allowing for further refinement as necessary.

The Risk and Audit team also conduct a number of ad hoc reviews during the year at the request of management or the Audit and Risk Management Committee to provide live assurance over key projects or critical business areas.

The Director of Risk and Audit reports regularly to the Audit and Risk Management Committee on work undertaken, the results of audit reviews, the adequacy of the Internal Audit function's resources and on progress against the annual audit plan.

The Director of Risk and Audit also reports regularly on the actions taken by management in response to audit reviews and this process provided the Audit and Risk Management Committee with additional assurance that timely actions were being taken in response to audit reviews.

The role of the Group Risk and Audit department and the scope of its work continue to evolve, to take account of changes within the business and emerging best practice.

## Report on Corporate Governance continued

### Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review and in notes 22 and 23 to the financial statements.

As highlighted in notes 22 and 23 to the financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until May 2019.

Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 45 to 50, the Group is confident of its ability to access sources of funding in the medium term.

The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

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

### Board Committees

The Audit and Risk Management Committee, the Corporate Responsibility Committee, the Nomination Committee, and the Remuneration Committee are standing Committees of the Board.

During the year, the Board also established the Transformation Oversight Committee, to provide independent review and challenge on the delivery of the Board's approved transformation programme. The Committee is chaired by John O'Reilly, with Mark Brooker, David Lowden and Philip Bowcock the other appointed members. Gareth Davis attended the majority of meetings by invitation in his capacity as Chairman, as did Jim Marsh, Chief Transformation Officer. The Deputy Company Secretary acts as secretary to the Committee.

The terms of reference of the Audit, Nomination, Corporate Responsibility and Remuneration Committees, are available upon request from the Company Secretary or via the Group's corporate website ([www.williamhillplc.com](http://www.williamhillplc.com)). Each are regularly reviewed by the relevant Committee and the Board and the terms of reference were reviewed and refreshed as appropriate in July 2017.

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

### Group Executive

Philip Bowcock also chairs the Group Executive, which meets monthly (apart from August) and includes the Company's key senior managers who report to the CEO. In addition to the monthly meetings, weekly conference calls are held by the Group Executive to ensure each member is up-to-date on recent performance and other major operational matters. The Group Executive retains oversight on issues affecting the day-to-day management of the Group's operations, and also reviews certain matters prior to Board or Board Committee consideration. Members and regular attendees at the Group Executive meetings are: Philip Bowcock, Chief Executive Officer; Ruth Prior, Chief Financial Officer; Joe Asher, CEO William Hill US; Paul Durkan, Chief Information Officer; Nicola Frampton, Director, UK Retail; Karen Myers, Group Human Resources Director; Crispin Nieboer, Managing Director, Online; Terry Pattinson, Group Trading Director; David Steele, Director of Corporate Affairs; Luke Thomas, Company Secretary; and Tom Waterhouse, CEO William Hill Australia. Harry Willits was appointed as a member of the Group Executive on joining the Group as General Counsel in January 2018.

In April 2018, Ulrik Bengtsson will join William Hill in the new Group role of Chief Digital Officer. Crispin Nieboer will move to become Group Corporate Development Director. Both Ulrik and Crispin will sit on the Group Executive.

### Remuneration

The Directors' Remuneration Report is set out on pages 77 to 97.

### Statement of Compliance

The Board supports the 'comply or explain' approach set out in the UK Corporate Governance Code, which forms part of the Board's governance processes. The Code is issued by the Financial Reporting Council and is available on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk). This report has been prepared against the version of the Code published in 2016, which is applicable for William Hill's 2017 financial year for the first time. Under the Code's 'comply or explain' approach, this permits listed companies some flexibility and the opportunity to adopt governance arrangements otherwise than in accordance with the provisions of the Code, where the Board feels this is appropriate for the good running of the business.

The Board can report full compliance with the Code during the 2017 financial year.

The Board has also reviewed the FRC's announcement of proposed revisions to the Code, expected to apply for financial years commencing after 1 January 2019. The proposals are currently under public consultation. Based on the FRC's current proposed changes, the Board is satisfied that its effective governance procedures and policies mean that no further material changes should be necessary to the Board's governance framework. However, the Board acknowledges the proposed revisions which call for better alignment of board culture with company values and enhanced staff engagement and is committed to reviewing any further improvements which may be made in these areas as best practice market practices emerge.

### Luke Thomas Company Secretary

For and on behalf of the Board  
William Hill PLC

## Report of the Audit and Risk Management Committee



**David Lowden**  
Chairman, Audit and Risk Management Committee

'In 2017 the Committee continued to prioritise on effective risk management and controls, which was important in the context of the ongoing transformation programme and executive focus on operational performance.'

### Membership and meetings

Set out below is the current membership of the Audit and Risk Management Committee.

During the year, all the members of the Committee were independent Non-executive Directors.

#### Director

David Lowden, Chairman

Mark Brooker (from 3 April 2017)

John O'Reilly (from 2 January 2017)

Robin Terrell (from 2 January 2017)

The Board approved changes to the composition of the Committee in November 2017 during a periodic review to optimise the Committee's composition. Prior to 16 November 2017, each of the other Non-executive Directors of the Board (excluding the Chairman), namely Sir Roy Gardner, Georgina Harvey and Imelda Walsh, also served on the Committee.

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chairman and during the year this included: representatives of the external auditor, the Chairman, the CEO, the CFO, the Group Director of Legal Services, the Director of Risk and Audit, the Head of Internal Audit and the Director of Group Finance. In addition, members of the management team, including the Group Chief Information Officer, attend by invitation to report to the Committee on key matters raised and to provide clarification and explanations where appropriate.

In view of the regulated nature of the Company's business, the Group Money Laundering Reporting Officer also attends two meetings each year in order to provide a formal report on anti-money laundering to the Committee.

In addition, the Committee also meets with the external auditor and the director of Risk and Audit without executive management present on a regular basis. The Committee met on five occasions during 2017 and details of attendance at Committee meetings are set out on page 68.

The Chairman of the Committee, David Lowden, has recent and relevant financial experience. He is a chartered accountant and has previously held senior financial positions within other international companies. Mark Brooker, John O'Reilly and Robin Terrell are all financially literate and have significant general business experience of executive roles in both private and public organisations. Robin Terrell is also a chartered accountant. Mark Brooker and John O'Reilly provide the Board with considerable sector experience, in accordance with the Code provision C.3.1. Details of each director's significant current and prior appointments are set out on pages 54 and 55.

### Committee remit

A full copy of the terms of reference for the Committee can be obtained via the website [www.williamhillplc.com](http://www.williamhillplc.com) or by request to the Company Secretary.

The Committee's principal responsibilities are to:

- review and advise the Board on the Group's half yearly and annual financial statements and its accounting policies, and monitor the integrity of the financial statements and announcements relating to financial performance;
- assist the Board as necessary in ensuring that the Company's Annual Report and Accounts is fair, balanced and understandable in accordance with applicable legislation and governance recommendations;
- review the major risks affecting the Group and assist the Board with reviewing the effectiveness of the controls operating over the Group's financial and non-financial risks;
- review the nature and scope of the work to be performed by the external and internal auditors, the result of that work, management's response, and their effectiveness;

## Report of the Audit and Risk Management Committee continued

- oversee the relationship with the external auditor including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group. The Committee is also responsible for overseeing the rotation or tender of external audit services in accordance with applicable legislation or good governance;
- meet with the executive directors and management, as well as privately with both the external and internal auditors; and
- report to shareholders annually on its role and responsibilities.

A formalised whistle blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters is in place and operated during the year. It is the responsibility of the Committee to monitor its effectiveness and any notifications made. No material issues arose as a result of whistle blowing during the year, and further information can be found on page 64. The Committee has access to the services of the Group Risk and Audit function and Company Secretarial departments and is authorised to obtain independent professional advice if it considers it necessary.

### Main activities during 2017

The calendar of Committee activities below provides an overview of the key areas of focus for the Committee in 2017.

### 2017 calendar of Audit and Risk Management Committee activity

#### February

- Review of 2016 full year results, Annual Report and Accounts, and external audit report
- Annual review of the Group control environment and principal risks
- Annual controls, effectiveness and risk management self-assessment process
- Review and approval of Non-Audit fees incurred in 2016
- Discussion of the Anti-Money Laundering Officer's Report (also October meeting)
- Private meetings of the Committee with the Group Risk and Audit team and the external auditor Deloitte (without management present)

#### May

- Overview of requirements regarding the EU General Data Protection Regulations (GDPR)
- Review of strategy regarding Data Centre and Disaster Recovery plans
- Technology Security Update
- Business Continuity Planning Update
- Corporate Governance updates (also October meeting)

#### July

- Review of 2017 half-year results and half-year external auditor report
- External Audit review and strategy for tender
- Annual update on Tax
- Approval of updated terms of reference

#### October

- Update on Online gaming controls
- Update on GDPR preparations
- Technology Security update
- Update on plans regarding Data Centre and Disaster Recovery
- Approval of Group Tax Strategy and Public Statement
- Approval of the external audit plan for the 2017 financial year

#### December

- Update on plans regarding Data Centre and Disaster Recovery
- Review and discussion of progress on GDPR
- Approval of 2018 internal audit plan
- Initial discussion of key financial judgements and accounting policies for the 2017 Annual Report

#### Standing items at each Committee meeting

- Review of reports from Group Risk and Audit function, including: key operational controls, internal audits undertaken since the last Committee meeting, key open internal audit actions, whistle blowing reports and status of business continuity planning
- Review and approval of external auditor non-audit fees
- Review and update of a 12-month rolling plan for the Committee
- Approval of previous Committee meeting minutes and follow-up on outstanding actions

## Approach to core remit Financial statements

During the year, the Committee reviewed and discussed the financial disclosures made in the full-year results announcement, the Annual Report and Accounts, and the half-year results together with any related management letters, letters of representation and detailed reports from the external auditor. Significant financial reporting issues and judgements were discussed and reviewed.

There were no material changes to significant accounting policies during the year, however, the Group complied with FRS101, which provides a reduced disclosure framework for reporting groups, for the first time across the Group's subsidiary financial statements.

The UK Corporate Governance Code requires the Board to also confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable (FBU) and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. A robust process, which was reviewed and undertaken during the financial year, is operated whereby the Committee assists the Board in the discharge of this duty.

The Committee provided assistance to the Board by overseeing the process by which the Annual Report and Accounts is prepared. In particular the Committee noted that:

- guidance is initially issued to the project team regarding FBU obligations;
- all content is subject to rigorous review by both the contributors and by the Senior Executive Team;
- the CFO, the Company Secretary and the Director of Strategy, Brand and Investor Relations perform a review to ensure that the Report promotes consistency and balance between the narrative front half and the financial notes;
- a clear and cohesive framework facilitates integrated key messaging, market and segment reviews, performance overviews, and principal risks to the business. Sufficient forward looking information is also provided and a balance is sought between describing potential challenges and opportunities;
- the Committee had received briefings during the year on the material reporting changes which would be required to be observed or which would represent good practice;

- management also reported to the Committee regarding steps taken in the year to ensure that the Annual Report and Accounts remains FBU for users of the presented financial information;
- the Annual Report and Accounts was subject to final approval by the Board, following review and comment by both the Committee and individual Board members; and
- improvements have been made to the Annual Report to improve the explanation and presentation of adjusted results.

## Internal control and risk management

The Committee closely monitored the Group's internal control and risk management systems and received regular reports and presentations from senior management covering the major risks and events faced by the Group, and the procedures established to identify, assess, manage, monitor and mitigate these risks. The calendar of Committee activities on the previous page provides further information regarding the specific areas covered by the Committee, with a continuing focus on technology security generally, the controls environment in the Online gaming business, and preparations for GDPR compliance.

The Committee, in conjunction with the Group Risk and Audit function, took responsibility for reviewing and approving the statements on internal controls on pages 64 and 65 on behalf of the Board. The statements applied any developments in practice regarding internal control and risk management to the disclosures within the Report.

## Oversight of the external auditor

The Committee has responsibility for overseeing the relationship with the external auditor, Deloitte LLP, and it continues to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process. The policy to safeguard the independence of the external auditor, in line with the Statutory Auditors and Third Country Auditors Regulations 2016 (the 2016 Regulations), was maintained by the Committee.

The policy covers the appointment, tendering and rotation of the auditor; restrictions on the employment of former staff of the auditor; ongoing independence criteria; and the supply of non-audit services. The policy explicitly prohibits a range of non-audit services in accordance with relevant legislation. Examples of

prohibited services include projects with contingent fee structures; accounting and payroll services; legal services and provision of internal audit services.

The policy continues to be applied across the Group, to ensure close monitoring of any material consultancy projects proposed to be delivered by either the current external auditor, or any potential tender participants. This ensures the continuing independence of all potential participating firms given the onerous pre-qualification requirements of the regulations in respect of the external auditor.

The 2016 Regulations provide for a cap on non-audit services of a maximum of 70% of the average of the audit fees paid on a rolling three year basis. The first three-year measurement period, covering the 2017, 2018 and 2019 financial years, will end and be subject to reporting in 2020, and the Committee is well prepared to comply with related disclosure requirements at that time.

The Committee approved the external auditor's engagement letter, audit fee and the annual audit plan (including the planned levels of materiality) as usual during the year. Letters of representation were reviewed during the year, prior to signature by executive management.

The external auditor regularly attended Committee meetings in 2017 and receives all reading papers and minutes in respect of the meetings of the Committee. The external auditor met at least once during 2017 with the Committee without executive management present. The Chairman of the Committee has also met privately with the external auditor.

In 2017 the Committee reviewed both the Audit Quality Inspection Report published by the FRC in respect of Deloitte, and their published response. The report showed no matters of material concern for the Committee, in which the FRC identified a small number of recommendations for Deloitte to address.

## The external audit engagement

Deloitte are the Company's current external auditor and the Committee monitors the ethical guidance regarding rotation of the external audit partner. Paul Franek is the current audit partner, having been appointed in 2014.

## Report of the Audit and Risk Management Committee continued

During 2017, the Committee received regular reports from the external auditor, including a formal written report dealing with the audit objectives, the auditors' qualifications, expertise and resources, procedures and policies for maintaining independence and compliance with the ethical standards issued by the Auditing Practices Board.

The Committee also assessed the effectiveness of the audit process during the financial year. In addition, the external auditor's management letter was reviewed, as was management's response to issues raised.

In accordance with the policy on the Independence of the external auditor, the Committee regularly considers the relationship with the external auditor. In line with the policy, at each meeting the Committee considered and approved as appropriate any non-audit work undertaken by the external auditor involving fees in excess of £25,000. Where no Committee meeting was scheduled within an appropriate time frame, approval was sought from the Committee Chairman and subsequently ratified at the next meeting.

All non-audit services provided by the external auditor are reported to the Committee at its next scheduled meeting and a record is kept and reviewed by the Committee on a cumulative basis so that the total aggregate costs regarding non-audit work during a financial year is monitored carefully. Audit and non-audit fees paid to the external auditor are set out in note 5 to the financial statements.

During 2017 the Audit Committee approved the provision of certain non-audit assurance services by the Deloitte. The majority of the services, for which fees totalled £40,000, related to specific projects spanning IT consultancy in Australia, reviews of the Horseracing and Greyhound Levy and reviews of commission structures for an Australian National Rugby League agreement. Other non-audit services provided by the external auditor during the year related to non-audit assurance engagements required to be provided by our auditor, and were also approved by the Committee for fees totalling £35,000. The Committee is satisfied in each case that the external auditor was best placed to undertake the relevant project, and no individual project was deemed sufficiently material to require detailed Committee review.

Deloitte has been the external auditor of the Group for more than 20 years, having been originally appointed to the Company in December 2001 just prior the Group listing on the London Stock Exchange. Deloitte provided audit services to other Group entities prior to their appointment in 2001, their relationship with the Group commencing on 22 January 1991. A tender in respect of the external audit has not been sought since William Hill was listed on the London Stock Exchange in 2002. There are no contractual obligations restricting the Group's choice of external auditor. The Committee confirms that it continues to be satisfied with the performance of the external auditor and with the policies and procedures in place to maintain their objectivity and independence.

The Committee recommended that Deloitte be re-appointed at the forthcoming Annual General Meeting and the Board accepted and endorsed this recommendation. The Committee notes and confirms compliance with the other provisions of the Competition & Markets Authority Order 2014 in respect of statutory audit services for large companies.

In the Company's 2016 corporate governance report, it was noted that the Committee had agreed to complete a formal tender of the external audit by no later than 2019, with the intention to appoint a different external auditor. Whilst the decision to appoint a different external auditor is still unchanged, during 2017 the Committee reconsidered the optimal timing of the process. In particular, the decision on the timing to change the auditor pre-dates the transformation programme. However, the success of the transformation programme is critical to the Company and a tender could impact on the programme, particularly as other potential candidate firms who may succeed Deloitte are undertaking work which would conflict them were those projects to continue into 2019. The Committee therefore concluded, on balance, it was in order to re-consider its decision to change auditor in 2019 and a recommendation was made to review the situation following the completion of the transformation programme.

The CFO and Audit Committee will discuss later in 2018 the timing of the tender, which will be completed in line with the transitional arrangements permitted by the 2016 Regulations.

### Internal audit

William Hill has a Group Risk and Audit function which includes an Internal Audit team. The Group Risk and Audit function has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions.

The appointment and removal of the Director of Risk and Audit and Head of Internal Audit is the responsibility of the Committee. The Director of Risk and Audit and Head of Internal Audit have direct access to the Board and Committee Chairman. During 2017 the Director of Risk and Audit and Head of Internal Audit continued to meet regularly with the Committee Chairman without executive management.

During the year the Committee approved the annual internal audit plan and it monitored progress against the plan. The annual audit plan is amended during the year if needed to ensure it addresses emerging key areas of control identified by management or by the Group Risk and Audit function and any material changes to the plan are reported to and discussed with the Committee. Summaries of audit reports are circulated to the Committee members after each audit and full reports are available upon request. The Committee monitored progress against actions identified in those reports.

During the year (and in particular regarding the approval of the internal audit plan for the forthcoming year) the Committee enquired as to the adequacy of the resources of the Group Risk and Audit function and received assurances that appropriate resources were available. Where necessary, the work required to be undertaken by the Internal Audit function is supported by external professionals to ensure that the planned work is completed.



## Disclosure of significant issues considered by the Committee

An important part of the Committee's responsibilities is to assess key issues in respect of published financial statements. This process is primarily focused on the key issues identified by management for consideration. However, each Committee member as a member of the Board receives regular updates on the performance of the business and in particular on material issues which may affect the finances of the business. This gives the Committee additional perspective to consider and to be familiar with significant issues which need to be considered.

In respect of the 2017 financial year, the Committee reviewed and discussed with management the key issues which had been identified, both at the half year results stage and again in respect of the annual results.

During the year, the Group was also informed by the Financial Reporting Council (FRC) that certain disclosures within its 2016 Annual Report and Accounts would be included in a sample thematic review of companies reporting Alternative Performance Measures (APMs).

In October the Group responded to subsequent requests from the FRC to clarify specific aspects of those disclosures, and the Group's use of APMs. The FRC confirmed in December that those clarifications meant their review had satisfactorily concluded, the Group having given certain limited undertakings regarding the consistency and linkage of related disclosures in this year's Annual Report.

The FRC's review was limited in scope to the specific disclosures relating to their thematic review and the Committee is confident that the Group continues to meet good practice standards with regard to the reporting of APMs.

In addition, each year the external auditor prepares a comprehensive forward plan in respect of their audit. Towards the end of 2017, the Committee reviewed the plan and discussed it with Deloitte.

The plan explained:

- the scope and approach of the audit, including consideration of materiality thresholds;
- any key areas of change in the focus of the audit; and
- areas of significant audit risk which would be subject to particular audit focus and the year-on-year movement in risk.

The Committee endorsed Deloitte's plan in respect of 2017.

The Committee pays particular attention to the matters which it considers may affect the integrity of the Group's financial statements, with a view to satisfying itself that each matter has been treated appropriately.

The Committee found that there was a good level of alignment between the key areas identified by management and the areas highlighted for review by Deloitte.

The Committee assessed each matter, which included reviews of:

- the carrying value of goodwill and intangibles across the Group. This review included an assessment of the goodwill valuation of the Australian business, which necessitated an impairment charge agreed with the external auditor through a process which commenced in December;
- items which had been categorised as exceptional items for 2017. It was agreed with the Executive team that certain items, including those related to the transformation programme, should be treated as exceptional items and further information is provided in note 3 to the financial statements;
- matters relating to taxation. In particular the Committee assessed the recognition, derecognition and valuation of tax provisions. The Committee concluded that appropriate treatments had been applied in each case;
- the Group's continuing compliance with guidelines on the disclosure and explanation of APMs which appear in the Annual Report, including a review of the financial statements in line with the recent FRC thematic reviews;
- a specific review of critical accounting judgements and key sources of estimation uncertainty;
- the existence and disclosure of actual and contingent liabilities. The Committee was satisfied, following review of management disclosures, that such liabilities had been treated appropriately within the financial statements;
- the disclosures and supporting analysis in respect of the viability statement. The Committee reaffirmed the reasonableness of the assumptions and considered whether a viability period of three financial years remained most appropriate, and unanimously confirmed that it was as part of a recommendation to the Board;

- an annual assessment by the directors that it is appropriate to prepare the financial statements on a going concern basis;
- the steps taken by management to ensure that the Annual Report was fair, balanced and understandable;
- the accounting basis applied to the Group's pension schemes, in particular in respect of the valuation of assets and liabilities;
- the accounting treatment and disclosures in respect of the disposal of the Group's investment in NYX Gaming Group Limited to Scientific Games Corporation; and
- the effectiveness of key controls within the business, which appears on page 64.

Part of the Committee's role is to provide constructive challenge to management on the above issues and on other matters related to financial reporting. This is particularly important where underlying assumptions need to be made by management as part of their assessments. In respect of this, the Committee continued to question management as necessary on the treatment of the items and the Committee received appropriate responses from management. The significant issues were also the subject of review by the external auditor and the Committee noted that, where needed, the external auditor had confirmed management's treatment was appropriate and that management had made reasonable assumptions.

As noted above, the Committee was satisfied that the judgements made by management were reasonable and that appropriate disclosures had been included in the accounts. The Committee also noted that Deloitte have issued an audit opinion, which can be found on pages 102 to 107 of this Annual Report and Accounts, in respect of the annual financial statements. Further details in respect of accounting treatments and assumptions are also provided as appropriate in the notes to the financial statements.

## Other activities

Summaries of key agenda items can also be found in the calendar of Committee activities on page 68.

**David Lowden**  
Chairman, Audit and Risk Management Committee

## Report of the Corporate Responsibility Committee



**Mark Brooker**  
Chair of the Corporate  
Responsibility Committee

'Having assumed responsibility for the Corporate Responsibility (CR) Committee in November, it is important to acknowledge Ashley Highfield's contribution to the Committee's work.'

### Introduction

During the year the CR Committee increased its focus in the UK on compliance against the Gambling Commission's key licensing objectives, applying similar standards across the Group:

- to prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
- to ensure that gambling is conducted in a fair and open way; and
- to protect children and other vulnerable persons from being harmed or exploited by gambling.

The Committee also provided constructive challenge and oversight across the Group's corporate responsibility programme. Further information can be found in this Committee report and in the Corporate Responsibility Review on pages 32 to 44.

### Membership and meetings

The following is the current membership of the CR Committee:

#### Director

Mark Brooker, Chairman  
(member from 3 April 2017)

Gareth Davis

Sir Roy Gardner

Philip Bowcock

Georgina Harvey

David Lowden

John O'Reilly (from 2 January 2017)

Robin Terrell (from 2 January 2017)

Imelda Walsh

Philip Bowcock, CEO, is the executive director responsible for CR. He is supported by various members of senior management throughout the business on different aspects of the Group's CR agenda.

The Group Director of Corporate Affairs, David Steele, continues to provide effective co-ordination of CR activities at Group Executive level and throughout the Group, which helps to ensure effective and consistent consideration of CR issues and reporting. This approach also enables a flow of high-quality information to the CR Committee.

The Company Secretary acts as secretary to the Committee. The CR Committee meetings are regularly attended by relevant members of the Group Executive and by various managers, so that informed presentations are made by individuals responsible for key areas such as human resources, health and safety, security, regulation and community relations.

During the year the Committee reviewed the process to appoint a new external health and safety consultant. The remit is being refined, but will continue to include a briefing, at least annually, for the Committee regarding health and safety arrangements, performance and legislative and best practice changes, primarily focused on the Retail operations in the UK, but also across major administrative buildings.

The Committee met on four occasions during 2017 and details of attendance at Committee meetings can be found on page 61.

### CR Committee remit

A full copy of the terms of reference for the Committee can be obtained via the website at [www.williamhillplc.com](http://www.williamhillplc.com) or by request to the Company Secretary.

The Committee's principal responsibilities are to:

- review CR policies and practices for the Group and set new CR policies as appropriate;
- review CR performance across a range of performance metrics;
- ensure the business operates in a sustainable way;
- advise the Board on environmental, social and ethical matters;
- monitor CR risks as part of the Group's overall risk management framework; and
- review and approve the annual CR report within this document.

### Main activities during 2017

The calendar of Committee activities on this page provides an overview of the key areas of focus for the Committee in 2017, and further information regarding key industry issues, and how William Hill is responding, are included in the review of CR matters on pages 32 to 44 of the Strategic Report.

During the year, both the Board and the Committee received frequent updates and regularly discussed the Government's Triennial Review and the Company's response to the Review.

The Committee also discussed with management the cases which led to William Hill entering into a regulatory settlement with the Gambling Commission in February 2018. The settlement was reached in respect of certain former policies which were insufficient to ensure full regulatory compliance, and specifically in relation to the identification of the possible use of the proceeds of crime. The Committee will maintain appropriate oversight as an independent review process gets underway. The Committee will also provide support as needed to ensure the Company works to implement any recommendations from the review.

### Group approach to CR

The CR Committee measures progress made on all the Group's compliance objectives against an annual tracker which is reviewed at every meeting.

During the year the CR Committee reviewed an outline of a refreshed strategy to ensure the Group delivers future growth in a sustainable and responsible manner. In 2018 the Committee will work with management to oversee and support the planned shift in approach and focus to sustainability. Further information is available in the Corporate Responsibility Report on pages 32 to 44.

Committee agendas include ongoing reviews to ensure good oversight in key areas and to measure progress on areas within the Committee's remit, including:

- health and safety;
- community activity, charitable donations and related activity;
- issues in relation to employees, including employee recognition, engagement and wellbeing;
- security;
- compliance and interactions with regulatory authorities;
- an overview on key CR performance and trends. These are primarily captured and reflected in a CR 'dashboard', which is updated regularly;
- progress being made in relation to the use of behavioural analytics to help reduce at risk and problem gambling; and
- corporate reputation amongst key stakeholders, and improving the effectiveness of the Company's engagement with all stakeholders.

### 2017 calendar of CR Committee activity

#### January

- Health & Safety update
- Apprenticeship levy review
- Colleague Engagement survey results
- Update regarding industry's Competition and Markets Authority review
- Review of Gambling Commission Annual Assurance Statement
- Review of corporate responsibility key performance indicators (via a CR dashboard)
- Fourth EU Money Laundering Directive update and review
- Security and Community Annual Reviews
- Discussion regarding Online compliance and controls
- Key regulatory themes for 2017

#### July

- Health & Safety and Security updates
- Compliance review including overseas regulatory updates
- Review of corporate responsibility key performance indicators (via a CR dashboard)
- Health & Safety review
- Retail audit
- Good Neighbour Scheme and Close to Home community updates
- Retail Lone Working update
- Stakeholder reputation audit
- Review of gaming machine damage in the Retail estate
- Political and regulatory updates, including review of future arrangements for the Senet Group

#### October

- Security update
- Colleague Engagement update
- Compliance review
- Political and regulatory presentation and discussion (with external adviser)
- Update on gaming controls and player protection
- Review of Gambling Commission Annual Assurance Statement

#### December

- Triennial Review status update
- Annual Health & Safety year-end review
- Modern Slavery Act annual review
- Retail Lone Working update
- Community year-end update

The Committee also has standing agenda items covering Health and Safety performance and arrangements, Retail and cyber security, staffing updates, and regulatory compliance. Previous actions arising are followed up at each meeting to ensure that they are completed.

## Report of the Corporate Responsibility Committee continued

Management continued to refine the Group's approach to CR matters, and updated related policies and procedures within the business to ensure they remain relevant. Performance metrics are used where appropriate to measure performance on an ongoing basis. For example, during 2017 the Committee reviewed performance metrics in respect of health and safety, security, Retail lone working, charitable giving and the Group's responses to ongoing regulatory reviews.

The Committee regularly reviews the relationship with its Primary Authority for health and safety across the Retail estate of LBOs. The Committee also formally endorses the objectives which are set annually across key areas of health and safety and staff welfare. The business met the objectives agreed with the Primary Authority for the 2017 financial year and is in the process of agreeing objectives with relevant regulators and stakeholders for 2018.

The Committee also discussed developments in several other areas and in particular the Committee:

- reviewed a draft of the Annual Assurance Statement prior to submission to the Gambling Commission; and
- considered and approved the Group's first annual review of its procedures introduced in response to the implementation of the Modern Slavery Act 2015, and approved a refreshed and updated transparency statement which is now available on the Group website ([www.williamhillplc.com](http://www.williamhillplc.com)).

### Group Compliance Committee

The Company has further strengthened the Group Compliance Committee, which is attended by the CEO and provides an effective means by which the Executive team can co-ordinate compliance initiatives and identify material compliance issues across the Group.

The Director of Regulatory Affairs chairs the meetings and the Committee comprises the Director of Corporate Affairs, the Company Secretary, the Group Director of Legal Services, the Director of Risk & Audit and senior managers responsible for compliance in each of the Company's relevant business divisions. The Deputy Company Secretary acts as Secretary.

During the year, the Group Compliance Committee met a total of four times, and considered the following key agenda items:

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#### January

- Compliance reporting from the Online, Retail, US and Australian businesses
- Focus on Online Reality Checks; Online Self-Exclusion and Timeouts; Player Protection Model and Online Gambling Controls
- Group's GDPR Response Planning

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#### July

- Compliance reporting from the Online, Retail, US and Australian businesses
- Anti-Money Laundering Review
- Advertising and Marketing Review
- GDPR Update
- Competition and Markets Authority Industry Enquiry

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#### October

- Compliance reporting from the Online, Retail, US and Australian businesses
- Customer Due Diligence procedures review
- Anti-Money Laundering Review
- GDPR Update
- Competition and Markets Authority Industry Enquiry Update

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#### December

- Compliance reporting from the Online, Retail, US and Australian businesses
  - Customer Due Diligence procedures review
  - GDPR Update
  - Competition and Markets Authority Industry Enquiry Update
- 

In addition, the Committee regularly considers items including key regulatory and legislative updates, key performance indicator dashboard reporting, summary reports regarding interactions with regulators, and compliance reports from across the Group.

#### Mark Brooker

Chair of the Corporate Responsibility Committee

## Report of the Nomination Committee



**Gareth Davis**  
Chairman, Nomination Committee

‘Following the significant changes to Board composition agreed in 2016, the key areas of focus for the Nomination Committee this year have been the appointment of Philip Bowcock as CEO in March, the appointment of Ruth Prior as CFO with effect from October and the succession planning process ahead of my planned retirement as Chairman in 2018.’

### Membership and meetings

Set out below is the membership of the Nomination Committee:

#### Director

Gareth Davis, Chairman

Sir Roy Gardner

Mark Brooker (from 3 April 2017)

Georgina Harvey

David Lowden

John O’Reilly (from 2 January 2017)

Robin Terrell (from 2 January 2017)

Imelda Walsh

The Company Secretary acts as secretary to the Committee. All members of the Committee are independent Non-executive Directors and the Committee is chaired by the Board Chairman. In order to ensure there are fully informed discussions, the CEO and/or the Group Human Resources Director are invited to attend meetings as appropriate. The Committee met on 11 occasions during 2017.

### Nomination Committee remit

A full copy of the terms of reference for the Committee can be obtained via the website at [www.williamhillplc.com](http://www.williamhillplc.com) or by request to the Company Secretary.

The Committee’s principal responsibilities are to:

- make appointment recommendations to the Board for the appointment, re-appointment or replacement of directors;
- devise and consider succession planning arrangements for directors and, as appropriate, other senior executives; and
- regularly review the structure, skills, size, composition and balance of the Board and recommend any proposed changes.

Matters within the remit of the Committee are also on occasion undertaken by the Board, for example, discussions on succession planning and more informal meetings with managers in the Company’s talent pipeline.

Non-executive Directors are currently appointed for an initial three-year term, extendable by a further two additional three-year terms. The terms and conditions of appointment of non-executive and service contracts of executive directors are available to shareholders for inspection at the Company’s registered office during normal business hours and at the AGM.

In respect of the recruitment of a new director, the Committee prepares a description of the role required. An external firm is appointed, taking into account the firm’s ability to find suitable candidates. The Committee ensures that the relevant firm subscribes to the relevant industry codes on executive searches (including diversity). On joining the Board, Non-executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. Once appointed, the new director undergoes a tailored induction and familiarisation programme implemented by the Company Secretary with input from the Chairman and CEO.

Any potential director is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for executive or Non-executive Directors. Although there were changes in the outside commitments of some directors during 2017, none of these were material to the extent that it would impact on the time required to commit to the Company. Roger Devlin, who joined the Group as Chairman Designate on 1 February 2018, complied with these disclosure requirements prior to appointment, and has stepped down as Chairman of Sports Information Services (Holdings) Ltd and will step down as a Non-executive Director of the Football Association in June 2018.

### Main activities during 2017

The calendar of Committee activities below provides an overview of the key areas of specific focus for the Committee in 2017, and further explanation regarding the key events for the Committee during the year can be found in the Chairman’s introduction on page 46.

During 2017, the Committee played an important part in recommending changes to the composition of the Board, thereby ensuring the Company’s leadership and the Board’s succession planning is well-positioned and better placed to support the Group’s strategic objectives. The Board formally endorsed all the recommendations of the Committee during the year.

Philip Bowcock was appointed as CEO in March 2017, having been appointed as Interim CEO in July 2016. The decision to appoint Philip to the permanent position represented the successful conclusion of an extensive search for potential external candidates in conjunction with external recruitment firm Heidrick & Struggles (Heidrick & Struggles otherwise have no connection with William Hill).

## Report of the Nomination Committee continued

It also reflected the Board's strong confidence in Philip's ability to lead the business and in particular oversee the transformation programme to refocus operational performance in the medium to long term.

The Committee also commenced a search process for the CFO position that Philip vacated on appointment. A similar process was followed, with further input again from Heidrick & Struggles. The initial search considered both internal and external candidates. Shortlists were then prepared and reviewed by the Committee which agreed the most suitable candidates who should proceed to a series of interviews with the Chairman, various Non-executive Directors, and the CEO. That process culminated in the unanimous recommendation that Ruth Prior, who was at that time Chief Operating Officer at Worldpay Group plc, be appointed as CFO.

During the year the Committee further considered the balance of skills and experience on the Board and also changes to support timely succession planning. With this in mind, following reviews by the Committee it was unanimously agreed that the appointments of David Lowden, Georgina Harvey, Imelda Walsh and Sir Roy Gardner each be extended for a further three-year term from their respective anniversary. The Board also welcomed each recommendation, which were each unanimously approved.

In December the Committee recommended the appointment of Roger Devlin as Chairman Designate with effect from 1 February 2018, to complete the succession planning following Gareth Davis' decision to step down from the Board before the 2018 AGM. Korn Ferry had been appointed to conduct an extensive search and a sub-committee led by Sir Roy Gardner as Senior Independent Director evaluated many of the initial candidates and undertook additional work in between Committee meetings. The sub-committee regularly reported to the Committee, which subsequently agreed a shortlist of candidates. Korn Ferry has no other connection with William Hill.

During 2017 and up to the date of this report, the Committee also:

- continued to monitor the reports and progress updates issued by the Lord Davies review team in respect of women on boards and by Sir John Parker concerning the ethnic diversity of boards; and
- considered and recommended to the Board that each director be proposed for re-appointment at the 2017 AGM.

### Board diversity and composition

The Board has a diverse range of experience by way of expertise, business sector background and by length of tenure on the Board, and the Committee is well aware of its responsibilities in respect of diversity. We recognise the benefits that diverse viewpoints and backgrounds can contribute to decision-making and also for the infusion of fresh thinking and perspectives from newly appointed directors. The Board is delighted with the contributions made by newly appointed directors during the year, which have complemented the experienced ongoing contribution of the longerstanding directors.

It is also the intention of the Board to continue to keep the benefits that derive from a diverse Board in mind when making future appointments. As at 31 December 2017, 30% of the Board was comprised of women, and this gender diversity ratio is line with the updated voluntary target of the Davies Review for female board representation well ahead of the review's 2020 timetable.

Reflecting its commitment to gender diversity, during the year the Board became a member of and is proud to support 'The 30% Club', the global organisation that collaborates with businesses, governments and other campaigns to improve gender diversity and accelerate the pace of change from schoolroom to boardroom. The current target of The 30% Club, following an extension of scope, is now a minimum of 30% women on FTSE 350 boards by 2020, which stood at 24.8% in January 2018.

At William Hill we pursue diversity, including gender diversity, throughout the business and will continue to follow a policy of appointing talented people at every level to deliver outstanding performance. The Board does not believe that setting a quota is the most appropriate method for achieving a balanced Board or for any other positions in the Company and the primary criteria for all of our appointments is that they are made on merit. However, the Board is also supportive of the objectives of the reviews by Lord Davies and by Sir John Parker's on diversity and the benefits that broader diversity brings to any business.

In future, the Committee will continue to monitor the longer-term composition of the Board, the levels of senior management immediately beneath the executive Board positions, and also how these support the strategic priorities and leadership needs of the business.

### 2017 calendar of Nomination Committee activity

#### February

- CEO and CFO searches
- Group Executive composition
- Recommendation that all eligible directors be re-elected at the 2017 AGM, and extension of the term of appointment of David Lowden

#### March

- CEO and CFO search and appointments

#### May

- Initial discussion on the process for succession of Chairman

#### July

- Discussion regarding succession of Ashley Highfield as Chair of the Corporate Responsibility Committee
- Recommendation to extend the term of appointment of Roy Gardner
- Discussion on the process for succession of Chairman
- Review and recommendation to refresh the Committee's terms of reference

#### September

- Recommendation for Mark Brooker to succeed Ashley Highfield as Chair of the Corporate Responsibility Committee
- Chairman succession

#### October

- Recommendation to extend the terms of appointment of Imelda Walsh and Georgina Harvey
- Chairman succession

#### November

- Group Executive composition
- Chairman succession
- Review of Board Committee composition

#### December

- Chairman succession and appointment

The Committee is regularly kept informed of changes in governance including the changes proposed to the UK Corporate Governance Code. The Committee will consider further the implications on diversity once a final version of the Code has been published, expected in 2018.

**Gareth Davis**  
Chairman, Nomination Committee

## Directors' Remuneration Report



**Imelda Walsh**  
Chairman, Remuneration Committee

'In 2017, the Remuneration Committee was conscious of the wider debate around executive pay and the importance of remuneration aligning with the objectives of the transformation programme.'

### Dear shareholder,

I am pleased to present the Directors' Remuneration Report (DRR) for the financial period which ended on 26 December 2017.

### Annual statement

#### Background and business context

As the Chairman said in his statement, William Hill delivered a strong performance in 2017 with the Group having regained strength, focus and purpose. This positive performance was centred on rejuvenating Online, building an attractive omni-channel proposition and growing the US. Adjusted operating profit of £291.3m was 11% ahead of 2016 and ahead of the target set at the beginning of the year (£281.0m). Group net revenue grew 7% to £1.7bn.

Looking at the individual business areas:

- Online built further positive momentum aided by early benefits from the transformation programme;
- Retail delivered a resilient performance in a year without a major international football tournament;
- in the US, double-digit growth was driven by mobile betting; and
- Australia grew net revenue and profits but performance is being impacted by regulatory and fiscal headwinds, therefore we are undertaking a strategic review of the business.

A key focus in 2017 was delivering the transformation programme. Good progress is already evident and over the long term this will support improved revenues, greater cost efficiency and better organisational effectiveness.

As described by both Gareth and Philip, there were a number of exceptional costs in 2017, principally relating to Australia, a £238.3m impairment to the value of the business and £61.7m relating to the costs of of the transformation programme.

The Committee considered carefully the impact of the transformation and restructuring costs in making its remuneration decisions and believes that these were critical investments which will create long-term value.

This will be my last report as Chair as I will be stepping down from the Board at the AGM on 8 May 2018. My colleague, Georgina Harvey, who has been a member of the Committee since December 2011, will replace me.

### 2017 remuneration

Towards the end of 2016 we announced a number of appointments to the Board for 2017 (John O'Reilly, Robin Terrell, Mark Brooker) and in 2017 a further three appointments were made after an extensive and thorough review of internal and external candidates. The Committee followed good practice in respect of the remuneration agreed which was also disclosed at the time of their respective announcements.

Firstly, Philip Bowcock was appointed as permanent CEO in March. The Committee reviewed the salary, noting the CEO salary level had been unchanged since 2014 and also salaries in comparable organisations and concluded that Philip should receive a base salary of £600,000 per annum with effect from 10 March 2017.

Ruth Prior joined as CFO from Worldpay in October and her remuneration package was set to be broadly in line with that of her predecessor, with a salary of £425,000. Remaining terms are as set out in our remuneration policy.

In addition, as a condition of her appointment, the Committee agreed to make an award in replacement for that forfeited under the Worldpay Transitional Award Plan. This award does not have any associated performance conditions or post-vesting holding requirements, mirroring the Worldpay award it replaced, and will be released on the original vesting date of 16 October 2018. The Committee determined, at the time of Ruth's appointment, that the Worldpay share price used in calculating the value of the award should be the 30-day average immediately prior to the announcement of Ruth's appointment or the 30-day average immediately prior to joining William Hill, whichever was the lower. Accordingly, an award over 348,345 restricted shares was granted to Ruth on 2 October 2017.

Ruth will also receive a pro-rated bonus in recognition of the estimated value of the Worldpay 2017 annual bonus forfeited on resignation and covering the relevant period of the financial year prior to her date of appointment at William Hill.

Given how recently Philip and Ruth were appointed to their roles, the Committee agreed that their salaries would not be reviewed in 2018.

Finally, in December we announced that Roger Devlin would join the Board as Chairman Designate on 1 February 2018, before being appointed Chairman on 2 April 2018 when Gareth Davis will stand down. Roger will receive a fee of £295,000 per annum.

## Directors' Remuneration Report continued

### *Performance Share Plan (PSP) Award 2017*

In last year's report we confirmed that the 2017 PSP award would be made after the Company's interim results in August. This delay was for two reasons: the appointment of the permanent CEO (Philip Bowcock at the time of publication was still the Interim CEO) and to ensure that the PSP award measures reflected key strategic priorities and in particular, the goals of the transformation programme then under development.

The structure of the PSP award was in the form of nil-cost options and three, equally weighted, performance conditions – Relative Total Shareholder Return (TSR), EPS growth and Business Performance Measures (BPMs), which covered cost reduction and revenue generation targets included in the transformation programme.

We commenced consultation in May 2017 on the proposed design and received a good level of engagement. In some cases there were differing views, for example on the use and weighting of TSR. However, we were pleased that a majority of major shareholders, who responded to the consultation, were supportive of the proposed approach and the degree of alignment with our strategic priorities, particularly the focus on the goals of the transformation programme which made up the BPMs. This included circa 250 cost and revenue initiatives, which were commercially sensitive and therefore the target range could not be disclosed for this portion of the PSP award. However, we did commit to providing a comprehensive annual update on progress and this can be found on pages 91 to 92.

Further details of the award can be found on pages 88 to 89.

### *Pay and performance outcomes*

The Committee determines executive directors' remuneration against the strategic objectives and priorities of the Company. Executive performance is therefore closely aligned to business performance with a high proportion of total remuneration delivered through variable pay.

The 2017 annual bonus plan had three elements: adjusted operating profit, net revenue and personal performance.

In setting the financial targets, the Committee took into account the Company's annual plan and the risks and opportunities around its delivery; it also looked at external analyst expectations of performance. The 2017 adjusted operating profit target was set at £281.0m reflecting the planned investment during the year, a tougher regulatory environment and that this was a year without a major international football tournament.

Adjusted operating profit of £291.3m, was above the threshold level of £252.9m for bonus to begin to accrue under this element and, as a result, 35.2% of bonus potential (out of a maximum of 60%) was earned.

Net revenue of £1,711.1m was above the threshold level of £1,658.5m and 6.6% of bonus potential (out of a maximum of 20%) under this element was earned.

Individual objectives made up the remaining 20% of bonus potential. The Committee considered that Philip had performed strongly against the majority of his objectives but determined that this element should be limited to 13% out of a possible 20% in light of the severity of the regulatory fine received by the Company. The Committee noted that Philip was not employed for the majority of the period to which the fine relates and has made progress in rectifying the identified issues, but nonetheless considered that it would be inappropriate for this event not to be reflected in the CEO's pay outcome.

Over the past two years a number of senior management changes have been made, which have included individuals employed in key roles over the period to which the fine relates.

Ruth has made an encouraging start since joining and performed well against her objectives and as a result earned 10% (out of a maximum of 20%) under this element.

Having considered each element of the bonus plan separately, the Committee also looked at the overall performance delivered during 2017 to form a rounded assessment of the achievements of the executive directors. The Committee considered the performance of each business area as well as the Group and how the Company performed in relation to its responsibilities towards customers, colleagues and regulators. The Committee concluded that significant progress had been achieved during 2017 and that the awards under the bonus plan reflected the achievements delivered. Therefore Philip will receive a bonus of 54.8% of maximum, which based on his bonus opportunity of 175% of salary equates to £575,400, and Ruth will receive a bonus of 50.6% of maximum which based on her bonus opportunity of 150% of salary equates to £80,644 (based on her pro-rated salary from the date she joined the Board).

No Performance Share Plan (PSP) awards for current executive directors were due to vest in 2017. Grants under the PSP, made to other members of senior management in 2014 were eligible to vest at the end of 2017. Although part of the Business Performance Measures (BPM) portion met the targets set, the Committee judged that overall performance during the period, including the factors leading to the regulatory fine, did not meet expectations and therefore exercised its discretion to lapse the award in full.

### **Application of policy for 2018**

We will not be seeking approval for any changes to the policy this year and are not required to submit a new policy until the 2020 AGM. We will therefore operate in accordance with our existing remuneration policy in 2018. A copy of our current remuneration policy can be found on page 72 of our 2016 Annual Report. We highlight below some minor remuneration changes we are making in 2018.



Each year the Committee reviews bonus plan and PSP metrics used to ensure the measures and performance targets remain aligned with the Company's current business strategy. The Committee believes that the performance metrics used for the 2017 bonus plan continue to be appropriate so the overall structure will remain the same, with operating profit at 60%, net revenue at 20% and individual objectives at 20%.

As in 2017, the individual objectives element will continue to have a portion linked to the delivery of the ongoing transformation programme, which will represent up to 5% of the award (2017: 10%). A new element, of up to 5%, will be linked to colleague advocacy measured by our Employee Net Promoter Score (eNPS). The remaining 10% will be based on personal objectives, which are set by the Chairman and agreed by the Committee.

The grant of awards under the PSP will be deferred until after the AGM in May. Given the appointment of the Chairman, the Committee wanted to ensure that Roger has an opportunity to complete his initial induction and participate in the final recommendation on targets. The Committee Chair will consult with leading shareholders prior to making the award.

The Committee has agreed the size of the awards, which will remain unchanged at 200% for CEO and 175% for CFO. 80% of the award will be based on financial measures with TSR and EPS both remaining. The use of revenue, included in previous PSP awards via specific business performance measures with retrospective target disclosure, will be measured by reference to William Hill Online net revenue growth but with full prospective disclosure of the target range.

Given the current public debate on gambling, we recognise that financial delivery tells only part of the story. Having listened to both our regulators and customers, it is vital we further embed a culture that creates the right legacy and recognises our responsibilities to stakeholders in a wider sense. As a result we are proposing to introduce a new sustainability metric with measurement based on progress against robust and measurable objectives that have been agreed by the Corporate Responsibility Committee (CRC), under Mark Brooker's chairmanship. For this coming year, objectives will have a regulatory focus with an expectation that in future years these will evolve to reflect objectives around colleague and customer advocacy too.

The Committee will take into account the overall regulatory performance of the business when determining vesting outcomes and, in doing so, may withhold or reduce part of the award if the Committee feels such actions are justified.

Details of these awards will be made at the time of grant and in next year's Annual Report on Remuneration.

### Listening to feedback and wider colleague pay

The Committee and I remain conscious of the ongoing and vocal debate on executive pay and particularly the Government's intention to introduce mandatory pay ratio reporting. Although this is likely to take effect from the 2019 financial year, William Hill is committed to reporting earlier in next year's Report once the specific methodology and disclosure requirements have been finalised.

In the application of remuneration policy at William Hill, there has been a track record of the Committee taking into account the overall performance of the business along with the wider colleague context when making remuneration decisions for executives. Examples of recent decisions the Committee has taken include no incentive payouts in 2015 and 2016 due to performance thresholds not being achieved and the decision to lapse the 2014 PSP, as described above.

To ensure we understand colleague concerns, in December 2017 the Committee had a detailed session on the outcome of the recent YourSay colleague engagement survey and, during 2018, the Committee Chair will meet with the National Colleague Forum.

We have also reported on William Hill's gender pay gap statistics. Whilst we recognise that, on balance, our reported statistics are broadly in line with national and industry averages and the data around bonus receivers is positive, more work is required to ensure there are sufficient opportunities for females (both externally and internally) at senior levels of the organisation. This will be a focus for management and the Board during 2018.

William Hill is committed to offering an attractive reward package for colleagues at all levels and in addition to competitive base salaries, we offer a wide range of benefits. Further information is included in this report on page 96.

The Committee welcomes input on our remuneration policies and if you have any comments or questions on any element of the report, please email us care of Ed Airey, Group Reward Director, at [eairey@williamhill.co.uk](mailto:eairey@williamhill.co.uk).

Finally, I would like to thank our shareholders and I hope we can continue to rely on their support at our AGM on 8 May 2018. I would also like to express my thanks to my colleagues on the Committee and the William Hill management team for their support and work during 2017 but also over the past five years since I took over as Chair.

**Imelda Walsh**  
Chair, Remuneration Committee

## Directors' Remuneration Report continued

### At a glance

In this section we summarise the key principles that underpin our remuneration policy, the remuneration outcomes for the year ending 26 December 2017, and how we will apply our policy in 2018.

### Remuneration principles

**Competitive** – be able to attract and retain senior leaders of a high calibre

**Alignment** – align the interests of executive directors and senior management with our shareholders

**Performance link** – variable remuneration should be linked to the delivery of the Group's strategic objectives

**Flexible** – sufficiently flexible to take account of changes in the Group's business environment and in remuneration practice

Strategic priority	Performance measure	Weighting	Actual performance	Philip Bowcock	Ruth Prior (since 2 October 2017)
Profitable Growth	Adjusted operating profit	60%	Performance targets, results and narrative on pages 85 to 87	35.2%	34.2%
Growing Market Share	Net revenue	20%		6.6%	6.4%
Transforming the business	Personal objectives	20%		13.0%	10.0%
<b>Total (% of max)</b>		<b>100%</b>		<b>54.8%</b>	<b>50.6%</b>

### PSP awards vesting

No awards granted to current executive directors were eligible to vest in 2017. Grants under the PSP, made to other members of senior management in 2014 were eligible to vest at the end of 2017.

Measure	Performance Range	Outcome (% of max)
Relative Total Shareholder Return (50%)	Threshold vesting (25% of maximum) at median ranking, with maximum vesting at upper quartile ranking from a peer group of 16 companies	0%
Earnings Per Share (25%)	Threshold vesting (25% of maximum) at 4% CAGR, with maximum vesting at 8%	0%
Business Performance Measures (25%)	Three equally-weighted net revenue growth measures with threshold vesting (25% of maximum) and maximum vesting at the following performance ranges: <ul style="list-style-type: none"> <li>– Mobile Sportsbook (15% to 25% CAGR)</li> <li>– Mobile gaming (30% to 50% CAGR)</li> <li>– Australia digital (10% to 20% CAGR)</li> </ul>	16.7% of salary
<b>Total</b>		<b>16.7%</b>
<b>Vested amount</b>		<b>0%</b>

In considering whether the overall vesting outcome is consistent with the Group's performance over the 4 year period, the Committee considered it appropriate to exercise its discretion to lapse the award in full, despite part of the BPM portion being eligible to vest. In particular, the Committee noted that two measures, covering 75% of the award, had not achieved threshold vesting, by some margin. In taking this decision, it also took into account that the regulatory fine recently incurred resulted from actions during the performance period, which reinforced the Committee's view that performance, overall, was insufficient to allow vesting of any part of the award.

### 2017 single figure remuneration for current Executive Directors

Name of director	Basic salary £	Benefits in kind (BIK) £	BIK arising from performance of duties £	Annual bonus £	Pension £	PSP £	2017 total (pre buyouts) £	Other £	2017 total £	2016 total £
Philip Bowcock <sup>1</sup>	591,667	34,711	3,268	575,400	118,333	0	<b>1,323,379</b>	–	<b>1,323,379</b>	606,323
Ruth Prior (since 2 October 2017) <sup>2</sup>	106,250	1,860	–	80,644	21,250	0	<b>210,004</b>	1,231,353 <sup>2</sup>	<b>1,441,357</b>	–

1 Includes Philip remuneration as Interim CEO and CEO – see footnote 3 to the single figure table on page 84 for further detail.

2 Includes the estimated value of Ruth Prior's 2017 annual Worldpay bonus forfeited on resignation, plus share award to replace forfeited shares. See footnote 5 to the single figure table on page 84 for further detail.

## Approach for 2018

Salary	The CEO's salary was set at £600,000 on his appointment to the role on a permanent basis in March 2017. The CFO's salary was set at £425,000 on her appointment in October 2017. Given their recent appointments, neither executive director will receive a base salary increase for 2018.
Benefits and pension	No change proposed. Both executive directors receive an allowance of 20% of salary.
Annual bonus	No change proposed to potential quantum. Adjusted operating profit and net revenue will remain 60% and 20% respectively, along with individual objectives at 20%. Of this, 5% will continue to be linked to the transformation programme and a further 5% will be linked to colleague advocacy, recognising the importance of our colleagues to creating a sustainable business. The remainder will be focused on personal objectives. Further details can be found on page 82. The choice of short-term metrics is designed to support the delivery of our key strategic priorities in 2017 and are aligned with our stated KPIs – see page 17. The level of payout for threshold performance will remain at 10% of the maximum. Half of any bonus will be deferred into shares for two years.
Long-term incentives	Consultation with major shareholders on the design of the 2018 PSP award is intended to commence in March, with the intention of granting following the AGM in May. The PSP will be made within the parameters of our existing policy with award levels unchanged from previous years (CEO: 200%, CFO: 175%). Although the final structure may change based on the feedback received, the proposed design is an evolution from the 2017 PSP with the following key features. Financial measures (with full prospective disclosure) will make up 80% of the award. 1. EPS and TSR will remain. 2. Growing market share is a key priority, particularly in William Hill Online, so Online net revenue will be included as a third financial measure. 3. Ensuring actions are being taken that reflect responsibilities to our stakeholders (such as our regulators, colleagues and customers) is also a priority. It is proposed to include a new sustainability measure with a weighting of 20%, with objectives set and measurement assessed by the Corporate Responsibility Committee (CRC). For 2018, objectives will have a regulatory focus but in future years objectives will evolve to reflect colleague advocacy and the needs of our customers.
Share Ownership	Executive directors are required to build up a shareholding in the Company within five years of their appointment, equivalent to the following value: – CEO: 200% of salary – CFO: 150% of salary

## Remuneration scenarios for executive directors

The Company's remuneration policy results in a significant proportion of the remuneration received by executive directors being dependent on Company performance. The chart below shows how total pay for the executive directors varies under three different performance scenarios: Minimum, Target and Maximum.

### Minimum

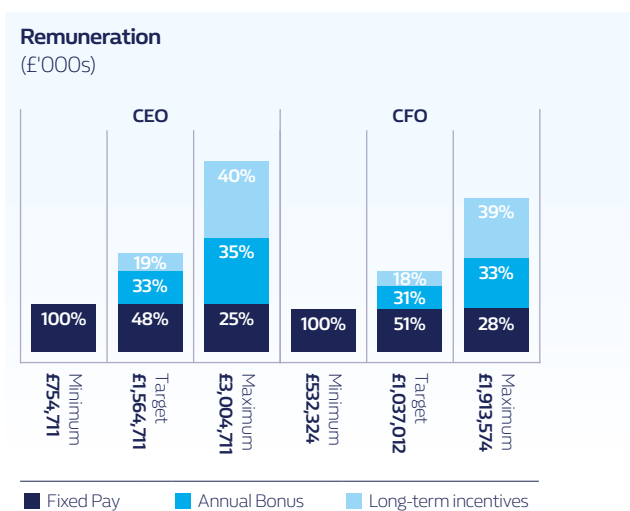
Comprised of the fixed elements of pay being base salary, benefits and pension. Base salary and pension is effective as at 1 January 2018 and the benefits value is the P11D values for 2017 (pro-rated for a full year).

### Target

Comprised of fixed pay and the target value of bonus (CEO 85% of salary; CFO 70% of salary) and normal policy PSP awards at threshold vesting (25% of the maximum award).

### Maximum

Comprised of fixed pay and the maximum value of bonus (CEO 175% of salary; CFO 150% of salary) and normal policy PSP awards (CEO 200% of salary; CFO 175% of salary).



## Directors' Remuneration Report continued

No account has been taken of share price growth, or of dividend shares awarded in respect of the deferred element of bonus and PSP awards over the deferral/performance periods.

A breakdown of the elements included in the remuneration scenario charts is shown in the table below.

	Fixed			Annual Bonus		PSP		
	Base Salary	Benefits <sup>1</sup>	Pension	Total Fixed	Target	Maximum	Target	Maximum
CEO	600,000	34,711	120,000	752,000	510,000	1,050,000	300,000	1,200,000
CFO	425,000	22,324	85,000	510,000	318,750	637,500	185,938	743,750

<sup>1</sup> These are the value of benefits for 2017 which exclude non-recurring items such as relocation expenses and expenses for attendance at certain sporting events.

### Remuneration Policy Report

We are not seeking to make any amendments to our Remuneration Policy Report (Policy Report), which was approved by shareholders at the Annual General Meeting on 9 May 2017. Details can be found in on page 72 of the 2016 Annual Report.

### Annual Report on Remuneration

This section details the remuneration of the executive and non-executive directors (including the Chairman) for the financial year ended 26 December 2017. This report and the Chair's annual statement will be subject to a single advisory vote at the AGM on 8th May 2018.

### Implementation of Remuneration Policy in 2018

#### Base salaries

Base salaries for executive directors are normally reviewed annually by the Committee. The Committee takes into account a number of factors including the increase across the workforce, the market value of the role and the individual's experience, competency and performance.

Philip Bowcock's salary was set at his appointment as permanent CEO in March 2017 (see page 93), while Ruth Prior's was set at her appointment in October 2017 and announced in March 2017 (see pages 93-94).

The Committee determined that salaries would not be increased in 2018.

Current base salaries for the executive directors as at 1 January 2018 are:

	2017	2016	Increase
Philip Bowcock	£600,000	£550,000 <sup>1</sup>	91%
Ruth Prior	£425,000	–	–

<sup>1</sup> 2017 salary of £550,000 represents the salary paid to Philip as Interim CEO.

During 2017, the Interim CFO (who was provided on secondment) was not a member of the Board and therefore his remuneration is not included in this section nor in the table of payments received in 2017.

#### Chairman and Non-executive directors' fees

Gareth Davis's fee will remain unchanged at £300,000, until he steps down on 2 April 2018. Roger Devlin, who joined the Board as Chairman Designate on 1 February 2018 and will take over as Chairman on 2 April 2018, will receive a fee of £295,000.

Non-executive directors' fees, which were last increased on 1 October 2014, were reviewed in 2017 and will remain unchanged in 2018. The base fee is £55,000, with additional fees payable for those directors undertaking additional responsibilities:

- Senior Independent Director – £15,000
- Audit Committee Chair – £18,000
- Remuneration Committee Chair – £18,000
- Corporate Responsibility Committee Chair – £18,000
- Transformation Oversight Committee Chair – £18,000

#### Benefits and pension

Benefits and pension will be provided in line with the information in the Policy Table. Both executive directors currently receive a pension allowance of 20% of salary.

Any expenses relating to the performance of a director's duties in carrying out business-related activities such as travel to and from company meetings, related accommodation, attendance at company award ceremonies and attendance at sporting events will be settled by the Company. In cases where such expenses have been classified as taxable benefits by HMRC, any related personal tax due will also be settled by the Company to ensure that the director is not out of pocket.

#### Annual bonus

The annual bonus threshold, target and maximum for 2018, as a percentage of base salary, are unchanged from 2017:

Executive director	Threshold	Target	Maximum
Philip Bowcock	175%	85%	175%
Ruth Prior	15%	70%	150%

In selecting the bonus measures, the Committee looked at the Company's strategic and financial priorities and concluded that the performance metrics and weightings used for the 2017 bonus plan remain appropriate:

- Adjusted operating profit remains the largest measure with a weighting of 60%. However, the target range has been changed, with threshold vesting made more demanding at 92.5% (previously 90%) and maximum amended to 107.5% (previously 110%) in recognition of the challenging nature of the target.
- Group net revenue also remains unchanged at 20% as does the range at 95% to 105% of target.
- The individual objectives element is also unchanged at 20%.

As in 2017, the individual objectives element will continue to have a portion linked to the delivery of the ongoing transformation programme, albeit reduced from 10% in 2017, to 5% of the award.

A new element, of up to a further 5%, will be linked to colleague advocacy as measured by our employee net promoter score (eNPS). Colleagues play a vital role in our success and therefore how they feel about working at William Hill and how this drives their day-to-day actions and behaviours with customers is very important for the future sustainability of our Retail and Online businesses.

The final 10% of the award will be based on personal objectives for the CEO, as set by the Chairman and agreed by the Committee.

The adjusted operating profit<sup>1</sup>, net revenue<sup>2</sup> targets, eNPS target<sup>3</sup> and individual objectives<sup>4</sup> are commercially sensitive and will be disclosed in next year's report.

In setting the performance range for the financial measures, the Committee took into account a number of data points. This included the plan for 2018, market expectations and known regulatory changes (this is particularly the case for our business in Australia and also excludes any impact from the Triennial Review which is still unknown at this time) and that 2018 is a World Cup year. The Committee also noted the continuing investment required to support transformation in technology, processes and people.

The Committee is satisfied that the annual bonus plan remains stretching for management, and supports our business priorities and strategic objectives.

Deferral of bonus into shares will apply in accordance with the policy.

### Long-term incentives

The grant of awards under the Performance Share Plan (PSP) will be deferred until after the AGM. Given the appointment of the new Chairman, Roger Devlin, the Committee wanted to ensure that he has an opportunity to complete his initial induction and participate in the final recommendations on targets. The Committee Chair will consult with leading shareholders prior to making the award.

Award levels will be unchanged from last year at 200% for the CEO and 175% for the CFO.

We anticipate that 80% of the award will be based on financial measures with TSR and EPS both remaining. In setting earnings targets, the Committee will take account of the hardening of the regulatory environment in a number of our markets as well as the long-term opportunities, which may arise in the event of the repeal of betting restrictions in the US.

Growing market share, particularly in our Online business, remains a key priority. As such, William Hill Online net revenue growth will be proposed as a third financial measure with full prospective disclosure, reflecting an amended approach from previous years where revenue has been included within our business performance measures and only disclosed retrospectively.

The remaining 20% of the award is likely to be based on a new sustainability measure, which reflects the importance of taking actions that demonstrate that we recognise our role with stakeholders in a wider sense and that responsible gambling and harm minimisation are objectives we share. We want responsible decision-making to be fully embedded in our culture. For this coming year, objectives will have a regulatory focus with an expectation that in future years these will evolve to reflect the needs of other stakeholder groups including colleague and customer advocacy. Measurement will be based on progress against robust and measurable objectives which are set and whose assessment is overseen by the Corporate Responsibility Committee (CRC) under Mark Brooker's chairmanship.

The Remuneration Committee will take into account the overall regulatory performance of the business when determining vesting outcomes and in doing so, may withhold or reduce part of the award if the Committee feels that such an action is justified.

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

2 Net revenue is the revenue retained from the amounts staked, after paying out customer winnings and deducting free bets.

3 Employee net promoter score is calculated by asking all colleagues 'On a scale of zero to ten, how likely is it that you would recommend William Hill as a place to work?' Promoters (those who answered 9-10) are the most loyal segment who will enthusiastically recommend us, passives (those who answered 7-8) are neutral and detractors (those who answered 0-6) are those that are not likely to recommend William Hill as a place to work. Our eNPS score is calculated by subtracting the number of detractors from the number of promoters.

4 Individual objectives will include employee advocacy goals specific to each executive director, as well as customer, colleague, leadership and compliance goals.

## Directors' Remuneration Report continued

### Remuneration in 2017

#### Audited information

#### Single total figure of remuneration for each director

Name of director	Year	Fees/basic salary £	Benefits in kind (BIK) <sup>1</sup> £	BLK arising from performance of duties <sup>2</sup> £	Annual bonuses £	Pension £	PSP £	Total (excl buyouts) £	Other payments £	Total £
<b>Executive directors</b>										
Philip Bowcock <sup>3</sup>	2017	591,667	34,711 <sup>4</sup>	3,268	575,400	118,333	0	1,323,379	–	1,323,379
	2016	477,655	28,242	3,487	0	96,940	0	606,323	–	606,323
Ruth Prior (since 2 October 2017)	2017	106,250	1,860	–	80,644	21,250	0	210,004	1,231,353 <sup>5</sup>	1,441,357
	2016	–	–	–	–	–	–	–	–	–
<b>Non-executive Directors</b>										
Gareth Davis	2017	300,000	–	–	–	–	–	–	–	300,000
	2016	300,000	–	1,743	–	–	–	–	–	301,743
Mark Brooker (since 3 April 2017)	2017	43,883	–	–	–	–	–	–	–	43,883
	2016	–	–	–	–	–	–	–	–	–
Roy Gardner	2017	70,000	–	2,996	–	–	–	–	–	72,996
	2016	70,000	–	3,196	–	–	–	–	–	73,196
Georgina Harvey	2017	55,000	–	–	–	–	–	–	–	55,000
	2016	55,000	–	3,196	–	–	–	–	–	58,196
Ashley Highfield (up to 16 November 2017)	2017	64,191	–	–	–	–	–	–	–	64,191
	2016	73,000	–	3,196	–	–	–	–	–	76,196
David Lowden	2017	73,000	–	–	–	–	–	–	–	73,000
	2016	73,000	–	3,420	–	–	–	–	–	76,420
John O'Reilly (since 2 January 2017) <sup>6</sup>	2017	70,000	–	2,247	–	–	–	–	–	72,247
	2016	–	–	–	–	–	–	–	–	–
Robin Terrell (since 2 January 2017)	2017	55,000	–	2,247	–	–	–	–	–	57,247
	2016	–	–	–	–	–	–	–	–	–
Imelda Walsh	2017	73,000	–	2,996	–	–	–	–	–	75,996
	2016	73,000	–	2,793	–	–	–	–	–	75,793
<b>Former directors</b>										
James Henderson (to 21 July 2016) <sup>7</sup>	2017	–	–	–	–	–	–	–	–	–
	2016	307,638	19,109	7,636	0	61,548	0	–	–	395,931

1 Contractual benefits for Philip Bowcock, Ruth Prior, and prior to his departure from the Company, James Henderson, include private healthcare, life assurance, income protection and a Company car allowance.

2 Following a review by HMRC in 2014, certain expenses relating to the performance of a director's duties (not included in the Benefits in Kind column above) in carrying out activities such as travel to and from Company meetings, related accommodation, attendance at Company award ceremonies and attendance at sporting events have now been classified as taxable benefits. In such cases, the Company will ensure that the director is not out of pocket by settling the related tax via a PAYE Settlement Agreement (PSA) with HMRC. In line with current regulations, these taxable benefits have been disclosed and are shown in the benefits arising from performance of duties column. The figures shown include the cost of the taxable benefit plus the related tax and National Insurance charge.

3 Philip's 2017 remuneration reflects his salary of £550,000 in his role as Interim CEO until 10 March 2017, and a salary of £600,000 in his role of permanent CEO thereafter. Remuneration in 2016 reflects his salary of £420,000 in his role as CFO up to and including 20 July 2016, and his salary of £550,000 as Interim CEO thereafter.

4 Contractual benefits for Philip Bowcock included private healthcare, life assurance, income protection and company car allowance.

5 Representing:

- a Worldpay bonus forfeited on cessation of the CFO's previous employment, with an estimated value of £356,544. It remains an estimate until it is finally confirmed in March 2018 and a final figure will be stated in next year's DRR.
- a share award of 348,345 shares granted on 2 October 2017 and made in replacement of that forfeited under the Worldpay Transitional Award Plan, and based on a 30 day average share price of £2.51 on the day of grant. This award of does not have any associated performance conditions or post-vesting holding requirements, mirroring the Worldpay award it replaced, and will be released on the original vesting date of 16 October 2018.

See page 93 for further detail.

6 John's appointment as Chair of the Transformation Oversight Committee, and the fee he receives for doing so, took effect from 1 March 2017.

7 James's remuneration in 2016 reflects the period until 21 July 2016, the date he stepped down from the board with immediate effect. Contractual benefits for James included private healthcare, life assurance, income protection and company car.

## 2017 Annual Bonus

	Threshold	Target	Maximum
<b>Executive director</b>			
Philip Bowcock	17.5%	85%	175%
Ruth Prior	15%	70%	150%

Stretching, relevant and measurable financial and non-financial annual bonus targets were set at the start of the performance period by the Committee.

Threshold performance was set at a level requiring a substantial year-on-year performance improvement, after taking account of the known regulatory changes and in excess of consensus at the time the performance range was set. Threshold vesting in 2017 unlocked 10% of maximum, with target c. 50% of maximum. The table above shows the percentages payable.

In setting targets, the Committee took into consideration a number of factors, including:

- the Board-approved business plan, in what was a year of transformation where a significant investment in IT, people, processes, location and change management, was required;
- that 2017 was a year in which there was no major international football tournament;
- consensus view amongst investment analysts; and
- known regulatory changes including, in Online, the application of the Horserace levy and Point of Consumption Tax on gaming free bets.

Threshold performance was set at a level requiring a substantial year-on-year performance improvement and in excess of consensus at the time the performance range was set. Threshold vesting in 2017 unlocked 10% of maximum, with target c. 50% of maximum. The table below shows the percentages payable.

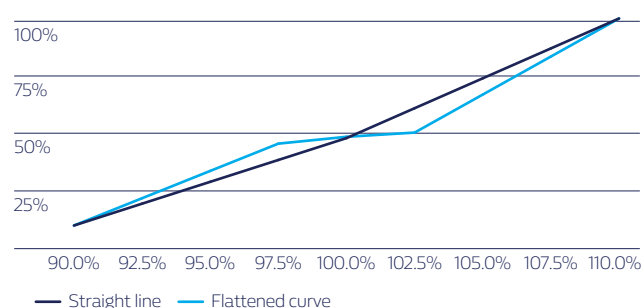
Each of the elements of performance was assessed against the targets set. In addition, the Committee formed a rounded assessment of performance of each executive director including responsibilities to our regulators, customers and colleagues.

The Committee noted the encouraging financial performance. This included growth in adjusted operating profit of 11%, with year-on-year profitability growth in evidence across all divisions except for Retail, which was still slightly ahead of plan and achieved year-on-year net revenue growth of 2%. This performance was achieved in a year where there was significant investment in colleagues, technology and marketing, which will continue into 2018, uplifts in our NPS scores (see page 17) and encouraging progress against the transformation goals, which has, as an example, directly supported the increased revenue growth in Online and significant cost efficiencies across the Group.

As a result, the Committee determined that overall performance justified the following bonus outcomes for the financial elements of the 2017 bonus plan.

Performance	2017 adjusted operating profit targets – a Group KPI, which measures success in delivering top-line growth while controlling costs	2017 actual adjusted operating Profit	Percentage of element payable (of 100%)
Threshold	£252.9m		
Target	£281.0m	£291.3m	CEO: 35.2% CFO: 34.2%
Maximum	£309.1m		

Since 2016, the payment curve for adjusted operating profit has been made flatter around target (as shown in the graph) so that relatively small positive or negative movements from target result in relatively small adjustments to payout. In 2017, this had the effect of reducing payout for adjusted operating profit performance by c. 5% versus what would have been paid using the previous straight-line method.



## Directors' Remuneration Report continued

Net revenue performance was measured on a straight-line basis.

Performance	2017 Net Revenue Targets – a Group KPI to assess top-line growth	2017 Actual Net Revenue	Percentage of element payable (of 100%)
Threshold	<b>£1,658.5m</b>		
Target	<b>£1,745.8m</b>	<b>£1,711.1m</b>	<b>CEO: 6.6%</b>
Maximum	<b>£1,833.1m</b>		<b>CFO: 6.4%</b>

The remaining 20% weighting was based on individual objectives. For Philip these were as follows:

Objective	Commentary	Performance		Percentage of maximum bonus payable (of 20%)
		Threshold	Maximum	
Delivering the 2018 plan, including achieving market levels of growth in UK Online and growing market share in Retail, and delivery of the transformation programme	Adjusted operating profit ahead of plan, and positive growth in Online ahead of the market plus net revenue growth in Retail Sportsbook. Significant progress on transformation – see page 91.			
Improving customer experience through launch of omni-channel, greater personalisation of product and improved Net Promoter Scores	Significant progress made with sign-ups and active customers to Plus, plus launch of Omni-wallet on 30 November. Retail and Online NPS both improved from 2016.			
Supporting the Board in promoting a responsible gambling culture, ensuring William Hill develops and grows in a sustainable fashion, and improving relationships with our external stakeholders	Progress made but adjusted to zero (see below).			13%
Improving leadership bench strength and creating a motivated and engaged workforce who believe in the direction of William Hill	Significant changes to Group Executive structure and senior leadership team to improve bench-strength. Improved engagement with 89% of colleagues participating in YourSay survey which showed understanding of strategy as one of the areas with most positive improvement.			

Current indicative outcome

The Committee considered that Philip had performed well against his objectives but determined that the personal element of his bonus should be limited to 13% out of a possible 20% in light of the severity of the regulatory fine received by the Company. The Committee noted that Philip was not employed for the majority of the period to which the fine related and has made progress in rectifying the identified issues, but nonetheless considered that it would be inappropriate for this event not to be reflected in the CEO's pay outcome.



Despite limited time in her role since joining on 2 October 2017, Ruth has made an encouraging start against her objectives, which were focused on:

Objective	Commentary	Performance		Percentage of maximum bonus payable (of 20%)
		Threshold	Maximum	
Finalising the 2018 business plan	Complete			10%
Taking a lead and supporting on key strategic priorities	Ongoing			
Preparation of the 2017 financial year accounts	Complete			
Reviewing the finance team structure and improving the strength of the function	Ongoing			
Maintaining an effective risk culture and control environment with a high level of regulatory compliance	Ongoing			

Current indicative outcome

Therefore the final bonuses payable are:

- Philip will receive a bonus of 54.8% of maximum, which based on his bonus opportunity of up to 175% of salary equates to £575,400; and
- Ruth will receive a bonus of 50.6% of maximum which based on her bonus opportunity of 150% of salary equates to £80,644 (based on her pro-rated salary from the date she joined the Board).

Ruth will also receive a payment in respect of her bonus forfeited at the point of her resignation from Worldpay. This likely payment was fully disclosed at the time of Ruth Prior's appointment and based on information provided by Worldpay, Ruth is entitled to a bonus payment for the period to 31 August 2017 of £356,544. This is based on Worldpay's assessment against three performance measures: underlying EBITDA, cash and personal performance.

In line with the Company's approved remuneration policy, 50% of all bonus payments will be deferred into shares for two years.

### Long-term incentives vesting in relation to performance ending in 2017

No awards granted to executive directors were eligible to vest in 2017. Grants under the PSP, made to other members of senior management in 2014 when a four-year performance period was introduced, were eligible to vest at the end of 2017.

Measure	Threshold vesting	Maximum vesting	Outcome	Vesting (% of max)
Relative TSR (50%)	Median TSR of peer group <sup>1</sup> : 31.4% (25% of maximum)	Upper quartile TSR of peer group: 82.1% (100% of maximum)	-18.3%	0%
EPS Growth (25%) 2013 Base: 28.8p	4% EPS CAGR (25% of maximum)	8% EPS CAGR (100% of maximum)	-3.2%	0%
<b>Business Performance Measures (25%)</b>				<b>16.7%</b>
Mobile Sportsbook 2013 Base: £95.9m	15% net revenue CAGR	25% net revenue CAGR	31.3%	8.3%
Mobile gaming 2013 Base: £40.0m	30% net revenue CAGR	50% net revenue CAGR	52.4%	8.3%
Australia digital 2013 Base: \$156.1m	10% net revenue CAGR	20% net revenue CAGR	0.6%	0%
<b>Potential Total</b>				<b>16.7%</b>

<sup>1</sup> 888, Betfair, Betsson, Bwin, Enterprise Inns, Greene King, JD Wetherspoon, Ladbrokes, Lottomattica, Marston's, Mitchells & Butlers, OPAP, Paddy Power, Playtech, Rank, The Restaurant Group and Unibet.

## Directors' Remuneration Report continued

### Remuneration Committee Review of Vesting

In assessing EPS performance over the period and in line with our approved remuneration policy, the Committee took into account the impact of industry specific taxes and new regulations. The regulatory impacts over the period included the increase in Machine Games Duty from 20% to 25%, which was implemented from April 2015, the application of Point of Consumption Tax to Online on gaming free bets in 2017 and also the extension of the horseracing levy to Online. The impact of these and other smaller changes would have had the effect of increasing EPS CAGR by just under 2%. However, these adjustments had no effect on the outcome as EPS growth still did not achieve the threshold level of performance set.

The Committee is also required under its remuneration policy to consider whether the overall vesting outcome is consistent with the Group's performance over the four-year period. In arriving at its decision, the Committee noted that two measures, covering 75% of the award, had not achieved threshold vesting, by some margin. The moderate vesting achieved related to mobile Sportsbook and mobile gaming in Online. The Committee also considered the regulatory fine recently incurred which resulted from actions during the period, including in Online, and determined that taking all of the above factors into consideration, the performance achieved was insufficient to allow vesting of any part of the award.

### PSP and EBMS awards granted in 2017

	Scheme	Basis of award granted	Shares awarded	Face value of award <sup>1</sup>	Maximum vesting	Percentage vesting for threshold performance	Vesting period
Philip Bowcock	PSP 2017	200% of salary	452,096	£1,200,000	100%	25%	Performance measured over the three financial years ending 31 December 2019. Awards will vest to participants on the third anniversary of grant subject to continued employment
Ruth Prior	PSP 2017	175% of salary	280,205	£744,000	100%	25%	

<sup>1</sup> Awards have been valued using the 3 day average share price as at the date of grant for Philip Bowcock, i.e. 7 August 2017.

In last year's report we confirmed that the 2017 PSP award would be made after the Company's interim results in August. This delay was for two reasons: the appointment of the permanent CEO (Philip Bowcock at the time of publication was still the Interim CEO) and to ensure that the PSP award measures reflected key strategic priorities and, in particular, the goals of the transformation programme then under development (its achievements over 2017 are described in more detail on pages 91 to 92). We also committed to consult with leading shareholders before we made the award.

The structure of the PSP award was in the form of nil-cost options and three, equally weighted, performance conditions – Relative TSR, EPS growth and BPMs. We commenced consultation in May 2017 on the proposed design and received a good level of engagement. In some cases there were differing views, for example on the use and weighting of TSR. However, we were pleased that a majority of major shareholders who responded to the consultation were supportive of the proposed approach and the degree of alignment with our strategic priorities.

During these discussions, we acknowledged the importance of transparency, particularly as the Committee had proposed that one third of the award should be based on efficiency and revenue improvements, which were directly linked to the transformation programme. These were commercially sensitive and therefore the specific targets could not be disclosed at the time of the award. The Committee recognised that shareholders would want annual assurance of progress and also full disclosure of the targets when vesting was determined.

We also emphasised the importance the Committee placed on an overall assessment of performance and not just a 'formulaic' review of each performance condition.

The specific terms of the PSP award are as follows:

Measure	Link to strategy	Details of performance condition
Relative TSR (33.3%)	This supports our objective to create superior value for shareholders.	<p>The Company's TSR is measured over the period 1 April 2017 to 31 March 2020 against the returns of a group of 16 travel and leisure companies<sup>1</sup>. If TSR is:</p> <ul style="list-style-type: none"> <li>– below median, none of this element will vest;</li> <li>– at median, 25% vests;</li> <li>– at upper quartile or better, 100% vests.</li> </ul> <p>For performance between median and upper quartile, vesting is on a straight-line basis. The chosen measurement period reflects Philip Bowcock's appointment as the permanent CEO in March 2017 as well as the announcement that Ruth Prior would join as CFO, later in 2017, which was also announced in March 2017.</p>
Adjusted EPS (33.3%)	A Group KPI – the key indicator of the Group's growth after allowing for all costs including interest and tax. Reflects the importance of profitable growth in the Group's long-term strategy.	<p>Based on compound annual growth in EPS over the three-year performance period commencing on 28 December 2016 to 31 December 2019. If EPS growth is:</p> <ul style="list-style-type: none"> <li>– Less than 6% p.a., none of this element will vest;</li> <li>– 6% p.a., 25% vests;</li> <li>– 13% p.a. or above, 100% vests.</li> </ul> <p>For performance between 6% and 13%, vesting is on a straight-line basis. The Committee believes that these targets are appropriately challenging in light of the Group's earnings projections over the three-year period: earnings will have to significantly exceed analyst consensus forecasts for full vesting to occur. This is based on the information available, including tax and regulation, at the time the targets were set.</p>
Business Performance Measures (33.3%)	As part of the Company's strategic review, a number of efficiency initiatives have been identified, which will have a direct impact on the Group's profitability.	<p>Two equally-weighted BPMs: Revenue growth</p> <ul style="list-style-type: none"> <li>– Delivery of omni-channel strategy;</li> <li>– Above-market revenue growth; and</li> <li>– Enhancing digital marketing.</li> </ul> <p>Cost reduction</p> <ul style="list-style-type: none"> <li>– Optimising third-party spend;</li> <li>– Rationalising IT and back-office functions; and</li> <li>– Driving efficiency through customer-facing functions.</li> </ul> <p>A financial target has been defined for circa 250 individual initiatives, which make up the broad categories of revenue growth and cost reduction described above. The threshold level of performance is 80% of the aggregate financial target for each BPM, for which 25% of the award will vest. Full vesting will occur for outperformance of the target by 10%. None of the award relating to each measure will vest if performance is below threshold. Awards vest on a straight-line basis between threshold and maximum.</p>

<sup>1</sup> 2017 TSR group: 888, Betsson, El Group, Greene King, GVC, International Game Technology, JD Wetherspoon, Ladbrokes Coral, Marston's, Mitchells & Butlers, OPAP, Paddy Power Betfair, Playtech, Rank, The Restaurant Group, Kindred Group.

When determining the vesting outcome, the Committee will ensure that it is consistent with the Group's overall performance taking account of any factors it considers relevant, in line with our approved remuneration policy. This will apply particularly in relation to its assessment of the degree of vesting achieved for the BPM element.

**EBMS awards**

In 2016, no bonus was payable as the threshold level of adjusted operating profit target was not met. As a consequence no EBMS awards were made in 2017.

## Directors' Remuneration Report continued

### Outstanding PSP, EBMS and SAYE share awards

The table below sets out details of the executive directors' outstanding awards under the PSP, EBMS and SAYE plans:

Name of director	Scheme	Number of shares at 27 December 2016	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 26 December 2017	Date from which exercisable	Expiry date
Philip Bowcock	PSP 2015	231,788	–	–	–	231,788	Nov 2019	Nov 2025
	PSP 2016	243,701	–	–	–	243,701	May 2020	May 2026
	PSP 2017	–	452,096	–	–	452,096	Aug 2020	Aug 2027
	SAYE 2016	6,818	–	–	–	6,818	Aug 2019	Feb 2020
	<b>Total</b>	<b>482,307</b>	<b>452,096</b>	<b>–</b>	<b>–</b>	<b>934,403</b>		
Ruth Prior	PSP 2017	–	280,205	–	–	280,205	Aug 2020	Aug 2027
	Replacement Award	–	348,345	–	–	348,345	Oct 2018	Oct 2019
	<b>Total</b>	<b>–</b>	<b>628,550</b>	<b>–</b>	<b>–</b>	<b>628,550</b>		

#### Notes:

2015 PSP awards are based half on a relative TSR measure; one quarter on compound annual EPS growth as measured on a point-to-point basis (with a threshold growth rate of 2% p.a., and maximum vesting occurring for growth of 6% p.a. or better); and the remaining quarter is based on BPMs. Performance for all metrics is measured over four financial years.

2016 PSP awards are based half on a relative TSR measure; one quarter is based on aggregate EPS over the performance period; and the remaining quarter is based on BPMs. Performance for all metrics is measured over four financial years.

2017 PSP awards are based half on a relative TSR measure; one quarter is based on aggregate EPS over the performance period; and the remaining quarter is based on BPMs. Performance for all metrics is measured over three financial years.

The Committee has the power, under the approved remuneration policy, to adjust the PSP vesting outcome if it considers that it is inconsistent with the Group's overall performance (see our Remuneration Policy on page 75 in the 2016 Annual report for more detail).

### Update on Business Performance Measures 2015 and 2016 Awards

For the 2015 and 2016 awards, a sliding scale of four-year growth targets was set for the three BPMs (net revenue growth in mobile Sportsbook, mobile gaming and Australia digital) using the actual result for the financial year prior to grant as the base figure (representing 25% of the total award). The following table shows performance on all three areas since 2014.

Net Revenues	Mobile Sportsbook	Mobile gaming	Australia digital
2014	£141.9m	£86.8m	\$169.1m
2015	£176.5m	£118.0m	\$150.0m
2016	£190.2m	£144.8m	\$175.0m
<b>2017</b>	<b>£252.0m</b>	<b>£193.3m</b>	<b>\$177.5m</b>

The graphic below provides an indication of vesting performance (based on performance to 26 December 2017) against the target range.

#### 2015 award (based on three years' performance out of four)

	Threshold	Target	Maximum
Mobile Sportsbook (2014 base year – £141.9m)			▲
Mobile gaming (2014 base year – £86.8m)			▲
Australia digital (2014 base year – \$169.1m)	▲		

#### 2016 award (based on two years' performance out of four)

	Threshold	Target	Maximum
Mobile Sportsbook (2015 base year – £176.5m)			▲
Mobile gaming (2015 base year – £118.0m)			▲
Australia digital (2015 base year – \$150.0m)	▲		

▲ Current indicative outcome

## 2017 PSP Awards

We are transforming our business to grow UK market share and improve our ability to grow internationally. The transformation programme is enabling William Hill to get fit for the future by improving core capabilities essential for delivering a successful and sustainable business for the long term. As transformation is essential, we emphasised the importance of the programme by changing the BPM weighting to represent 33.3% of the total award.

The Board established a new Committee, chaired by John O'Reilly, to oversee progress and benefit realisation. The Remuneration Committee works closely with this new oversight committee ensuring strong governance is in place to determine the level of performance achieved and vesting potential.

There are 250 initiatives, of varying quantum, in the programme split between cost reduction and revenue generation.



In an ever-evolving digital world, strong management focus on reducing costs to reinvest in strategic capabilities is crucial. The management team in 2017 concentrated on optimising third-party spend, rationalising back office and support functions, digital marketing spend optimisation and the utilisation of lower-cost development hubs resulting in significant annualised savings. Key cost initiatives include:

Initiative (not exhaustive)	Description
Optimisation of external spend base	Significant reduction of third-party spend through: <ul style="list-style-type: none"> <li>– Renegotiation of vendor contracts including rate and policy terms;</li> <li>– Reducing internal demand for services and cost;</li> <li>– Purchasing centralisation across business; and</li> <li>– Consolidation of major IT contracts.</li> </ul>
Agile transformation in product development	The business is on track to transform product development and delivery through Agile ways of working and a new operating model. This will yield productivity benefits and allow the business to deliver product at greater speed.
Rationalisation of business and support functions and location footprint	Significant optimisation is underway in location footprint and support function design. This is illustrated by our new London hub which opened at the end of January 2018 and the closure of the Tel Aviv location announced in 2017. It also extends to significant systems upgrades and organisation re-design.
Efficiency in marketing spend	Reduced spend in lower ROI campaigns particularly in pay-per-click (PPC) and affiliates. This has been backed up by a full reorganisation and modernisation of the marketing function.

## Directors' Remuneration Report continued

All of the savings were reinvested into enhancing William Hill's digital marketing, product development and technology capabilities – areas, over the last few years, where the Company has struggled to compete. Reinvestment has led to accelerated revenue growth demonstrated through innovative product launches such as Bet Boost, hiring of 100 new product developers to create much improved customer service and product offerings and reallocating resources to invest in a scalable and efficient digital marketing platform. Key revenue initiatives include the following:



Initiative (not exhaustive)	Description
Omni-channel	Staged programme over 2017 now delivering revenues for the business, covering several key delivered milestones including: <ul style="list-style-type: none"> <li>– Completed a full estate roll-out of SSBTs during the course of the year and increased the number of sports available including cricket, horse racing and greyhounds;</li> <li>– The successful launch of our PLUS product in April including the PLUS app and bet tracker; and</li> <li>– Introduced Omni Wallet functionality to our PLUS product at the end of November.</li> </ul>
Marketing reinvestment	In 2017 the business built, tested and launched programmatic marketing capability allowing us to serve potential and existing customers with personalised content. In 2018 we will scale up the use of this capability across the customer base enabling the further reinvestment of banked marketing savings at higher ROI. There were significant further marketing reinvestments at higher ROI and performance including PPC and affiliate marketing.
Holistic improvements to gaming product	Wide-ranging improvements to the Gaming product (now being seen in the top line) including: <ul style="list-style-type: none"> <li>– Specific product and feature developments (e.g., daily drop and the redesign of the Vegas app); and</li> <li>– Cross-sell enhancements between Sportsbook and gaming and the single-wallet launch.</li> </ul>
New feature development across Online products	Accelerated product feature development including: <ul style="list-style-type: none"> <li>– #Yourodds;</li> <li>– Launch of BetBoost; and</li> <li>– Progressive transition to the new Sportsbook desktop.</li> </ul>
Conversion and journey optimisation	Rapid improvements to the onboarding journey to convert potential customers to playing customers.

By saving to reinvest, the management team are focusing on the health of the business in the long-term.

By the end of 2017, progress against cost reduction initiatives was over 40% ahead of the plan, all of which all has been reinvested into capability improvements resulting in good prospects for revenue growth in 2018. Progress against specific revenue improvement initiatives was c. 37% ahead of the in-year target.

In total, this means c. 40% of the 3-year P&L targets under cost reduction and c. 35% under revenue growth were achieved during 2017 and both elements of this measure are currently tracking above plan.

### 2017 award (based on one year's performance out of three)

	Threshold	Target	Maximum
Revenue growth initiatives			
Cost reduction initiatives			

 Current indicative outcome

Further details on the BPMs are shown as part of the Key Performance Indicators section of the Annual Report on page 16. Actual vesting levels will be dependent on performance over the full performance period.

## Table of directors' share interests

The share interests of each person who was a director of the Company at 26 December 2017 (together with interests held by his or her connected persons) were as follows:

Name of director	Owned		PSP awards		EBMS awards		SAYE		Total	% of salary held under Shareholding Guidelines <sup>1</sup>
	28.12.16	26.12.17	Unvested	Vested	Unvested	Vested	Unvested	Vested		
<b>Executive directors</b>										
Philip Bowcock	0	30,000	927,585	–	–	–	6,818	–	<b>964,403</b>	13.7%
Ruth Prior	0 <sup>3</sup>	35,102	628,550 <sup>2</sup>	–	–	–	–	–	<b>663,652</b>	22.6%
<b>Non-executive Directors</b>										
Gareth Davis	146,488	146,488	–	–	–	–	–	–	<b>146,488</b>	–
Mark Brooker	0 <sup>3</sup>	11,500	–	–	–	–	–	–	<b>11,500</b>	–
Roy Gardner	12,600	22,600	–	–	–	–	–	–	<b>22,600</b>	–
Georgina Harvey	12,221	12,221	–	–	–	–	–	–	<b>12,221</b>	–
David Lowden	12,222	12,222	–	–	–	–	–	–	<b>12,222</b>	–
John O'Reilly	0 <sup>3</sup>	92,000	–	–	–	–	–	–	<b>92,000</b>	–
Robin Terrell	0 <sup>3</sup>	12,344	–	–	–	–	–	–	<b>12,344</b>	–
Imelda Walsh	12,222	12,222	–	–	–	–	–	–	<b>12,222</b>	–

1 Calculated as legally-owned shares held on 26 December 2017 multiplied by the average of the three-month share price to 26 December 2017 (273.75p) divided by 2018 base salary. The shareholding policy is summarised on page 81.

2 Includes 348,345 restricted shares granted as a Replacement Award (see page 94 for more details). These shares will vest on 16 October 2018 and are not subject to performance conditions.

3 Appointed during 2017.

During the period 26 December 2017 to 22 February 2018, there have been no changes in the directors' share interests.

## Recruitment to the Board in 2017

Towards the end of 2016 we announced a number of appointments to the Board for 2017 (John O'Reilly, Robin Terrell, Mark Brooker) and in 2017 a further three appointments were made.

### Executive appointments

Philip Bowcock was appointed as permanent CEO with effect from 10 March 2017, having previously held the role of Interim CEO since July 2016. Since his appointment as Interim CEO, Philip had received a base salary of £550,000 per annum, in line with the base salary of the previous CEO, which had not been increased since his appointment in July 2014. The Committee requested information on salary levels within our benchmark group and also more direct competitors. It determined that an increase to £600,000 was appropriate. No further review of salary has taken place in 2018. No additional remuneration or awards have been made in connection with Philip's appointment.

Ruth Prior was appointed CFO with effect from 2 October 2017. Her remuneration package was set on appointment, broadly in line with that offered to her predecessor:

- base salary of £425,000;
- pension allowance of 20% of base salary;
- other benefits provided in line with the Company's remuneration policy;
- bonus opportunity of 150% of salary; and
- annual awards under the Long Term Incentive Plan to the value of 175% of salary.

## Directors' Remuneration Report continued

The Committee determined that Ruth would be eligible to participate in the William Hill annual bonus plan for the period of service at William Hill from appointment to 26 December 2017. In addition a pro-rated amount of bonus would be paid to Ruth in recognition of the annual bonus forfeited on resignation and covering the relevant period of the financial year when she was employed at Worldpay. Both elements to be awarded on an aggregate basis by the Committee in 2018 and subject to the usual deferral, malus and clawback provisions as set out in the remuneration policy.

The Committee also agreed to make an award in replacement for that forfeited under the Worldpay Transitional Award Plan (the "Replacement Award"). This award does not have any associated performance conditions or post-vesting holding requirements, mirroring the Worldpay award it replaced and will be released on the original vesting date of 16 October 2018.

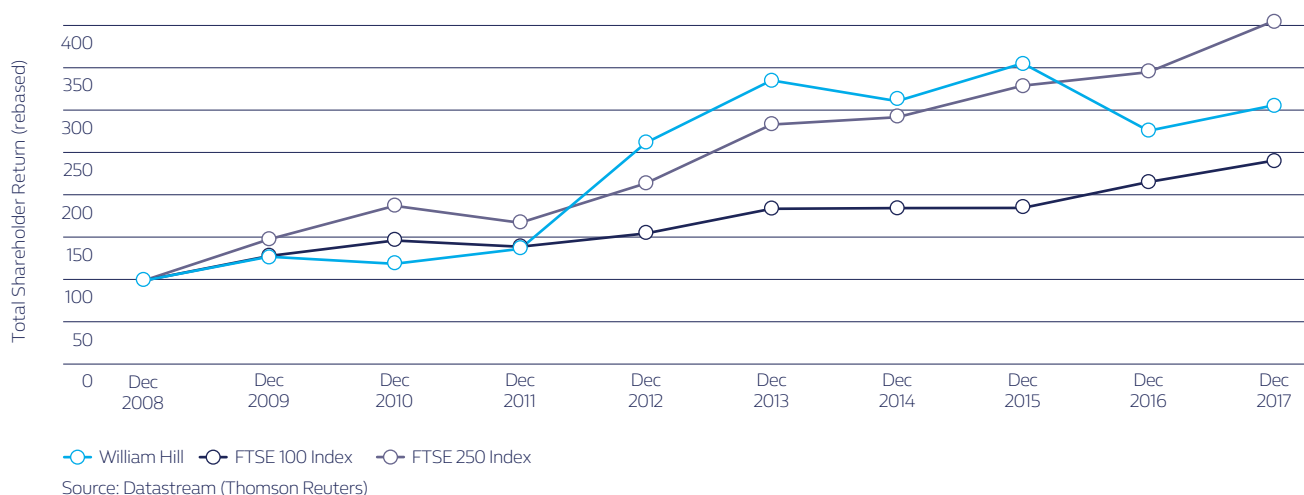
The Committee determined, at the time of Ruth's appointment, that the Worldpay share price used in calculating the value of the award should be the 30-day average immediately prior to the announcement of Ruth's appointment or the 30-day average immediately prior to joining William Hill, whichever was the lower. Accordingly, an award over 348,345 restricted shares was granted to Ruth on 2 October 2017, using a market value of £2.51 per share, being the average William Hill closing share price in the 30-day period immediately prior to the announcement of Ruth's appointment.

### Non-executive appointments

On 20 December 2017, we announced the appointment of Roger Devlin as Chairman Designate and a Non-executive Director with effect from 1 February 2018 and he will take over as Chairman on 2 April 2018, when Gareth Davis steps down. Roger's remuneration was approved by the Nomination Committee on appointment in December, in line with a recommendation from the Remuneration Committee, and comprises an annual fee of £295,000. Roger will not receive any additional compensation or benefits in respect of the appointment.

### Total Shareholder Return chart and Chief Executive earnings history

The chart below shows the Company's TSR performance compared with that of the FTSE 100 and FTSE 250 Indices. As a member of each in recent times, the Committee believes both indices are appropriate to compare William Hill's performance against.



This graph shows the value, by 26 December 2017, of £100 invested in William Hill on 30 December 2008, compared with the value of £100 invested in the FTSE 100 and FTSE 250 Indices on the same date.

The other points plotted are the values at intervening financial year-ends.



The single total remuneration history of the CEO is shown in the table below. In both 2014 and 2016, there were two CEOs and their remuneration has been shown separately as required by the regulations. In 2014, using a weighted average based on the applicable single figure for the time period each person was CEO, the weighted average single figure of remuneration is £3,082,163 and on the same basis for 2016 it is £702,050.

Financial Year	2009 RT	2010 RT	2011 RT	2012 RT	2013 RT	2014 RT <sup>1</sup>	2014 JH <sup>2</sup>	2015 JH	2016 JH <sup>3</sup>	2016 PB <sup>4</sup>	2017 PB <sup>5</sup>
<b>Ralph Topping/James Henderson/Philip Bowcock</b>											
Single figure remuneration (£'000)	£1,055	£1,650	£3,403 <sup>6</sup>	£1,914	£4,673	£2,277	£1,369	£914	£396	£606	<b>£1,324</b>
Annual Bonus Outcome (% Maximum)	90%	100%	94%	100%	0%	86%	88%	0%	0%	0%	<b>54.8%</b>
LTIP Vesting Outcome (% Maximum)	0% <sup>7</sup>	0% <sup>8</sup>	49% <sup>9</sup>	n/a	100% <sup>10</sup>	95% <sup>11</sup>	95% <sup>11</sup>	0% <sup>12</sup>	n/a	n/a	<b>n/a</b>

1 Pay to 31 July 2014 plus 2012 PSP Award.

2 Pay from 1 August 2014 plus 2012 PSP Award.

3 Pay to 21 July 2016.

4 Pay from 21 July 2016.

5 Pay as Interim CEO until 10 March 2017 and as permanent CEO thereafter.

6 Includes value of retention bonus at grant. An additional 46,649 dividend shares accrued over the vesting period valued at £187,482 as at 31 December 2013.

7 2007 EBMS Matching Award.

8 2008 EBMS Matching Award.

9 2009 EBMS Matching Award.

10 2010 and 2011 PSP Awards.

11 2012 PSP Award.

12 2013 PSP award.

## Change in remuneration of the CEO

The change in the CEO's remuneration is compared to the change in remuneration of all full-time salaried colleagues across the Retail, Online and Group areas of the UK business that were employed throughout 2016 and 2017.

	Base Salary			Taxable Benefits <sup>3</sup>			Bonus		
	2017	2016	% Change	2017	2016	% Change	2017	2016 <sup>4</sup>	% Change
CEO <sup>1</sup>	<b>£600,000</b>	£550,000	91% <sup>2</sup>	<b>£34,711</b>	£31,345	10.7%	<b>£575,400</b>	£0	n/a
Salaried Employees	<b>£23,743</b>	£23,080	2.9%	<b>£1,178</b>	£1,442	-18.3%	<b>£1,368</b>	£680	101.2%

1 2016 CEO's figure calculated as circa seven months' salary and benefits for James Henderson plus circa five months' salary and benefits for Philip Bowcock. No bonus payment was received by either in 2016.

2 Increase for CEO reflects the change in Philip's salary upon appointment as permanent CEO.

3 Taxable benefits excludes relocation costs and taxable expenses.

4 Bonus for salaried employees includes the quarterly bonus scheme for our Retail staff.

## Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2017 compared to 2016.

	2017	2016	% Change
Adjusted operating profit <sup>1</sup>	<b>£291.3m</b>	£261.5m	11.4%
Shareholder distributions, <i>of which:</i>	<b>£108.1m</b>	£204.0m	(47.0%)
– Dividends	<b>£108.1m</b>	£109.0m	(0.8%)
– Share buy-backs	–	£95.0m	n/a
Employee remuneration costs	<b>£372.0m</b>	£348.9m	6.6%

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

## Directors' Remuneration Report continued

### Wider pay environment

William Hill is committed to offering an attractive reward package for colleagues and aligning pay and incentives across the Company.

For 2018, there will be a pay review across the Group for all colleagues. This will include the planned increase to the UK National Living Wage (NLW) and National Minimum Wage (NMW). When implementing the new NLW in 2016 the Company elected to apply it to colleagues over 18 and not just to those colleagues who were 25 and over.

All colleagues are eligible to participate in a bonus plan and these are reviewed on an annual basis to ensure they remain incentivising as well as fair and relevant to the Group they apply to. As an example, the quarterly bonus plan that applies to over 10,000 shop colleagues in the UK was first introduced in 2017 and is based on measures that colleagues have the greatest influence over. Currently this scheme is being reviewed to ensure that it further emphasises customer engagement and the day-to-day delivery of regulatory requirements.

All of our colleagues globally have the opportunity to share in the success of William Hill through different colleague share plans.

William Hill offers a wide range of colleague benefits. UK colleagues who are covered by pensions auto-enrolment are able to benefit from company contributions in excess of the statutory minimum. All colleagues, who join the pension plan, receive a minimum pension contribution of 4% along with their own matching

contribution of 4%. Anyone who has been with the Company for over a year also receives access to life insurance in addition to discounts on shopping, entertainment and eating out, plus a discounted travelcard for those colleagues in London. Our Employee Assistance programme offers all colleagues access to free, 24/7 confidential telephone, online and face-to-face advice for problems they may be experiencing at home or work.

Away from the UK, a large variety of benefits are offered, ranging from the option of vision and dental care in the US, bereavement assistance in the Philippines to development allowances in Poland.

We have also reported on William Hill's UK gender pay gap, which can be found on our website. On balance, our reported statistics are largely in line with national and industry averages and the data around bonus receivers, in particular, is positive. The analysis has also confirmed that men and women are paid equally for equivalent work across the organisation with the gender pay gap arising through proportionately less women in senior management (15%) and this is the challenge the Company must address.

The Company is committed to gender pay equality and our gender pay disclosure outlines the steps the Company is taking to eliminate any disparity in pay and opportunity.

### Auditable sections of the Annual Report on Remuneration

The auditable sections of the Annual Report on Remuneration are shown from page 84 (starting with the single total figure of remuneration for each director) up to page 94 (including the section titled Recruitment to the Board in 2017).

### Membership of the Remuneration Committee

The current members of the Committee are listed in the table below. All members of the Committee are independent non-executive directors. No director plays a part in any discussion directly relating to their own remuneration.

Name
Imelda Walsh (Chair)
Mark Brooker
Gareth Davis
Sir Roy Gardner
Georgina Harvey
David Lowden
John O'Reilly
Robin Terrell

The Group's Company Secretary, Luke Thomas, acts as secretary to the Committee.

#### 5.71% 'Median' Pay Gap

Median Male Hourly Pay	£8.66
Median Female Hourly Pay	£8.17

#### 17.19% 'Mean' Pay Gap

Mean Male Hourly Pay	£10.88
Mean Female Hourly Pay	£9.01

#### Pay quartiles

	Male	Female
Q1	60.1%	39.9%
Q2	47.5%	52.5%
Q3	48.3%	51.7%
Q4	37.6%	62.4%

#### 17.68% 'Median' Bonus Gap

Male Median Bonus	£202
Female Median Bonus	£166

#### 55.96% 'Mean' Bonus Gap

Male Mean Bonus	£827
Female Mean Bonus	£364

#### Bonus Receivers

	Male	Female
In-scope	6,788	7,663
Receivers	5,407	6,413
%	80%	84%

## Committee activity during the year

The following table sets out the major issues covered by the Committee over the course of the year:

### February 2017

- Bonus outcomes in respect of 2016
- Committee approval of proposed Remuneration Policy for 2017
- Consideration of proposed approach to salary reviews in 2017 for both executive directors and all colleagues
- Approval of 2017 annual bonus design
- Approval of Group Executive personal objectives
- Approval of 2016 Directors' Remuneration Report
- Approval of operation of all colleague share schemes in 2017
- Committee approval of amendments to PSP and EBMS rules for 2017
- Consideration of plan for granting the 2017 PSP award and other incentives
- Update on forecast vesting of live PSPs

### March 2017

- Approval of proposed CEO remuneration package for Philip Bowcock
- Approval of proposed CFO remuneration package for Ruth Prior

### May 2017

- Update on 2017 PSP design process
- Review of US senior management remuneration and incentives
- Review of Australian senior management remuneration and incentives

### July 2017

- Update on 2017 reporting season
- Approval of 2017 PSP award
- Incentives update at half year
- Review of wider colleague remuneration including overview of 2017 salary review and gender pay update

### November 2017

- Consideration of potential design options for 2018 PSP

### December 2017

- Update on proposed 2018 PSP design and process
- Incentive performance update

## Advice to the Committee

During 2017, the Committee consulted the CEO, the CFO and Group HR Director about remuneration items relating to individuals other than themselves. Luke Thomas, Company Secretary, also provided corporate governance guidance support to the Committee. Appropriate Group colleagues and external advisers may attend Committee Meetings at the invitation of the Chair.

Colleagues are not specifically consulted on Executive remuneration but all colleagues are invited to take part in our annual Your Say survey and the Board regularly reviews engagement data and is particularly aware of any trends, comments and concerns around pay. In addition, the Colleague Forum gives colleagues the opportunity to ask questions of senior management, via elected representatives. The Committee Chair will meet with the Colleague Forum in 2018 to answer questions raised by colleague representatives concerning executive pay.

## External advisers

The Committee is advised by New Bridge Street (NBS), who were appointed following a competitive tender in 2012. NBS is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During 2017, NBS's parent company, Aon, provided other services to the Company including insurance broking and pensions advice. Appropriate controls exist to ensure no conflicts of interest arise and the Committee is comfortable that NBS's advice to the Committee is independent and objective.

During the year, NBS provided advice to the Committee in respect of: the operation of the PSP in 2017 and 2018; remuneration benchmarking for various senior roles; assistance with shareholder consultation; and updates on regulatory and corporate governance developments. NBS also provided advice on the appointment terms for Philip Bowcock and Ruth Prior. Fees for advice provided in the year amounted to £85,000\*.

\* VAT of 20% was paid on the adviser fees shown above which William Hill does not reclaim.

## Statement of shareholder voting at 2017 AGM

At the 2017 AGM, a resolution was proposed for shareholders to approve the 2016 Annual Report on Remuneration. The following votes were received:

2016 Annual Report of Directors' Remuneration		
	Total number of votes	% of votes cast
For	531,064,434	98.28%
Against	9,318,924	1.72%
<b>Total</b>	<b>540,383,358</b>	<b>100.0%</b>
Withheld	4,377,799	–

Approval of directors' Remuneration Policy		
	Total number of votes	% of votes cast
For	532,517,299	97.88%
Against	11,557,037	2.12%
<b>Total</b>	<b>544,074,336</b>	<b>100.0%</b>
Withheld	686,821	–

A majority (over 50%) of the votes cast was required for the resolution to be passed, and the 2016 Annual Report on Remuneration was duly approved by shareholders. The Committee considers that the level of support received at the 2017 AGM was high, and as a result it was not necessary to provide additional disclosure on the reasons for those votes, which were cast against. As mentioned previously in this report, the Committee will consult with its largest shareholders, as appropriate, on remuneration arrangements.

## Approval

This report was approved by the Board of directors on 23 February 2018 and signed on its behalf by:

**Imelda Walsh**  
Chair, Remuneration Committee

## Directors' Report

The directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 26 December 2017. The following also form part of this report:

- pages 54 and 55, which show the names of all persons who were directors of the Company during the period. In addition, Ashley Highfield served as a director of the Company until he retired from the Board on 16 November 2017;
- the reports on corporate governance set out on pages 51 to 97;
- information relating to financial instruments, as provided in the notes to the financial statements;
- related party transactions as set out in note 33 to the financial statements; and
- greenhouse gas emissions, set out on pages 33 and 43.

Details of Committee memberships for each director are set out on pages 54 and 55. Details of the directors' interests are set out on page 93 of the directors' Remuneration Report.

### Management report

For the purposes of compliance with DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the 'Management Report' can be found in the Strategic Report and this Directors' Report, including the sections of the Annual Report and Accounts incorporated by reference.

### Annual Report and Accounts

The directors are aware of their responsibilities in respect of the Annual Reports and Accounts. The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information regarding related processes can be found in the Audit and Risk Management Committee Report on pages 67 to 71. The Statement of Directors' Responsibilities appears on page 101.

### Strategic Report

The Board has prepared a Strategic Report which provides an overview of the development and performance of the Group's business for the period ended 26 December 2017 and which covers likely future developments in the Group. The Chairman's overview, CEO's statement, business overviews, the strategic priorities, key performance indicators, regulation and marketplace report, divisional and performance overviews, corporate responsibility report, financial review and managing our risks sections together provide information which the directors consider to be of strategic importance to the Group.

### Results and dividends

The Group's loss on ordinary activities after taxation for the period was £83.2m (2016: £164.5m). The directors recommend a final dividend of 8.94p per share to be paid on 7 June 2018 to ordinary shareholders on the Register of Members on 27 April 2018 which, if approved, together with the interim dividend of 4.26p per share paid on 30 November 2017, makes a total of 13.2p per share for the period.

### Directors' and officers' liability insurance

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act 2006, the directors and officers of the Company shall be indemnified out of the assets of the Company, against liability in defending proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. In addition the Group has purchased and maintains directors' and officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

### Share capital

As at 23 February 2018, the Company had an allotted and fully paid-up share capital of 887,295,272 ordinary shares of 10p each with an aggregate nominal value of £88,729,527, which included 28,412,588 ordinary shares in treasury. There were therefore 858,882,684 ordinary shares in issue as at 23 February 2018 (excluding treasury shares).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights. There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations. This will include the Market Abuse Regulation, insider trading laws and general requirements relating to close periods. Also included will be the requirements of the Company's Share Dealing policies, which follow the requirements of the Market Abuse Regulation, and whereby directors and certain employees of the Company require the necessary approval to deal in the Company's securities.

Each ordinary share of the Company carries one vote. Further information on the rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the Company Secretary, and is also available on the Company's website, [www.williamhillplc.com](http://www.williamhillplc.com).

Changes to the Articles of Association must be approved by special resolution of the Company. The holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies or corporate representatives and to exercise voting rights, and to receive a dividend, as and when declared.

### Share Repurchase Programme

The Board did not decide to extend the Share Repurchase Programme which completed in December 2016 in accordance with a strategy outlined to investors with the announcement of the 2015 full-year results, and accordingly no shares were repurchased during the year (2016: 29,573,675 ordinary shares of 10p each).

726,027 of the acquired shares were subsequently disposed of during the year to satisfy existing awards under the Group's share and incentive schemes, and it is the current intention of the directors that the remaining treasury shareholding will either continue to be held in treasury, or will be used to similarly satisfy existing and future share and incentive scheme awards.

## Substantial shareholdings

As at 26 December 2017, the Company had been notified, in accordance with either the Disclosure and Transparency Rules of the Financial Conduct Authority and the EU Market Abuse Directive, of the notifiable interests in the ordinary share capital of the Company set out in the table below.

Name of holder	Percentage shareholding
Parvus Asset Management Europe Limited (I)	11.94%
Capital Group Companies, Inc (D)	10.88%
Aberdeen Standard Life plc (D)	5.83%
Schroders plc (D)	5.121%
Silchester International Investors LLP (D)	5.053%
Morgan Stanley (D)	5.04%
Norges Bank (D)	3.05%

In the period 26 December 2017 to 23 February 2018, the following changes were disclosed to the Company in accordance with Article 19 of the Market Abuse Regulation:

Name of holder	Percentage shareholding
Parvus Asset Management Europe Limited (I)	9.99%
Aberdeen Standard Life plc (D)	4.77% (below 5%)
Morgan Stanley (D)	Below 3%

Nature of holding D = Direct I = Indirect

## Significant agreements – change of control

There are no significant agreements to which the Company is party which take effect, alter or terminate in the event of a change of control in the Company following a takeover bid.

## Nevada and New Jersey regulation

Shareholders of William Hill are subject to regulation by the Nevada State Gaming Control Board and the Nevada Gaming Commission as a result of the Company's ownership of licensed subsidiaries in Nevada and the Company's registration as a publicly traded company operating in Nevada. Information regarding Nevada gaming regulatory requirements can be found and assessed by shareholders at [www.williamhillplc.com](http://www.williamhillplc.com).

To support the conversion of redeemable preference shares in NYX Gaming Group Limited, prior to the disposal of the Group's interests in NYX Gaming Group to Scientific Games Corporation, and in furtherance of the potential for New Jersey sports betting and online gaming, it was necessary for the Group to apply for licensure with the New Jersey State Division of Gaming Enforcement. Further information regarding the New Jersey regulator's requirements can be found on the Division of Gaming Enforcement's website at <http://www.nj.gov/oag/ge/index.html>.

## Employee policies

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and through 'Go2 William Hill', the employee website which replaced the Group magazine 'Will2win' during the year. An employee engagement survey, which was enhanced during the year, is also conducted annually, the results of which are communicated to employees for review and to managers for action. Employee representatives are consulted regularly through colleague forums on a wide range of matters affecting their current and future interests.

In the UK, the Company operates an HMRC-approved UK Sharesave Plan which is open to all eligible employees. Options under the scheme are granted with an exercise price up to 20% below the prevailing share price. The maximum permissible monthly savings under the scheme is £500 for savings contracts commenced from 2014. This follows an increase in saving limits from £250 per month, which continues to be the maximum amount which may be saved for savings contracts started before 2014. Employees in selected other countries in which the Company operates may participate in local share saving schemes, which for operational, tax or legislative reasons may differ in operation compared to the UK.

William Hill is committed to equal opportunities in the workplace. In all aspects of employment including recruitment, promotion, training and development and terms and conditions of employment, all employees and applicants for employment are given equal opportunities regardless of gender, marital or family status, race, nationality, ethnic origin, religion, age, disability and sexual orientation. William Hill endeavours to ensure that all employees are made aware of the provisions of the policy and of their responsibility to uphold and promote it. William Hill will not tolerate harassment, discrimination or victimisation in the workplace in any form. Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitude and ability of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It continues to be the policy of the Group that the training, career development and promotion of disabled persons should as far as is feasible be identical to that of other employees.

## Directors' Report continued

### Political donations

There were no political donations made or political expenditure incurred during the period in respect of EU political parties, candidates or organisations (2016: nil). The Board has, however, given approval for certain subsidiaries in respect of William Hill's US business to make donations within specified limits. In the US, it is far more common for corporations to participate in the political process through a variety of methods, including raising or donating funds to political candidates. The approval from the Board will permit the US business to decide and agree on modest political contributions to candidates for political office in jurisdictions where the Company is doing or seeks to do business. Contributions to political candidates do not guarantee that elected officials will support a particular piece of legislation or otherwise act in their official capacity to benefit the Company, rather, they assist in electing individuals whom the Company believes are likely to support its business goals and in establishing productive working relationships with elected representatives.

The Board therefore continues to believe that giving approval for the US business to make such political contributions is essential for the Company to fully participate in the American political process. In respect of the US, political expenditure of \$32,000 was incurred in 2017 (2016: \$55,200) and included contributions to both the American Gaming Association and individual campaigns exclusively in Nevada state.

### Authority to purchase own shares

An authority for the Company to purchase its own shares remains valid until the forthcoming Annual General Meeting, when it is intended that a resolution will be put forward to shareholders to renew such authority.

### Issue of new ordinary shares

During the financial period ended 26 December 2017, no new ordinary shares of the Company were issued on account of the Remuneration Committee approving a revised policy whereby either the treasury shares acquired by the Company under the 2016 Share Repurchase Programme, or where required market purchase shares would be used via the Company's Employee Benefit Trust, to satisfy all existing and future share and incentive scheme awards.

### Annual General Meeting

The AGM will be held at 11.00 a.m. on 8 May 2018 at Radisson Blu Edwardian Hotel, 9-13 Bloomsbury Street, WC1B 3QD. The notice of the AGM and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this Annual Report.

### Auditor and disclosure of information to auditor

Each of the directors in office at the date when this report was approved confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

### Other information required to be incorporated by reference

For the purposes of compliance with Listing Rule 9.8.4, the following information is hereby incorporated by reference within this Directors' Report:

Listing Rule Requirement (LR)	Location within the Annual Report
LR 9.8.6R(1) Directors' interests	Directors' Remuneration Report

By order of the Board

#### Luke Thomas

Company Secretary, William Hill PLC  
23 February 2018

Registered Office: Greenside House,  
50 Station Road, Wood Green,  
London N22 7TP

## Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

**Philip Bowcock**  
Chief Executive  
Officer  
23 February 2018

**Ruth Prior**  
Chief Financial  
Officer  
23 February 2018

## Independent Auditor's report to the members of William Hill PLC

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 26 December 2017 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of William Hill plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Cash Flow Statement;
- the Statement of Group Accounting Policies and the related notes 1 to 34; and
- the Parent Company Statement of Accounting Policies and the related notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Summary of our approach

Key audit matters	<p>The key audit matters that we identified were:</p> <ul style="list-style-type: none"> <li>– Impairment of goodwill and other non-current assets in Australia;</li> <li>– Completeness and accuracy of revenue recognition in Retail and Online;</li> <li>– Unrecorded retirements in capitalised software; and</li> <li>– Valuation of provisions for uncertain tax positions.</li> </ul> <p>In the prior year, one of the key audit matters was impairment of goodwill and other non-current assets; in the current year, this matter has been pinpointed to Australia. All other key audit matters are consistent to prior year.</p>
Materiality	The materiality that we used in the current year for the Group financial statements was £12.5 million which was determined on the basis of 4.9% of adjusted profit before tax of £254.9 million.
Scoping	<p>We focused our Group audit scope on audit work at three locations: UK, Gibraltar and Australia.</p> <p>These locations represent the principal business segments and account for over 96% of the Group's revenue, 94% of operating profit and 96% of the Group's net assets.</p>
Significant changes in our approach	As described above, we have pinpointed our impairment risk to focus on the Australian segment. In particular, we focused on management's judgements with respect to cash flow forecasts for the Australian business and how these would be impacted by enacted and ongoing regulatory change. There were no other significant changes to our audit approach in the current year.



## Conclusions relating to going concern, principal risks and viability statement

### Going concern

We have reviewed the directors' statement on page 66 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

### Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 46–49 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 45 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 50 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment of goodwill and non-current assets

Key audit matter description	<p>The Group has goodwill of £959.1 million and intangible assets with indefinite lives of £484.3 million which are tested annually for impairment against the value in use of the Group's cash-generating units ('CGUs').</p> <p>Management has recognised an impairment of £238.3 million in the Australian CGU following its annual impairment test. This impairment reflects changes in regulation in Australia including the ban on credit betting and the introduction of a Point of Consumption Tax ('POCT') by certain states.</p> <p>The annual impairment test includes significant management judgement concerning regulatory changes in the market and its impact on the cash flows of the CGU. The impairment test is also based on key assumptions about future underlying profitability and cash flows, selecting appropriate discount and long-term growth rates, which are disclosed in Note 12 and in Key sources of estimation uncertainty in the Statement of Group Accounting Policies, and is a significant matter considered by the Audit Committee on page 71.</p>
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## Independent Auditor's report to the members of William Hill PLC continued

How the scope of our audit responded to the key audit matter	<p>We focused our audit work on challenging key assumptions used by management in conducting their impairment review. This work was principally carried out by the component audit team in Australia, under the direction and review of the Group audit team, who also challenged the work performed and conclusions reached. The component auditor work included:</p> <ul style="list-style-type: none"> <li>– Checking the mathematical accuracy of the impairment model and compliance of the methodology with IAS 36;</li> <li>– Reviewing and challenging management's cash flow forecasts, including testing management's process and controls for preparing and reviewing the impairment model as well as understanding and critically assessing the key assumptions underpinning the model with a focus on those which are most sensitive;</li> <li>– Independently assessing the key regulatory changes, their likely impact and timing;</li> <li>– Performing a sensitivity analysis of certain key inputs which drive the value of the business; and</li> <li>– Considering the ongoing strategic review for the business.</li> </ul> <p>In addition, our component audit team worked with our Australia in-house corporate finance valuation specialists in:</p> <ul style="list-style-type: none"> <li>– Independently calculating the WACC rate that should be applied in the impairment model; and</li> <li>– Assessing the value of the business by performing an independent fair value less costs to sell model, taking into account market multiples, recent transactions and other evidence indicating fair value.</li> </ul> <p>The Group audit team carried out further sensitivity analysis on management's model to challenge key assumptions, principally the timing, amount and probability of further POCT enactment, and varying the discount rate assumption.</p> <p>We noted that the value in use is very sensitive to the impact and timing of the introduction of POCT in Australia on a state by state basis and we discussed with management the additional disclosures to be made in the current period with respect to:</p> <ul style="list-style-type: none"> <li>– Management's assessment of the probability of the introduction of POCT in states where it has not yet been enacted and how that has been reflected in the impairment model; and</li> <li>– The disclosure of the estimation uncertainty and the reasonably possible further impairment which could arise in the event that the POCT outcome is adverse to that included in management's impairment model.</li> </ul>
Key observations	<p>From the results of our procedures, we concurred with the impairment of £238.3 million recorded by management and the corresponding recoverable amount of the Australian CGU. We were satisfied with the final disclosures that management made in the financial statements.</p>

### Completeness and accuracy of revenue recognition in Retail and Online

Key audit matter description	<p>The Group has a number of income streams, the most significant being revenue recognised in the Group's Retail (£913.1million) and Online (£616.9 million) segments. Revenue is derived from high volume and typically lower value transactions and is dependent on the outcome of events wagered on.</p> <p>The Group's accounting policy for revenue recognition is disclosed in Key accounting policies on page 114.</p> <p>The completeness and accuracy of revenue recognised is dependent on the interfacing of systems in Retail and Online segments, and is reliant on the IT control environment of third party applications such as Openbet and the manual controls around matching revenue to cash movements.</p> <p>Due to the complexity of this environment there is a risk that revenue errors go undetected or are not detected on a timely basis. There is also a fraud risk around potential manipulation of the manual cash reconciliations.</p>
How the scope of our audit responded to the risk	<p>Together with our IT audit specialists we evaluated the design and implementation and tested the operating effectiveness of both automated and manual controls in the revenue cycle including cash reconciliations from the betting operating systems. General IT controls were tested for key revenue and financial information systems involved in the revenue process, as well as the interface between these systems.</p> <p>We performed substantive analytical review procedures over the Group's Retail and Online gaming revenue streams, and substantively tested the existence and accuracy of a sample of bets placed within the Retail division. For Online sportsbook revenues we used a data analytics approach to fully recalculate all simple bets, which comprise over 80% of revenue recognised. For the remainder, which comprised more complex bets, we recalculated a sample of bets.</p>
Key observations	<p>Our work was concluded satisfactorily with respect to the Retail segment with no significant findings.</p> <p>With respect to the Online segment, we identified three IT General Control deficiencies. In response to these control findings, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>– we identified detective controls, which we tested to evaluate to what extent they would mitigate the impact of the control deficiencies;</li> <li>– we placed a sample of bets during the year and traced them through to Openbet transaction reports to test for completeness; and</li> <li>– we tested Openbet transaction reports used in our audit testing for completeness and accuracy.</li> </ul> <p>We concluded that the risk of material revenue misstatement was reduced to an acceptable level. In addition, we recommended that management continues to work to further strengthen preventative controls in order to reduce reliance on detective mitigating controls in future.</p>

## Unrecorded retirements in capitalised software

Key audit matter description	As disclosed in note 12 to the financial statements, £80.7 million of computer software additions were capitalised in 2017 as the Group continues to invest in its technology. The net book value of computer software assets at the balance sheet date was £126.2 million.  This continued investment in software development gives rise to a risk that existing assets are made obsolete by new technology and should be impaired before expiry of their useful economic lives. The Group's accounting policy for computer software is disclosed in Statement of Group Accounting Policies on page 160.
How the scope of our audit responded to the risk	We evaluated the design and implementation and tested the operating effectiveness of internal controls over impairment and the capitalisation of costs.  We tested a sample of capitalised software additions, assessing the business case, holding discussions with project managers and reviewing internal audit and capital expenditure reports. This was done to determine whether new assets created replaced existing assets and therefore indicated either a risk of impairment or a revised useful life for those existing assets.  In addition, we also considered management's paper which documented their own review for impairment and we discussed the findings of the paper with management.
Key observations	We have not identified any unrecorded impairments above our reporting threshold or significant changes required to the useful economic lives of intangibles.

## Valuation of provisions for uncertain tax positions

Risk description	The Group operates in different jurisdictions with complex tax legislation which requires management to make judgements and estimates regarding the interpretation of local tax laws and potential tax provisions and exposures.  A description of the critical accounting judgements used in relation to taxation is included on page 115. This is also a significant matter considered by the Audit Committee as set out on page 71.
How the scope of our audit responded to the risk	Our audit approach was to use our tax specialists to evaluate the tax provisions recorded by management and potential tax exposures. We challenged management's judgements utilising tax specialists in the UK, Australia and Gibraltar using their experience in country specific tax law and experience in similar structures and operations. In assessing those judgements taken we also considered relevant correspondence with tax authorities and had regard to management's advice obtained from third party professional advisors. We also considered whether there were other risk factors that should be considered in the evaluation of tax risks. We recommended further enhancements to the disclosure of tax risks in the Annual Report.
Key observations	We are satisfied with management's conclusions with respect to the recognition and measurement of material tax risks in the financial statements. We are satisfied with management's final disclosures in the financial statements.

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Group materiality	£12.5 million (2016: £10.5 million)	£11.25 million
Basis for determining materiality	Our Group materiality is below 5% (2016: below 5%) of adjusted profit before interest and tax, disclosed in note 3 to the Group financial statements.	We originally used 3% of net assets as the basis of materiality but then further capped this at 90% of Group materiality.
Rationale for the benchmark applied	Adjusted profit before interest and tax has been used as it is the primary measure of performance used by the Group. We have used adjusted profit measures that exclude volatility of exceptional items from our determination, to aid the consistency and comparability of our materiality base each year.	The Parent Company acts principally as a holding company and therefore net assets is a key measure. The cap has been applied in line with our methodology for setting materiality for components.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.6 million (2016: £0.5 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## Independent Auditor's report to the members of William Hill PLC continued

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at three locations:

- UK;
- Gibraltar; and
- Australia.

These locations represent the principal business units and account for over 96% (2016: over 97%) of the Group's revenue, 94% of operating profit (2016: over 95%) and over 96% (2016: over 96%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on each of the three locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £6.2 million to £9.4 million (2016: £5.3 million to £7.9 million). The Group audit team also performed analytical procedures over the Group's operations in the US, which were not significant to the Group's results.

At the Parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

We included all component audit teams in our team briefing and discussed their risk assessment. The audit procedures in the UK were performed by members of the Group audit team. In the current year the Senior Statutory Auditor visited Gibraltar. For each of the businesses included within the programme of planned visits, the Group audit team discussed audit findings with the relevant component audit team throughout the audit engagement and reviewed relevant audit working papers.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## Matters on which we are required to report by exception

### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## Other matter

### Auditor tenure

The Parent Company was incorporated in 2001. We were appointed in December 2001 to audit the financial statements for the period ended 1 January 2002 and subsequent financial periods; this was just prior to the listing of the Parent Company on the London Stock Exchange. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the periods ending 1 January 2002 to 26 December 2017. Also, we were appointed on 22 January 1991 to other Group entities to audit the financial statements for the period ending 1 January 1991. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 28 years, covering the periods ending 1 January 1991 to 26 December 2017.

## Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

### Paul Franek FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

23 February 2018

**Consolidated Income Statement**

for the 52 weeks ended 26 December 2017

	Notes	52 weeks ended 26 December 2017			52 weeks ended 27 December 2016		
		Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m	Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m
<b>Continuing operations</b>							
Revenue	1,2	1,711.1	–	1,711.1	1,603.8	–	1,603.8
Cost of sales	2,3	(414.9)	(17.1)	(432.0)	(382.2)	–	(382.2)
<b>Gross profit</b>	2	<b>1,296.2</b>	<b>(17.1)</b>	<b>1,279.1</b>	1,221.6	–	1,221.6
Other operating income	1	13.0	–	13.0	14.8	–	14.8
Other operating expenses	3	(1,018.9)	(317.9)	(1,336.8)	(976.4)	(35.9)	(1,012.3)
Share of results of associates	2,4	1.0	–	1.0	1.5	–	1.5
<b>(Loss)/profit before interest and tax</b>	2,5	<b>291.3</b>	<b>(335.0)</b>	<b>(43.7)</b>	261.5	(35.9)	225.6
Investment income	1,3,7	0.9	5.5	6.4	17	3.2	4.9
Finance costs	8	(37.3)	–	(37.3)	(49.2)	–	(49.2)
<b>(Loss)/profit before tax</b>	2	<b>254.9</b>	<b>(329.5)</b>	<b>(74.6)</b>	214.0	(32.7)	181.3
Tax	3,9	(18.0)	9.4	(8.6)	(19.8)	3.0	(16.8)
<b>(Loss)/profit for the period (attributable to equity holders of the parent)</b>		<b>236.9</b>	<b>(320.1)</b>	<b>(83.2)</b>	194.2	(29.7)	164.5
<b>(Loss)/earnings per share (pence)</b>							
Basic	11	27.6		(9.7)	22.3		18.9
Diluted	11	27.5		(9.7)	22.2		18.8

## Consolidated Statement of Comprehensive Income

for the 52 weeks ended 26 December 2017

	Notes	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
(Loss)/profit for the period		(83.2)	164.5
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial remeasurements in defined benefit pension scheme	32	33.0	(178)
Tax on remeasurements in defined benefit pension scheme	26	(5.6)	2.3
		27.4	(15.5)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Loss on cash flow hedges		–	(0.1)
Exchange differences on translation of foreign operations		(8.9)	63.3
Changes in fair value of available-for-sale financial assets	16	4.0	(4.4)
		(4.9)	58.8
<b>Other comprehensive income for the period</b>		<b>22.5</b>	<b>43.3</b>
<b>Total comprehensive (loss)/income for the period (attributable to equity holders of the parent)</b>		<b>(60.7)</b>	<b>207.8</b>

**Consolidated Statement of Changes in Equity**

for the 52 weeks ended 26 December 2017

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
<b>At 27 December 2016</b>	<b>88.7</b>	<b>689.3</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(98.5)</b>	<b>(63.6)</b>	<b>628.9</b>	<b>1,225.5</b>
Loss for the financial period	–	–	–	–	–	–	(83.2)	(83.2)
Actuarial remeasurements in defined benefit pension scheme (note 32)	–	–	–	–	–	–	33.0	33.0
Tax on remeasurements in defined benefit pension scheme (note 26)	–	–	–	–	–	–	(5.6)	(5.6)
Exchange differences on translation of foreign operations	–	–	–	–	–	(8.9)	–	(8.9)
Changes in fair value of available-for-sale financial assets (note 16)	–	–	–	–	–	–	4.0	4.0
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8.9)</b>	<b>(51.8)</b>	<b>(60.7)</b>
Purchase and issue of own shares (note 28)	–	–	–	–	(1.4)	–	(0.1)	(1.5)
Transfer of own shares to recipients (note 28)	–	–	–	–	2.9	–	(1.5)	1.4
Other shares issued during the period	–	0.1	–	–	–	–	–	0.1
Credit recognised in respect of share remuneration (note 31)	–	–	–	–	–	–	5.2	5.2
Tax credit in respect of share remuneration (note 26)	–	–	–	–	–	–	0.8	0.8
Dividends paid (note 10)	–	–	–	–	–	–	(108.1)	(108.1)
<b>At 26 December 2017</b>	<b>88.7</b>	<b>689.4</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(97.0)</b>	<b>(72.5)</b>	<b>473.4</b>	<b>1,062.7</b>
	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
<b>At 29 December 2015</b>	<b>88.4</b>	<b>686.6</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(4.1)</b>	<b>(126.8)</b>	<b>591.0</b>	<b>1,215.8</b>
Profit for the financial period	–	–	–	–	–	–	164.5	164.5
Actuarial remeasurements in defined benefit pension scheme	–	–	–	–	–	–	(17.8)	(17.8)
Tax on remeasurements in defined benefit pension scheme	–	–	–	–	–	–	2.3	2.3
Loss on cash flow hedges	–	–	–	–	–	(0.1)	–	(0.1)
Exchange differences on translation of foreign operations	–	–	–	–	–	63.3	–	63.3
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	(4.4)	(4.4)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>63.2</b>	<b>144.6</b>	<b>207.8</b>
Purchase and issue of own shares	–	–	–	–	(95.0)	–	(0.4)	(95.4)
Transfer of own shares to recipients	–	–	–	–	0.6	–	(0.6)	–
Other shares issued during the period	0.3	2.7	–	–	–	–	(0.2)	2.8
Credit recognised in respect of share remuneration	–	–	–	–	–	–	6.1	6.1
Tax charge in respect of share remuneration	–	–	–	–	–	–	(2.6)	(2.6)
Dividends paid	–	–	–	–	–	–	(109.0)	(109.0)
<b>At 27 December 2016</b>	<b>88.7</b>	<b>689.3</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(98.5)</b>	<b>(63.6)</b>	<b>628.9</b>	<b>1,225.5</b>



## Consolidated Statement of Financial Position

as at 26 December 2017

	Notes	26 December 2017 £m	27 December 2016 £m
<b>Non-current assets</b>			
Intangible assets	12	1,577.3	1,805.3
Property, plant and equipment	13	190.5	212.5
Interests in associates	15	28.6	30.8
Investments	16	9.4	5.4
Deferred tax assets	26	12.7	2.8
Retirement benefit asset	32	58.7	15.5
Loans receivable	16	49.4	43.9
Derivative financial instruments	16	42.0	34.8
		1,968.6	2,151.0
<b>Current assets</b>			
Trade and other receivables	18	72.9	72.7
Investment property held for sale	20	3.5	3.5
Cash and cash equivalents	19	317.0	215.5
		393.4	291.7
<b>Total assets</b>		<b>2,362.0</b>	<b>2,442.7</b>
<b>Current liabilities</b>			
Trade and other payables	21	(455.5)	(370.4)
Corporation tax liabilities		(8.3)	(25.7)
Derivative financial instruments	25	(14.1)	(14.0)
		(477.9)	(410.1)
<b>Non-current liabilities</b>			
Borrowings	22	(720.5)	(718.6)
Deferred tax liabilities	26	(100.9)	(88.5)
		(821.4)	(807.1)
<b>Total liabilities</b>		<b>(1,299.3)</b>	<b>(1,217.2)</b>
<b>Net assets</b>		<b>1,062.7</b>	<b>1,225.5</b>
<b>Equity</b>			
Called-up share capital	27	88.7	88.7
Share premium account		689.4	689.3
Capital redemption reserve		6.8	6.8
Merger reserve		(26.1)	(26.1)
Own shares held	28	(97.0)	(98.5)
Hedging and translation reserves		(72.5)	(63.6)
Retained earnings		473.4	628.9
<b>Total equity attributable to equity holders of the parent</b>		<b>1,062.7</b>	<b>1,225.5</b>

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 23 February 2018 and are signed on its behalf by:

**P Bowcock**  
 Director

**R Prior**  
 Director

## Consolidated Cash Flow Statement

for the 52 weeks ended 26 December 2017

	Notes	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
<b>Net cash from operating activities</b>	29	<b>290.1</b>	265.9
<b>Investing activities</b>			
Dividends from associates	15	<b>3.3</b>	4.3
Interest received on cash and cash equivalents	7	<b>0.9</b>	1.7
Proceeds on disposal of property, plant and equipment		<b>0.6</b>	1.2
Proceeds on disposal of investment property		<b>–</b>	0.8
Net cash flows relating to loans receivable		<b>–</b>	1.4
Net proceeds from agreed sale of NYX investments		<b>1.0</b>	–
Net proceeds on disposal of Stadia operations	17	<b>8.8</b>	–
Acquisition of redeemable convertible preference shares in NYX Gaming Group Limited (including associated costs)		<b>–</b>	(81.7)
Acquisition of ordinary shares and warrants in NYX Gaming Group Limited		<b>–</b>	(10.3)
Acquisition of Grand Parade Limited (net of cash acquired)		<b>–</b>	(12.0)
Purchases of property, plant and equipment		<b>(14.2)</b>	(32.5)
Expenditure on intangible assets		<b>(78.7)</b>	(57.9)
<b>Net cash used in investing activities</b>		<b>(78.3)</b>	(185.0)
<b>Financing activities</b>			
Proceeds on issue of shares under share schemes		<b>0.1</b>	1.3
Purchase of own shares		<b>(0.1)</b>	(94.4)
Dividends paid	10	<b>(108.1)</b>	(109.0)
Repayment of £300m Guaranteed notes		<b>–</b>	(300.0)
Issue of £350m Guaranteed notes due 2023		<b>–</b>	350.0
Finance fees paid on £350m Guaranteed notes		<b>–</b>	(2.5)
<b>Net cash used in financing activities</b>		<b>(108.1)</b>	(154.6)
Net increase/(decrease) in cash and cash equivalents in the period		<b>103.7</b>	(73.7)
Changes in foreign exchange rates		<b>(2.2)</b>	71
Cash and cash equivalents at start of period		<b>215.5</b>	282.1
<b>Cash and cash equivalents at end of period</b>	19	<b>317.0</b>	215.5

# Statement of Group Accounting Policies

## General information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London N22 7TP. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 50 and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

## Basis of accounting

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out below.

## Adoption of new and revised standards

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

## Standards in issue but not effective

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report.

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

### Classification and measurement

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

### Impairment

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

### Hedge accounting

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

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

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

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

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

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. It will result in most leases being recognised on the Statement of Financial Position. The Group continues to assess the full impact of IFRS 16 but since the impact is influenced by interest rates in future years, it is not yet possible to reasonably quantify its effects. At this stage, the directors assess that the implementation of the new standard will likely have a material impact upon the Group's reported performance, Statement of Financial Position and operating cash flows.

## Statement of Group Accounting Policies continued

### Key accounting policies

Below we set out our key accounting policies. A complete list of our accounting policies is included in the Annual Report as an appendix on pages 158 to 162.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, net of discounts, marketing inducements and VAT, as set out below.

In the case of the LBO (including gaming machines), US, Online Sportsbook and telebetting, Online casino (including games on the Online arcade and other numbers bets) and Australian operations, revenue represents gains and losses from gambling activity in the period. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed. Revenue from the Online poker business reflects the net income (rake) earned from poker games completed by the period end.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income, bookmaking services income and income from software development, which are recognised on an accruals basis.

### Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in notes 22 and 23 to the financial statements.

As highlighted in notes 22 and 23 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until May 2019. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 45 to 50, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast.

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

### Exceptional items and adjustments

The Group presents adjusted results, as described in note 3, which differ from statutory results due to the exclusion of exceptional items and adjustments.

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

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. They comprise the following:

- the amortisation of specific intangible assets recognised in acquisitions;
- the recognition of interest income on redeemable convertible preference shares (see notes 16 and 24); and
- fair value movements relating to redeemable convertible preference shares and warrants over equity instruments (see notes 16 and 24).

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the key accounting policies above and in the Statement of Group Accounting Policies included on pages 158 to 162, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## Taxation

Due to the multi-national nature of the Group and the complexity of tax legislation in various jurisdictions in which the Group operates, the directors must apply judgement in assessing the likely outcome of certain tax matters whose final outcome may not be determined for a number of years. In forming that judgement, the directors make assumptions regarding the interpretation and application of tax laws to the circumstances of those specific items.

These judgements are reassessed in each period until the outcome is finally determined through resolution with a tax authority and/or through a legal process. Differences arising from changes in judgement or from final resolution may be material and will be charged or credited to the Income Statement in the relevant period.

Within the Group's net current tax liability of £8.3m (27 December 2016: £25.7m) are amounts of £11.6m (27 December 2016: £21.4m) that relate to uncertain tax positions (see note 9). The Group evaluates uncertain items, where the tax treatment is subject to interpretation and remains to be agreed with the relevant tax authority. Provisions for uncertain items are made using judgement of the most likely tax expected to be paid, based on a qualitative assessment of all relevant information. In assessing the appropriate provision for uncertain items, the Group considers progress made in discussions with tax authorities, expert advice on the likely outcome and recent developments in case law.

## Exceptional items and restructuring costs

The Group separately reports exceptional items in order to calculate adjusted results, as it believes these measures provide additional useful information on underlying performance and trends to shareholders. Specifically the Group has incurred a range of costs relating to the current Group-wide transformation programme, many of which have been presented as restructuring costs within exceptional items.

Judgement is required in determining whether an item should be classified as an exceptional item within restructuring costs or included within the underlying results. The Group's definition of exceptional items and restructuring costs are outlined in note 3.

## Key sources of estimation uncertainty

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

## Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions used in these financial statements, as well as the degree of sensitivity to changes in assumptions.

The Triennial Review of Stakes and Prizes is currently ongoing and the timing of recommendations from the UK Government remains unclear. These will likely include changes to the regulation of the maximum stakes on gaming machines. A severely adverse outcome would significantly increase the risk of a material impairment of assets in the Retail division. Although the result of the Triennial Review is not yet known, based on the impairment review conducted at 26 December 2017 for the Retail CGU, a 20% fall in future cash flows, with all other things being equal, would lead to an impairment of £110.9m; a 30% fall in future cash flows would lead to an impairment of £270.3m; a 40% fall in future cash flows would lead to an impairment of £429.6m and a 50% fall would lead to an impairment of £588.9m.

In Australia, the South Australia State Government introduced a Point of Consumption Tax ('POCT') on betting at 15% of gross win. The Western Australia State Government has also announced a POCT of 15% commencing on 1 January 2019. Other states are expected to follow this trend and the impairment review performed at 26 December 2017 incorporates probability weighted cash flows of POCT being enacted by these other states (note 12). The actual decisions made by the different states may differ from the estimated probabilities and an adverse outcome could lead to further impairments in the Australia CGU.

## Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions which include discount rate, inflation rate and mortality assumptions. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 32 provides information on the assumptions used in these financial statements, including a sensitivity analysis of the principal assumptions used to measure scheme liabilities.

## Notes to the Group financial statements

### 1. Revenue

An analysis of the Group's revenue is as follows:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Rendering of services disclosed as revenue in the Consolidated Income Statement	1,711.1	1,603.8
Other operating income	13.0	14.8
Interest on cash and cash equivalents (note 7)	0.9	1.7
Investment income on redeemable convertible preference shares (notes 3 and 7)	5.5	3.2
<b>Total revenue as defined in IAS 18</b>	<b>1,730.5</b>	<b>1,623.5</b>

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income, bookmaking services income and income from software development.

### 2. Segment information

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

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all online and telephone activity outside of Australia and the US, including sports betting, casino, poker sites and other gaming products along with telephone betting services. The US segment comprises all activity undertaken in the USA. The Australia segment comprises online and telephone sports betting in Australia. Other activities include on-course betting and greyhound stadia operations. The greyhound stadia operations were disposed of on 31 July 2017, see note 17. There are no inter-segmental sales within the Group.

Segment performance is shown on an adjusted basis, with a reconciliation from adjusted operating profit to statutory results for clarity. Information for the 52 weeks ended 26 December 2017 is as follows:

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

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

2 The Other segment includes the results of the greyhound stadia operations up to disposal on 31 July 2017, see note (17).

## 2. Segment information continued

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

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer. Corporate net assets include net borrowings and the net defined benefit pension asset as well as any assets and liabilities that cannot be allocated to a particular segment other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 52 weeks ended 27 December 2016:

	Retail £m	Online £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
<b>Revenue</b>	<b>893.9</b>	<b>544.8</b>	<b>43.7</b>	<b>113.8</b>	<b>7.6</b>	<b>–</b>	<b>1,603.8</b>
GPT, duty, levies and other costs of sales	(227.0)	(120.1)	(4.0)	(30.3)	(0.8)	–	(382.2)
Gross profit	666.9	424.7	39.7	83.5	6.8	–	1,221.6
Depreciation	(25.5)	(0.8)	(1.2)	(0.9)	(0.2)	(3.0)	(31.6)
Amortisation	(5.4)	(36.3)	(0.1)	(6.8)	–	–	(48.6)
Other administrative expenses	(474.0)	(28.7)	(24.1)	(60.4)	(6.7)	(29.1)	(881.4)
Share of results of associates	–	–	–	–	–	1.5	1.5
<b>Adjusted operating profit/(loss)<sup>1</sup></b>	<b>162.0</b>	<b>100.5</b>	<b>14.3</b>	<b>15.4</b>	<b>(0.1)</b>	<b>(30.6)</b>	<b>261.5</b>
Operating exceptional items and adjustments	0.4	(1.2)	(2.1)	(0.7)	–	(32.3)	(35.9)
<b>Profit/(loss) before interest and tax</b>	<b>162.4</b>	<b>99.3</b>	<b>12.2</b>	<b>14.7</b>	<b>(0.1)</b>	<b>(62.9)</b>	<b>225.6</b>
Investment income						4.9	4.9
Finance costs						(49.2)	(49.2)
<b>Profit before tax</b>							<b>181.3</b>

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

## Notes to the Group financial statements continued

### 2. Segment information continued

At 27 December 2016	Retail £m	Online £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
<b>Statement of financial position information</b>							
Total segment assets	1,398.3	408.8	63.5	364.5	11.5	193.3	2,439.9
Total segment liabilities	(90.2)	(183.4)	(20.1)	(39.0)	(0.4)	(769.9)	(1,103.0)
Included within total assets:							
Goodwill	680.7	192.8	24.4	304.5	7.1	–	1,209.5
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	30.8	30.8
Capital additions	31.8	34.8	2.4	15.7	–	2.6	87.3

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer. Corporate net assets include net borrowings and the net defined benefit pension liability as well as any assets and liabilities that cannot be allocated to a particular segment other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

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

	Revenues		Non-current assets	
	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m	26 December 2017 £m	27 December 2016 £m
United Kingdom	1,393.0	1,317.2	1,572.2	1,515.4
Rest of the World	318.1	286.6	396.4	635.6
	1,711.1	1,603.8	1,968.6	2,151.0

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for property, plant and equipment) or primary operating location of the Company using the asset (for all other assets).

### 3. Exceptional items and adjustments

#### Adjusted results

The Group reports adjusted results, both internally and externally, that differ from statutory results prepared in accordance with IFRS. These adjusted results, which include our KPIs of adjusted operating profit and adjusted EPS, are considered by the directors to be a useful reflection of the underlying performance of the Group and its businesses, since they exclude transactions which impair visibility of the underlying activity in divisions. More specifically, the directors judge that visibility can be impaired in one or both of the following instances:

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

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

- management and Board reviews of performance against expectations and over time, including assessments of divisional performance (see note 2 and the Strategic Report);
- Remuneration Committee assessments of targets and performance for management remuneration purposes (see pages 77 to 97);
- in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making; and
- assessments of loan covenant compliance, which refer to adjusted results.

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

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

#### Exceptional items

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



### 3. Exceptional items and adjustments continued

#### Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. They comprise the following:

- the amortisation of specific intangible assets recognised in acquisitions;
- the recognition of interest income on redeemable convertible preference shares (see notes 16 and 24); and
- fair value movements relating to redeemable convertible preference shares and warrants over equity investments (see notes 16 and 24).

These items are defined as adjustments as the directors believe they would impair the visibility of the underlying activities across the divisions as they are not closely related to the businesses' or any associated operational cash flows. These items are recurring, with the amortisation of specific intangible assets recognised in acquisitions recognised over their useful life and for the interest income and fair value movements on the redeemable convertible preference shares, these are recognised over the ten-year life of the instrument. Although the sale of the redeemable convertible preference shares was agreed in the period, it was assessed the disposal did not complete until January 2018 (see note 16) and therefore these items have been classified as adjustments as they are considered recurring up to the point of disposal.

Exceptional items and adjustments are as follows:

	Exceptional items £m	Adjustments £m	52 weeks ended 26 December 2017 £m	Exceptional items £m	Adjustments £m	52 weeks ended 27 December 2016 £m
<b>Operating</b>						
<b>Cost of sales</b>						
Indirect taxation	(171)	–	(171)	–	–	–
<b>Other operating expenses</b>						
Restructuring costs	(54.4)	–	(54.4)	(10.2)	–	(10.2)
Portfolio shop closures	(7.3)	–	(7.3)	0.4	–	0.4
Impairment of Australia goodwill	(238.3)	–	(238.3)	–	–	–
Onerous contract	(10.0)	–	(10.0)	–	–	–
Compliance fines	(6.2)	–	(6.2)	–	–	–
Disposal of Stadia operations	(2.5)	–	(2.5)	–	–	–
Legal fees	(1.3)	–	(1.3)	–	–	–
Corporate transaction costs <sup>1</sup>	–	–	–	(9.8)	–	(9.8)
Fair value movements on derivative financial instruments	–	7.2	7.2	–	(9.9)	(9.9)
Amortisation of acquired intangibles	–	(5.1)	(5.1)	–	(6.4)	(6.4)
	(337.1)	2.1	(335.0)	(19.6)	(16.3)	(35.9)
<b>Non-operating</b>						
Investment income on redeemable convertible preference shares	–	5.5	5.5	–	3.2	3.2
	–	5.5	5.5	–	3.2	3.2
<b>Total exceptional items and adjustments before tax</b>						
	(337.1)	7.6	(329.5)	(19.6)	(13.1)	(32.7)
Tax on exceptional items and adjustments	8.3	1.1	9.4	2.5	0.5	3.0
Exceptional tax items	–	–	–	–	–	–
<b>Total exceptional items and adjustments</b>	<b>(328.8)</b>	<b>8.7</b>	<b>(320.1)</b>	<b>(17.1)</b>	<b>(12.6)</b>	<b>(29.7)</b>

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

#### Indirect taxation

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

#### Restructuring costs

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

## Notes to the Group financial statements continued

### 3. Exceptional items and adjustments continued

#### Portfolio shop closures

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

#### Impairment of Australia goodwill

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

#### Onerous contract

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

#### Compliance fines

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

#### Disposal of Stadia operations

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

#### Legal fees

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

### 4. Share of results of associates

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Share of results after taxation in associated undertakings	1.0	1.5

The above represents the Group's share of the results of Sports Information Services (Holdings) Limited and NeoGames S.a.r.l as well as a dividend received from 49's Limited, further details of which are given in note 15.

### 5. (Loss)/profit before interest and tax

(Loss)/profit before interest and tax has been arrived at after charging/(crediting):

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Net foreign exchange losses	0.4	1.2
Loss/(gain) on disposal of property, plant and equipment and investment properties	0.4	(4.7)
Staff costs (note 6)	372.0	348.9
Depreciation of property, plant and equipment (note 13)	30.1	31.6
Amortisation of intangible assets (note 12)	57.5	55.0

## 5. (Loss)/profit before interest and tax continued

Fees payable to Deloitte LLP and their associates are shown below:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
<b>Audit fees</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.4	0.3
The audit of the Company's subsidiaries, pursuant to legislation	0.2	0.2
	<b>0.6</b>	0.5
<b>Non-audit fees</b>		
Other assurance services	0.1	0.9
	<b>0.1</b>	0.9
Total fees payable to Deloitte LLP	<b>0.7</b>	1.4

Deloitte LLP does not provide services for the Group's pension schemes.

The audit fees payable to Deloitte LLP are reviewed by the Audit and Risk Management Committee to ensure such fees are competitive. The Audit and Risk Management Committee sets the policy for awarding non-audit work to the auditor and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained. The fees disclosed above consolidate all payments made to Deloitte LLP by the Company and its subsidiaries during the period and are presented net of VAT and other sales taxes.

## 6. Staff costs

The average monthly number of persons employed, including directors, during the period was 16,436 (52 weeks ended 27 December 2016: 16,286), all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia up to date of disposal. Their aggregate remuneration comprised:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Wages and salaries	327.4	305.3
Social security costs	25.2	23.3
Share-based remuneration (inclusive of provisions for social security)	5.7	6.4
Other pension net costs (note 32)	13.7	13.9
	<b>372.0</b>	348.9
Remeasurement (gain)/loss in defined benefit scheme (note 32)	<b>(33.0)</b>	17.8
Total staff costs	<b>339.0</b>	366.7

The £33.0m relating to remeasurement gains (52 weeks ended 27 December 2016: £17.8m loss) has been recognised in other comprehensive income. The remainder of staff costs above were charged to the Income Statement, with certain staff costs relating to restructuring costs classified as exceptional items.

## 7. Investment income

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Interest on cash and cash equivalents	0.9	1.7
Investment income on redeemable convertible preference shares (note 3)	5.5	3.2
	<b>6.4</b>	4.9

## Notes to the Group financial statements continued

## 8. Finance costs

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	36.0	476
Amortisation of finance costs	1.8	2.6
Interest payable	37.8	50.2
Interest on net pension scheme assets or liabilities (note 32)	(0.5)	(1.0)
	37.3	49.2

## 9. Tax on (loss)/profit on ordinary activities

The tax charge/(credit) comprises:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Current tax:		
UK corporation tax	16.3	23.4
Overseas tax	10.0	172
Adjustment in respect of prior periods	(15.7)	(14.4)
Total current tax charge	10.6	26.2
Deferred tax:		
Origination and reversal of temporary differences	(2.9)	(2.8)
Impact from changes in statutory tax rates	–	(61)
Adjustment in respect of prior periods	0.9	(0.5)
Total deferred tax credit	(2.0)	(9.4)
Total tax on (loss)/profit on ordinary activities	8.6	16.8

The effective tax rate in respect of adjusted results was 71% (52 weeks ended 27 December 2016: 9.3%). The effective tax rate in respect of statutory results was minus 11.5% (52 weeks ended 27 December 2016: 9.3%). The current period's charge was lower than the UK statutory rate of 19.25% mainly due to adjustments in respect of prior periods' uncertain tax positions, lower tax rates on overseas profits and timing differences not recognised in deferred tax, partially offset by non-deductible expenditure.

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

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

## 9. Tax on (loss)/profit on ordinary activities continued

Non-deductible expenditure includes exceptional costs that are non-revenue related. The deduction for tax rates in overseas territories reflects the lower effective tax rate on profits earned in Gibraltar, partially offset by a higher tax rate on US profits.

The tax credit in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities and the net release of provisions previously held for specific uncertain tax positions of £14.0m.

The effective tax rate in 2018 is expected to be c14% and should remain at around this level whilst the business operates in the same territories and at the same scale.

## 10. Dividends proposed and paid

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

The proposed final dividend of 8.94p will, subject to shareholder approval, be paid on 7 June 2018 to all shareholders on the register on 27 April 2018. In line with the requirements of IAS 10 – ‘Events after the Reporting Period’, this dividend has not been recognised within these results. The Group estimates that approximately 859 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Shares held in treasury also do not qualify for dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and held in treasury are given in note 28.

## 11. (Loss)/earnings per share

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

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

An adjusted earnings per share, based on adjusted profits (as described in note 3), has been presented in order to highlight the underlying performance of the Group. The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 30.4 million (52 weeks ended 27 December 2016: 14.4 million).

The diluted loss per share is the same as the basic loss per share as the potentially dilutive share options are considered antidilutive as they would reduce the loss per share and therefore they are disregarded in the calculation.

## Notes to the Group financial statements continued

### 12. Intangible assets

	Goodwill £m	Licence value £m	Brands, trade names and customer relationships £m	Acquired technology platforms £m	Computer software £m	Total £m
Cost:						
At 29 December 2015	1,187.4	484.3	153.6	8.3	241.2	2,074.8
Additions via business combination	8.9	–	2.8	1.6	–	13.3
Additions	–	–	–	–	55.6	55.6
Effect of foreign exchange rates	54.8	–	4.8	1.1	5.6	66.3
At 27 December 2016	1,251.1	484.3	161.2	11.0	302.4	2,210.0
Additions	–	–	–	–	80.7	80.7
Impairment losses	(238.3)	–	–	–	–	(238.3)
Disposals (note 17)	(7.1)	–	–	–	–	(7.1)
Effect of foreign exchange rates	(5.0)	–	(1.4)	–	(0.9)	(7.3)
<b>At 26 December 2017</b>	<b>1,000.7</b>	<b>484.3</b>	<b>159.8</b>	<b>11.0</b>	<b>382.2</b>	<b>2,038.0</b>
Accumulated amortisation:						
At 29 December 2015	41.6	–	140.4	7.1	153.4	342.5
Charge for the period	–	–	4.8	2.8	47.4	55.0
Effect of foreign exchange rates	–	–	2.7	1.1	3.4	7.2
At 27 December 2016	41.6	–	147.9	11.0	204.2	404.7
Charge for the period	–	–	5.1	–	52.4	57.5
Effect of foreign exchange rates	–	–	(0.9)	–	(0.6)	(1.5)
<b>At 26 December 2017</b>	<b>41.6</b>	<b>–</b>	<b>152.1</b>	<b>11.0</b>	<b>256.0</b>	<b>460.7</b>
Net book value:						
<b>At 26 December 2017</b>	<b>959.1</b>	<b>484.3</b>	<b>7.7</b>	<b>–</b>	<b>126.2</b>	<b>1,577.3</b>
At 27 December 2016	1,209.5	484.3	13.3	–	98.2	1,805.3

Licences are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life owing to: the fact that the Group is a significant operator in a well-established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

#### Brands, trade names and customer relationships

This category of assets includes brands, trade names and customer relationships recognised in business combinations. These include the following significant items:

##### (i) US assets

In 2012, the Group acquired three US businesses. Brands and other assets of £13.1m were recognised and are being amortised over lives of between three and ten years. Certain assets were fully amortised in the current period.

##### (ii) Sportingbet assets

In March 2013, the Group acquired businesses and assets from the Sportingbet group, including operations under the Centrebet brand. Brand and customer relationship assets were recognised of £163.1m and these are being amortised over lives ranging up to 12 years.

##### (iii) Grand Parade assets

In 2016, the Group acquired Grand Parade Limited. Customer relationships and brand assets of £2.8m were recognised on acquisition and are being amortised over a life of 18 months.

#### Impairment reviews

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. This is an area where the directors exercise judgement and estimation, as noted on page 115. The most recent test was conducted at 26 December 2017. Testing is carried out by allocating the carrying value of these assets to cash-generating units (CGUs) and determining the recoverable amounts of those CGUs through value in use calculations. Where the recoverable amount exceeds the carrying value of the assets, the assets are considered as not impaired.

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

## 12. Intangible assets continued

These are forecasts, looking four years ahead, with separate extrapolation of net revenue and expenses by division based on a combination of recently observable trends, management expectations and known future events. For the purposes of the value in use calculation, the long-range operating forecast is extended to cover a five-year period. Year one of the long-range adjusted operating profit forecast is replaced immediately prior to use if an annual budget for that year has been subsequently approved. This is done to ensure that year one of the test reflects the latest detailed planning for that period. The implications, if any, of a materially different adjusted operating profit outcome for annual budget versus the relevant year of the long range forecast are also considered at that point. Cash flows beyond that five-year period are extrapolated using long-term growth rates as estimated for each CGU separately. Both the following year's budget and the long-range adjusted operating profit forecasts are approved by the Board.

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

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

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

The other significant assumptions incorporated into our impairment reviews are those relating to discount rates and long-term growth assumptions, as noted below separately for each CGU.

### CGUs

Cash-generating unit	Discount rate %	Long-term growth rate %
Retail	9.1	0.0
Online	8.3	2.6
US	12.2	3.0
Australia	11.5	2.6

Australia CGU recognised an impairment of £238.3m in Other operating expenses as an exceptional item (note 3). The impairment reflects the changes in regulation in Australia, both the ban on credit betting and the Point of Consumption Tax ('POCT'), as well as the strategic review being undertaken by management due to the regulation changes. During the year the South Australia State Government introduced a POCT on betting at 15% of gross win. The Western Australia State Government have also announced a POCT of 15% commencing on 1 January 2019. The cash flow forecasts incorporate the impact from these tax changes as they are known. They also include probability weighted cash flows of POCT being enacted by other states. No impairment was identified in any of the other CGUs tested.

The CGUs are defined as their segment, which we describe in note 2. The carrying value of each CGU's goodwill and indefinite lives intangible assets is as below:

Cash-generating unit	Goodwill £m	Indefinite life intangibles £m	Total £m
Retail	680.7	484.3	1,165.0
Online	193.3	–	193.3
US	22.4	–	22.4
Australia	62.7	–	62.7

### Sensitivity of impairment reviews

For CGUs reviewed at 26 December 2017, no impairment would occur under any reasonable possible changes in assumptions upon which the recoverable amount was estimated, other than a 20% decrease in future cash flows would lead to a £110.9m impairment for the Retail CGU.

The recoverable amount of the Retail CGU exceeds the carrying amount by £207.7m. A decrease in forecast operating cash flows of 13.0% would lead to the recoverable amount of the Retail CGU equalling the carrying amount.

## Notes to the Group financial statements continued

### 12. Intangible assets continued

The Triennial Review of Stakes and Prizes is currently ongoing and the timing of recommendations from the UK Government remains unclear. These will likely include changes to the regulation of the maximum stakes on gaming machines. A severely adverse outcome would significantly increase the risk of a material impairment of assets in the Retail division. Although the result of the Triennial Review is not yet known, based on the impairment review conducted for the Retail CGU, a 30% fall in future cash flows, with all other things being equal, would lead to an impairment of £270.3m; a 40% fall in future cash flows would lead to an impairment of £429.6m and a 50% fall would lead to an impairment of £588.9m.

In Australia, the impairment review performed incorporates probability weighted cash flows of POCT being enacted by additional states. The actual decisions made by the different states may differ from the estimated probabilities and an adverse outcome could lead to further impairments in the Australia CGU.

### 13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 29 December 2015	390.1	126.8	516.9
Additions via business combination	–	0.2	0.2
Additions	12.2	19.5	31.7
Disposals	(5.7)	(0.4)	(6.1)
Effect of foreign exchange rates	1.4	2.5	3.9
At 27 December 2016	398.0	148.6	546.6
Additions	13.9	2.9	16.8
Disposals	(21.0)	(1.0)	(22.0)
Effect of foreign exchange rates	(0.5)	(0.7)	(1.2)
<b>At 26 December 2017</b>	<b>390.4</b>	<b>149.8</b>	<b>540.2</b>

#### Accumulated depreciation:

At 29 December 2015	208.9	97.4	306.3
Charge for the period	24.2	7.4	31.6
Disposals	(5.3)	(0.3)	(5.6)
Effect of foreign exchange rates	0.7	1.1	1.8
At 27 December 2016	228.5	105.6	334.1
Charge for the period	22.1	8.0	30.1
Disposals	(13.3)	(0.6)	(13.9)
Effect of foreign exchange rates	(0.2)	(0.4)	(0.6)
<b>At 26 December 2017</b>	<b>237.1</b>	<b>112.6</b>	<b>349.7</b>

#### Net book value:

<b>At 26 December 2017</b>	<b>153.3</b>	<b>37.2</b>	<b>190.5</b>
At 27 December 2016	169.5	43.0	212.5

The net book value of land and buildings comprises:

	26 December 2017 £m	27 December 2016 £m
Freehold	27.6	33.7
Long leasehold improvements	7.9	8.6
Short leasehold improvements	117.8	127.2
	<b>153.3</b>	169.5

Of the total net book value of land and buildings, £3.6m (27 December 2016: £3.8m) relates to administrative buildings and the remainder represents LBOs in the UK and betting locations in Nevada. The cost of assets on which depreciation is not provided amounts to £4.8m, representing freehold land (27 December 2016: £4.9m). There are no assets within property, plant and equipment held under finance leases at 26 December 2017 or 27 December 2016. At 26 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.5m (27 December 2016: £0.4m).



## 14. Subsidiaries

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings as at 26 December 2017, the address of their registered office and their country of incorporation is shown below. The entire issued share capital is held within the Group except where otherwise shown.

		Proportion of all classes of issued share capital owned by the Company
<b>Directly owned:</b>		
William Hill Holdings Limited <sup>(1)</sup>	Great Britain	100%
<b>Held through intermediate companies</b>		
Name of subsidiary	Country of incorporation	% holding
Ad-agency Limited (entered dissolution process in 2018) <sup>(10)</sup>	Israel	100%
A.J.Schofield Limited <sup>(1)</sup>	Great Britain	100%
American Wagering, Inc. <sup>(4)</sup>	USA	100%
Arena Racing Limited <sup>(1)</sup>	Great Britain	100%
Arthur Roye (Turf Accountants) Limited <sup>(1)</sup>	Great Britain	100%
Arthur Wilson Limited <sup>(1)</sup>	Great Britain	100%
AWI Gaming, Inc. <sup>(4)</sup>	USA	100%
AWI Manufacturing, Inc. <sup>(4)</sup>	USA	100%
B.B.O'Connor (Lottery) Limited <sup>(5)</sup>	Jersey	100%
B.J.O'Connor Limited <sup>(5)</sup>	Jersey	100%
B.J.O'Connor Holdings Limited <sup>(5)</sup>	Jersey	100%
Baseflame Limited <sup>(1)</sup>	Great Britain	100%
142 876 079 Pty Limited <sup>(3)</sup>	Australia	100%
Bill Taylor of Huyton Limited <sup>(1)</sup>	Great Britain	100%
Bookhost Limited <sup>(1)</sup>	Great Britain	100%
Bradlow Limited <sup>(1)</sup>	Great Britain	100%
Brandywine Bookmaking, LLC <sup>(4)</sup>	USA	100%
Brooke Bookmakers Limited <sup>(1)</sup>	Great Britain	100%
BW Sub Co. <sup>(4)</sup>	USA	100%
Camec (Provincial) Limited <sup>(1)</sup>	Great Britain	100%
Camec (Scotland) Limited <sup>(1)</sup>	Great Britain	100%
Camec (Southern) Limited <sup>(1)</sup>	Great Britain	100%
Camec (Western) Limited <sup>(1)</sup>	Great Britain	100%
Camec Limited <sup>(1)</sup>	Great Britain	100%
Cellpoint Investments Limited <sup>(11)</sup>	Cyprus	100%
City Tote Limited <sup>(1)</sup>	Great Britain	100%
Clevey House Limited <sup>(8)</sup>	Guernsey	100%
Computerized Bookmaking Systems, Inc. <sup>(4)</sup>	USA	100%
Concession Bookmakers Limited <sup>(1)</sup>	Great Britain	100%
Daniel McLaren Limited <sup>(1)</sup>	Great Britain	100%
Dawcar Limited <sup>(1)</sup>	Great Britain	100%
Deluxe Online Limited <sup>(1)</sup>	Great Britain	100%
Demmy Investments Limited <sup>(1)</sup>	Great Britain	100%
Deviceguide Limited <sup>(1)</sup>	Great Britain	100%
Dilea Secretarial Limited <sup>(12)</sup>	Cyprus	100%
Douglas Tyler Limited <sup>(1)</sup>	Great Britain	100%
Eclipse Bookmakers Limited <sup>(1)</sup>	Great Britain	100%
Evenmedia Limited <sup>(1)</sup>	Great Britain	100%
Eventip Limited <sup>(1)</sup>	Great Britain	100%
<b>Held through intermediate companies</b>		
Name of subsidiary	Country of incorporation	% holding
Fred Parkinson Management Limited <sup>(1)</sup>	Great Britain	100%
103 962 527 Pty Limited <sup>(3)</sup>	Australia	100%
Gearnnet Limited <sup>(1)</sup>	Great Britain	100%
Goodfigure Limited <sup>(1)</sup>	Great Britain	100%
Grand Parade Limited <sup>(1)</sup>	Great Britain	100%
Grand Parade sp. z o.o. <sup>(18)</sup>	Poland	100%
Groatbray Limited <sup>(1)</sup>	Great Britain	100%
Gus Carter (Cash) Limited <sup>(1)</sup>	Great Britain	100%
Gus Carter Limited <sup>(1)</sup>	Great Britain	100%
Ivy Lodge Limited <sup>(8)</sup>	Guernsey	100%
James Lane (Bookmaker) Limited <sup>(1)</sup>	Great Britain	100%
James Lane Group Limited <sup>(1)</sup>	Great Britain	100%
James Lane (Turf Accountants) Limited <sup>(1)</sup>	Great Britain	100%
Laystall Limited <sup>(1)</sup>	Great Britain	100%
Les Rosiers Limited <sup>(8)</sup>	Guernsey	100%
Matsbest Limited <sup>(1)</sup>	Great Britain	100%
Matsdom Limited <sup>(1)</sup>	Great Britain	100%
Matsgood Limited <sup>(1)</sup>	Great Britain	100%
Nalim Limited <sup>(1)</sup>	Great Britain	100%
Ogier Employee Benefit Trustee Limited (As Trustee of the William Hill Holdings 2001 Employee Benefit Trust) <sup>(5)</sup>	Jersey	100%
Pandashield Limited <sup>(1)</sup>	Great Britain	100%
Phonethread Limited <sup>(1)</sup>	Great Britain	100%
Premier Bookmakers Limited <sup>(1)</sup>	Great Britain	100%
Regency Bookmakers (Midlands) Limited <sup>(1)</sup>	Great Britain	100%
Regionmodel Limited <sup>(1)</sup>	Great Britain	100%
SB Services (NZ) Limited <sup>(19)</sup>	New Zealand	100%
SBA Services Pty Ltd <sup>(3)</sup>	Australia	100%
Selwyn Demmy (Racing) Limited <sup>(1)</sup>	Great Britain	100%
Sherman Racing (Western) Limited <sup>(1)</sup>	Great Britain	100%
Sportingbet Australia Finance LLP <sup>(1)</sup>	Great Britain	100%
Sportingbet Australia Holdings Pty Limited <sup>(3)</sup>	Australia	100%
083 513 811 Pty Limited <sup>(3)</sup>	Australia	100%
St James Place Limited <sup>(8)</sup>	Guernsey	100%
T H Jennings (Harlow Pools) Limited <sup>(1)</sup>	Great Britain	100%
The Sporting Club and Investment Company of Ireland Limited <sup>(7)</sup>	Ireland	100%
Tom Waterhouse NT Pty Limited <sup>(3)</sup>	Australia	100%
Trackcycle Limited <sup>(1)</sup>	Great Britain	100%

## Notes to the Group financial statements continued

## 14. Subsidiaries continued

## Held through intermediate companies

Name of subsidiary	Country of incorporation	% holding
Transdawn Limited <sup>(1)</sup>	Great Britain	100%
Vickers Bookmakers Limited <sup>(1)</sup>	Great Britain	100%
Vynplex Limited <sup>(1)</sup>	Great Britain	100%
WHG Customer Services Philippines, Inc. <sup>(9)</sup>	Philippines	100%
WHG IP Licensing Limited <sup>(2)</sup>	Gibraltar	100%
WHG Italia S.R.L. <sup>(17)</sup>	Italy	100%
WHG Online Marketing Spain S.A. <sup>(15)</sup>	Spain	100%
WHG Services (Philippines) Ltd <sup>(9)</sup>	Philippines	100%
WHG Services Estonia OU <sup>(13)</sup>	Estonia	100%
WHG Services Limited <sup>(1)</sup>	Great Britain	100%
WHG Trading Limited <sup>(2)</sup>	Gibraltar	100%
WHG (International) Limited <sup>(2)</sup>	Gibraltar	100%
WHG Services (Bulgaria) Limited EOOD <sup>(12)</sup>	Bulgaria	100%
WHG Spain PLC <sup>(15)</sup>	Spain	100%
WHG-IP Partnership <sup>(2)</sup>	Gibraltar	100%
Will Hill Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Alba) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Caledonian) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Course) Limited <sup>(1)</sup>	Great Britain	100%
William Hill DFSB Inc. <sup>(4)</sup>	USA	100%
William Hill (Edgware Road) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Effects) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Essex) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Football) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Goods) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Grampian) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (IOM) No.3 Limited <sup>(6)</sup>	Isle of Man	100%
William Hill (London) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Malta) Limited <sup>(15)</sup>	Malta	100%
William Hill (Midlands) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (North Eastern) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (North Western) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Northern) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Products) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Resources) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Scotland) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Southern) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Stock) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Strathclyde) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Supplies) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Wares) Limited <sup>(1)</sup>	Great Britain	100%
William Hill (Western) Limited <sup>(1)</sup>	Great Britain	100%
William Hill Australia Holdings Pty Limited <sup>(3)</sup>	Australia	100%
William Hill Australia Pty Limited <sup>(3)</sup>	Australia	100%
William Hill Australia Wagering Pty Limited <sup>(3)</sup>	Australia	100%
William Hill Bookmakers (Ireland) Limited <sup>(7)</sup>	Ireland	100%

## Held through intermediate companies

Name of subsidiary	Country of incorporation	% holding
William Hill Call Centre Limited <sup>(7)</sup>	Ireland	100%
William Hill Credit Limited <sup>(1)</sup>	Great Britain	100%
William Hill Employee Shares Trustee Limited <sup>(1)</sup>	Great Britain	100%
William Hill Finance Limited <sup>(1)</sup>	Great Britain	100%
The William Hill Foundation <sup>(1)</sup>	Great Britain	100%
William Hill Index (London) Limited <sup>(1)</sup>	Great Britain	100%
William Hill Investments Limited <sup>(1)</sup>	Great Britain	100%
William Hill Italia S.R.L. <sup>(17)</sup> (entered dissolution process in 2018)	Italy	100%
William Hill Leisure Limited <sup>(1)</sup>	Great Britain	100%
William Hill Nevada I <sup>(4)</sup>	USA	100%
William Hill Nevada II <sup>(4)</sup>	USA	100%
William Hill Offshore Limited <sup>(7)</sup>	Ireland	100%
William Hill Organization Limited <sup>(1)</sup>	Great Britain	100%
William Hill Steeplechase Limited <sup>(2)</sup>	Gibraltar	100%
William Hill Trustee Limited <sup>(1)</sup>	Great Britain	100%
William Hill US Holdco, Inc. <sup>(4)</sup>	USA	100%
William Hill New Jersey, Inc. <sup>(4)</sup>	USA	100%
William Hill Victoria LP <sup>(3)</sup>	Australia	100%
Willstan (I.O.M) Limited <sup>(6)</sup>	Isle Of Man	100%
Willstan Limited <sup>(1)</sup>	Northern Ireland	100%
Willstan Properties Limited <sup>(1)</sup>	Great Britain	100%
Willstan Racing (Ireland) Limited <sup>(7)</sup>	Ireland	100%
Willstan Racing Holdings Limited <sup>(1)</sup>	Great Britain	100%
Willstan Racing Limited <sup>(1)</sup>	Great Britain	100%
Windsors (Sporting Investments) Limited <sup>(1)</sup>	Great Britain	100%
Winning Post Racing Limited <sup>(1)</sup>	Great Britain	100%
092 408833 Pty Limited <sup>(3)</sup>	Australia	100%
066 441 067 Pty Limited <sup>(3)</sup>	Australia	100%
Sports Information Services (Holdings) Limited <sup>(21)</sup>	Great Britain	19.5%
NeoGames S.a.r.l <sup>(22)</sup>	Luxembourg	30.9%
49s Limited <sup>(20)</sup>	Great Britain	33%
Lucky Choice Limited <sup>(20)</sup>	Great Britain	33%

## 14. Subsidiaries continued

The proportion of voting rights held is the same as the proportion of shares held.

The registered addresses of the locations of the Group's undertakings are as follows:

- (1) Great Britain: Greenside House, 50 Station Road, Wood Green, London, N22 7TP
- (2) Gibraltar: 6/1 Waterport Place, Gibraltar
- (3) Australia: Level 30, 2 Park Street, Sydney NSW 2000, Australia
- (4) USA: 6325 S. Rainbow Blvd, Suite 100, Las Vegas NV 89118, United States
- (5) Jersey: PO Box 384, 6 Hilgrove Street, St Helier, Jersey, Channel Islands
- (6) Isle of Man: First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF
- (7) Ireland: 39/40 Upper Mount Street, Dublin 2, Republic of Ireland
- (8) Guernsey: Quay House, South Esplanade, St Peter Port, Guernsey, GY1 4EJ
- (9) Philippines: 11th Floor, Net Lima Plaza, 5th Avenue, corner 26th St, Crescent Park West, Bonifacio Global City, Taguig City, Philippines
- (10) Israel: Azrieli Square Tower, floors 31&32 132 Menachim Begin Road, Tel Aviv, 67011, Israel
- (11) Cyprus: Athinodoros, 2003 Nicosia, Cyprus
- (12) Bulgaria: 115-L Tsarigradsko Shosse Blvd, European Trade Center, Building C, Floor 5
- (13) Estonia: Maakri tn 23a 10145, Tallinn Linn, Harju Maakond, Republic of Estonia
- (14) Malta: No. 217 Suite 4, 21st September Avenue, Naxxar, Malta
- (15) Spain: C/ ALCALA, 55 1 - IZQUIERDA. 28014, MADRID
- (16) Italy: Via San Giovanni, Sul Muro 18 Milano, Milan, Italy
- (17) Italy: Piazza di Monte Citorio, 115 00186, Rome, Italy
- (18) Poland: Ul. Prądnicka 20a 30-002 Kraków
- (19) New Zealand: C/-Staples Rodway, Lvl 11, 45 Queen Street, Auckland, New Zealand
- (20) Great Britain: Dudley House, 169 Piccadilly, W1J 9EH
- (21) Great Britain: Whitehall Avenue, Milton Keynes, MK10 0AX
- (22) Luxembourg: 1 Schuttrange, Luxembourg

## 15. Interests in associates

The Group holds interests in four associated undertakings at an aggregate value of £28.6m (27 December 2016: £30.8m).

The Group uses the equity method of accounting for associates. The following table shows the aggregate movement in the Group's interests in associates.

	£m
At 27 December 2016	30.8
Share of results before interest and taxation	1.6
Share of interest	(0.2)
Share of taxation	(0.7)
Dividend received	(2.9)
<b>At 26 December 2017</b>	<b>28.6</b>

## SIS

At 26 December 2017, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (27 December 2016: 19.5%) of the ordinary share capital of Sports Information Services (Holdings) Limited (SIS), formerly Satellite Information Services (Holdings) Limited, a company incorporated in Great Britain. The Group is able to exert significant influence over SIS by way of its 19.5% holding and its seat on the Board of directors.

The SIS group of companies provides real time, pre-event information and results, as well as live coverage of horseracing, greyhound racing and other sporting activities and events via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The results recognised are based on statutory accounts to March 2017 and management accounts thereafter.

The following financial information relates to SIS as at and for the 52 weeks ended 26 December 2017:

	26 December 2017 £m	27 December 2016 £m
Total assets	140.4	145.6
Total liabilities	(60.5)	(59.2)
Total revenue	204.0	223.9
Total profit after tax	10.6	16.4

## Notes to the Group financial statements continued

### 15. Interests in associates continued

#### NeoGames

On 7 August 2015, William Hill Organization Limited acquired 30.9% of the ordinary share capital of NeoGames S.a.r.l (NeoGames), a company incorporated in Luxembourg, for a total cash consideration of US\$25.0m. The Group is able to exert influence over NeoGames by way of its equity holding and its two nominated representatives on the Board of directors, who collectively can cast 30.9% of any Board votes. As part of the acquisition, William Hill Organization Limited has an option to acquire the remaining share capital in either 2019 or 2021. The option is exercisable at the full discretion of William Hill and the price payable will be determined at the time of exercise on the basis of NeoGames's financial performance. Should the option not be exercised, other shareholders in NeoGames have the option to repurchase our stake under the same valuation mechanism. No initial value was recognised in respect of these options at acquisition and the fair value of these options was £nil at 26 December 2017.

NeoGames is a leading iLottery software and service provider to lotteries worldwide, including in Europe and the USA.

The following financial information relates to NeoGames as at and for the 52 weeks ended 26 December 2017:

	26 December 2017 £m	27 December 2016 £m
Total assets	12.6	9.9
Total liabilities	(9.6)	(20.6)
Total revenue	12.6	6.1
Total loss after tax	5.6	7.1

#### Lucky Choice Limited and 49's Limited

William Hill Organization Limited also holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. In the opinion of the directors, the results of these companies are not material to the results of the Group. Consequently, the investments have been stated at cost and have not been accounted for under the equity method, which would normally be appropriate for an associated undertaking. A dividend of £0.4m was received from 49's Limited which was recognised within share of results of associates (note 4).

### 16. Investments

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

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

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

#### Convertible Notes

On 4 April 2016, in connection with a commercial agreement, the Group invested £80.0m into redeemable convertible preference shares issued by NYX. The convertible preference shares were convertible into NYX ordinary shares or redeemable in cash, with an implied interest coupon of 6% payable in kind at the term of ten years. As the redeemable convertible preference shares were akin to convertible notes they were therefore accounted for as such (Convertible Notes). The embedded derivative element was bifurcated from the loan element and accounted for separately. The Group has agreed consideration of £87.9m for the disposal of the convertible preference shares in January 2018.

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

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

## 16. Investments continued

### Ordinary Shares

On 20 April 2016, an investment of CAD \$18.8m (£10.3m) was made into ordinary equity of NYX, representing 6.8 million ordinary shares (Ordinary Shares), valued at £9.7m, and 1.7 million warrants (Warrants), valued at £0.6m.

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

### Warrants

The Warrants are a derivative and are therefore categorised as fair value through profit or loss. These are revalued to fair value at each period end with any movements recognised in the Income Statement, as an adjustment as defined by note 3, within operating expenses. At 26 December 2017 the Warrants were valued at £0.3m and held within non-current derivative financial instruments. No fair value changes were recognised in the period (27 December 2017: £0.3m loss).

### Loan

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

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

	27 December 2016 £m	Gain/interest recognised in Income Statement £m	Fair value gain recognised in Other Comprehensive Income £m	26 December 2017 £m
<b>Fair Value through the Income Statement</b>				
Derivative financial instruments (Convertible element of Convertible Notes)	34.5	72	–	<b>41.7</b>
Derivative financial instruments (Warrants)	0.3	–	–	<b>0.3</b>
Total derivative financial instruments (note 24)	34.8	72	–	<b>42.0</b>
<b>Loans and receivables</b>				
Loans receivable (Loan element of Convertible Notes)	40.7	5.5	–	<b>46.2</b>
Loans receivable (Loan)	3.2	–	–	<b>3.2</b>
Total loans receivable (note 24)	43.9	5.5	–	<b>49.4</b>
<b>Available-for-sale</b>				
Investments (ordinary shares) (note 24)	5.3	–	4.0	<b>9.3</b>
<b>Total financial assets</b>	<b>84.0</b>	<b>12.7</b>	<b>4.0</b>	<b>100.7</b>

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

## Notes to the Group financial statements continued

### 17. Disposal of Stadia operations

On 31 July 2017, the Group sold its Greyhound Stadia operations to ARC. The funds received were less than the assets sold, and due to the one-off nature of the transaction, the loss on disposal was recognised as an exceptional item (note 3). The net assets disposed, along with the loss on sale and net cash received are shown below.

	At 31 July 2017 £m
Goodwill	7.1
Property, plant and equipment	4.9
Trade and other receivables	0.6
Cash and cash equivalents	0.6
Trade and other payables	(0.4)
Corporation tax liabilities	(0.1)
Net assets disposed	12.7
Costs to sell	0.7
Proceeds on sale	(10.9)
Loss on disposal	2.5
Proceeds on sale	(10.9)
Working capital adjustment	0.2
Horserace sponsorship <sup>1</sup>	1.3
Cash disposed on sale of Stadia operations	0.6
Net cash received on sale of Stadia operations	(8.8)

<sup>1</sup> As part of the agreement with ARC, William Hill agreed sponsorship of £1.3m for the St Leger.

### 18. Trade and other receivables

Trade and other receivables comprise:

	26 December 2017 £m	27 December 2016 £m
Trade receivables	17.9	20.4
Other receivables	9.4	10.8
Prepayments	45.6	41.5
	72.9	72.7

Trade receivables are stated at their gross receivable value as reduced by appropriate allowances for estimated irrecoverable amounts. During the course of the current and previous financial period, there have been no material bad debt expenses and the Group holds provisions for bad or doubtful debt of £4.1m as at 26 December 2017 (27 December 2016: £4.2m).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

## 19. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term bank deposits held by the Group with an original maturity of three months or less. In total the Group has £317.0m in cash and cash equivalents (27 December 2016: £215.5m). The carrying amount of these assets approximates their fair value.

Cash and cash equivalents include:

	26 December 2017 £m	27 December 2016 £m
Cash and cash equivalents total	317.0	215.5
Less:		
Client funds held in Online <sup>1</sup>	(67.1)	(72.2)
Client funds held in Australia <sup>1</sup>	(18.1)	(17.3)
Restricted funds held in US <sup>2</sup>	(15.0)	(12.2)
Restricted deposits in respect of Spanish and Italian regulatory requirements	(3.3)	(2.8)
Cash (excluding customer balances and restricted cash) <sup>3</sup>	213.5	111.0

1 Client funds held are entirely matched by liabilities of an equal value.

2 Restricted funds held in the US cannot be withdrawn without approval from the local regulator and match or exceed betting and customer liabilities.

3 Cash (excluding customer balances and restricted cash) represents the cash available to the Group used in the calculation of net debt for covenant purposes (note 23).

## 20. Investment property

The Group owns four residential investment properties in Guernsey, all of which are classified as held for sale at 26 December 2017, consistently with 27 December 2016. These assets are presented within current assets.

The properties are held at a fair value of £3.5m (27 December 2016: £3.5m), based upon estimates of current market prices advised by independent estate agents at 26 December 2017. Fair value movements during the period of £nil have been charged to the Consolidated Income Statement (52 weeks ended 27 December 2016: £0.1m).

During the period, rental income on these properties amounted to £0.1m (52 weeks ending 27 December 2016: £0.1m). The properties and the income generated by them are included within the Corporate segment as described in note 2.

## 21. Trade and other payables

Trade and other payables comprise:

	26 December 2017 £m	27 December 2016 £m
Trade payables	125.4	129.6
Other payables	7.5	7.3
Taxation and social security	126.9	98.2
Accruals and provisions	195.7	135.3
	455.5	370.4

The average credit period taken for trade purchases is 15 days (period ended 27 December 2016: 13 days).

The directors consider that the carrying amount of trade payables approximates their fair value.

Included in trade payables is an amount of £91.5m (27 December 2016: £94.6m) in respect of amounts due to clients, representing deposits received and customer winnings. This is offset by an equivalent or greater amount of cash held, which is included in cash and cash equivalents.

Included in accruals and provisions are provisions of £11.1m (27 December 2016: £4.9m), £7.8m (27 December 2016: £4.9m) in respect of vacant property, being LBOs that have ceased to trade and £3.3m (27 December 2016: £nil) in respect of a specific onerous contract.

## Notes to the Group financial statements continued

### 22. Borrowings

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

#### Bank facilities

At 26 December 2017, the Group had the following bank facilities:

1. A committed revolving credit bank loan facility (RCF) of £540m provided by a syndicate of banks which expires in May 2019. At the period end, £nil of this facility was drawn down (27 December 2016: £nil).
2. An overdraft facility of £5m, of which £nil was drawn down at the period end (27 December 2016: £nil).

#### £540m Revolving Credit Facility

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

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (note 23). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

#### Overdraft facility

At 26 December 2017, the Group had an overdraft facility with National Westminster Bank plc of £5m (27 December 2016: £5m). The balance on this facility at 26 December 2017 was £nil (27 December 2016: £nil).

#### Corporate bonds

##### (i) £375m 4.25% Guaranteed Notes due 2020

In June 2013, the Group issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the bonds used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon rate of 4.25% and are due for redemption in June 2020.

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

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

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



## 22. Borrowings continued

### Weighted average interest rates

The weighted average interest rates paid, including commitment fees, were as follows:

	52 weeks ended 26 December 2017 %	52 weeks ended 27 December 2016 %
2023 bond	4.9%	4.9%
2020 bond	4.3%	4.3%
2016 bond	–	7.1%
Bank loans	n/a	n/a

Where a bank facility has only been used for short periods, we have not calculated a weighted average interest rate as this is not a useful indication of our cost of debt.

### Fair value of loans and facilities

The Company's £375m 4.25% Guaranteed Notes due 2020 are listed on the London Stock Exchange and at the period end date their fair value was £394.5m (27 December 2016: £389.6m).

The Company's £350m 4.875% Guaranteed Notes due 2023 are listed on the London Stock Exchange and at the period end date their fair value was £365.3m (27 December 2016: £349.1m).

## 23. Financial risk management

The Group's activities expose it to a variety of financial risks. Financial risk management is primarily carried out by the Group Treasurer under risk management policies approved by the Board of directors and supervised by the CFO. The Board approves written principles for risk management, as described in the Strategic Report on page 45. The principal financial risks faced by the Group comprise liquidity risk, financing risk, credit risk, interest rate risk, currency risk and pensions risk. These risks are managed as described below.

### Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds available to settle its liabilities as they fall due. The Group's business generates strong operating cash flows and the Group aims to maintain sufficient cash balances to meet its anticipated working capital requirements based on regularly updated cash flow forecasts. Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Group's RCF. The Group maintains adequate committed but undrawn facilities to meet such requirements. Details of the Group's borrowing arrangements are provided in note 22.

The table below details the Group's expected maturity for its derivative and non-derivative financial liabilities. The table has been drawn up on the undiscounted contractual maturities of the financial instruments including interest that will be receivable or payable on them. Where applicable, interest payments in respect of the floating rate liabilities are estimated based on the one month sterling LIBOR rate at the period end date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Total £m
<b>26 December 2017</b>					
2020 bond including interest	15.9	15.9	381.8	–	413.6
2023 bond including interest	17.1	17.1	51.2	361.8	447.2
Bank loans including interest <sup>1</sup>	2.7	1.1	–	–	3.8
Other financial liabilities	282.6	–	–	–	282.6
Total	318.3	34.1	433.0	361.8	1,147.2
<b>27 December 2016</b>					
2020 bond including interest	15.9	15.9	397.8	–	429.6
2023 bond including interest	17.1	17.1	51.3	378.7	464.2
Bank loans including interest <sup>1</sup>	3.1	3.1	1.3	–	7.5
Other financial liabilities	274.8	–	–	–	274.8
Total	310.9	36.1	450.4	378.7	1,176.1

<sup>1</sup> Bank loan interest includes commitment fees payable on the undrawn portion of the RCF.

## Notes to the Group financial statements continued

### 23. Financial risk management continued

#### Capital management and financing risk

The Group seeks to maintain an appropriate capital structure which enables it to continue as a going concern, supports its business strategy and takes into account the wider economic environment. The Group's capital comprises equity and debt finance and these elements are managed to balance the requirements of the business and the interests of shareholders and debt stakeholders. The Group manages its capital structure through cash flows from operations, returns to shareholders in the form of dividends and share buybacks, the raising or repayment of debt and the raising of equity capital from investors.

Financing risk is the risk that the Group is unable to access sufficient finance to refinance its debt obligations as they fall due. The Group manages this risk by maintaining a balance between different funding sources including equity and debt. It seeks to mitigate its debt financing risk by diversifying its sources of loan finance. The bank loan and corporate bond markets are currently used for this purpose. The Board also seeks to mitigate the Group's refinancing risk by having an appropriately balanced debt maturity profile.

#### Net debt to EBITDA ratio

The Group assesses its debt capital structure primarily through use of the net debt to EBITDA ratio. As one of the financial covenants under its bank loan facility, the Group must ensure that its net debt to rolling 12-month EBITDA does not exceed 3.5 times. Based on current forecasts, the Group expects to operate within these covenant limits throughout the lifetime of the facility.

Net debt for covenant purposes and EBITDA for covenant purposes are not statutory measures and may differ from loan covenant measures as used by other companies.

The net debt to EBITDA ratio was:

	26 December 2017 £m	27 December 2016 £m
Nominal value of bank loans	–	–
Nominal value of corporate bonds	725.0	725.0
Counter indemnity obligations under bank guarantees	3.7	4.1
Cash (excluding customer balances and other restricted cash) (note 19)	(213.5)	(111.0)
Net debt for covenant purposes	515.2	618.1
EBITDA for covenant purposes (see table below)	379.0	347.8
<b>Net debt to EBITDA ratio</b>	<b>1.4</b>	<b>1.8</b>

EBITDA for covenant purposes is adjusted profit before depreciation, amortisation, interest, tax and share-based payments and is calculated as follows:

	26 December 2017 £m	27 December 2016 £m
Adjusted profit before interest and tax	291.3	261.5
Depreciation	30.1	31.6
Amortisation of intangible assets	52.4	48.6
Share-based payments	5.2	6.1
<b>EBITDA for covenant purposes</b>	<b>379.0</b>	<b>347.8</b>

#### Credit risk

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss to the Group. It arises in relation to transactions with commercial counterparties and to transactions with financial institutions with which the Group deposits its surplus funds and from counterparties with which the Group has entered into derivative financial transactions for hedging purposes. It also arises from customers who have been granted credit with which to bet with the Group.

The Group manages its financial counterparty credit risk by limiting or otherwise closely monitoring the amount that can be deposited with any one institution and by restricting the counterparties with which it will deposit funds to institutions with specified minimum credit ratings or which meet specified criteria. The Group's policy is to mitigate its credit risk with respect to derivative transactions by using a number of different counterparties for material transactions. As at 26 December 2017, the Group had no derivative contracts for currency hedging purposes (27 December 2016: £nil).

## 23. Financial risk management continued

### Interest rate risk

Interest rate risk arises from the Group's borrowings. The Group has a policy which aims to maintain a balance between fixed and floating rate debt exposures appropriate to the expected performance of the business, the Group's debt burden and the wider economic environment.

At 26 December 2017, all of the Group's borrowings were at fixed rates.

The Group also earns investment income from deposits held at financial institutions. Based on the current level of variable interest bearing deposits and borrowing facilities, a 100 basis points change in interest rates would have the following impact on the Group financial statements:

	Increase of 100 basis points £m	Decrease of 100 basis points £m
Increase/(decrease) in profit	3.2	(0.9)
Increase/(decrease) in equity reserves	3.2	(0.9)

The directors have used a 100 basis points change in interest rates as we assess that this best illustrates the impact of plausible changes in interest rates on the Group's performance and financial position.

### Currency risk

The Group earns revenues in foreign currencies, primarily Australian Dollars, Euros and US Dollars, which exposes it to foreign exchange risk. The Group mitigates this risk by incurring costs in currencies matching its revenues. Any remaining transactional foreign currency exposure is not considered to be material and is not hedged. Material individual foreign currency transaction exposures are considered for hedging on an ad hoc basis.

The Group is also exposed to foreign currency accounting translation risk on the earnings and net assets of its overseas operations which are denominated in foreign currencies. The Group does not hedge such translation risk.

### Revenue by currency

Revenue by currency is analysed below.

	52 weeks ended 26 December 2017 %	52 weeks ended 27 December 2016 %
Sterling	81.6	82.3
Australian dollar	7.2	7.2
Euro	6.0	5.7
US dollar	4.3	3.8
Other currencies	0.9	1.0
Total	100.0	100.0

### Pensions risk

The Group operates defined benefit and defined contribution pension schemes for its employees. Pensions risk arises in respect of the defined benefit scheme where the cost of funding retirement benefits ultimately falls upon the Group. The last triennial actuarial valuation as at 30 September 2016 showed a funding surplus on the defined benefit scheme of £1.5m. The Group has agreed to pay £8.8m per annum towards ongoing funding requirements until December 2019. In addition it contributes £1.9m per annum towards the cost of insured death benefits and other administrative expenses of running the scheme.

The Group seeks to manage the cash flow impact arising from pensions risk. Accordingly, the defined benefit scheme was closed to new entrants in 2002 and was restricted as to future accrual from April 2011. The Group attempts to further manage its exposure by agreeing with the Pension Scheme Trustees the assumptions to be used to calculate the scheme liabilities, the investment strategy to be followed and any cash contributions to be made by the Group.

## Notes to the Group financial statements continued

### 24. Financial instruments

The carrying value of the Group's financial instruments by category, as defined by IAS 39, (together with non-financial instruments for reconciling purposes) is analysed as follows:

	26 December 2017 £m	27 December 2016 £m
<b>Fair Value through the Income Statement</b>		
Non-current derivative financial instruments (note 16)	42.0	34.8
<b>Loans and receivables</b>		
Cash and cash equivalents (note 19)	317.0	215.5
Trade and other receivables	27.3	31.2
Loans receivable (note 16)	49.4	43.9
<b>Available for sale</b>		
Investments (note 16)	9.4	5.4
<b>Total financial assets</b>	<b>445.1</b>	<b>330.8</b>
Non-financial assets	1,916.9	2,111.9
<b>Total assets</b>	<b>2,362.0</b>	<b>2,442.7</b>
<b>Fair Value through the Income Statement</b>		
Held for trading (ante post bets)	(14.1)	(14.0)
<b>Liabilities at amortised cost</b>		
Borrowings (note 22)	(720.5)	(718.6)
Trade and other payables	(268.2)	(260.8)
<b>Total financial liabilities</b>	<b>(1,002.8)</b>	<b>(993.4)</b>
Non-financial liabilities	(296.5)	(223.8)
<b>Total liabilities</b>	<b>(1,299.3)</b>	<b>(1,217.2)</b>
<b>Net assets</b>	<b>1,062.7</b>	<b>1,225.5</b>

The directors believe that, owing to the nature of the Group's non-derivative financial instruments, the carrying value equates to the fair value, apart from borrowings where the fair value is disclosed in note 22.

### Fair value hierarchy

The hierarchy (as defined in IFRS 13) of the Group's financial instruments carried at fair value was as follows:

	26 December 2017				27 December 2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets/(liabilities) held at fair value</b>								
Ante post bet liabilities	–	–	(14.1)	(14.1)	–	–	(14.0)	(14.0)
NYX – ordinary shares (note 16)	9.3	–	–	9.3	5.3	–	–	5.3
NYX – Convertible element of Convertible Notes (note 16)	–	–	41.7	41.7	–	–	34.5	34.5
NYX – Warrants (note 16)	–	–	0.3	0.3	–	–	0.3	0.3
<b>Total</b>	<b>9.3</b>	<b>–</b>	<b>27.9</b>	<b>37.2</b>	<b>5.3</b>	<b>–</b>	<b>20.8</b>	<b>26.1</b>

A reconciliation of movements on level 3 instruments is provided in the table below.

	NYX convertible element £m	NYX warrants £m	Ante post bet liabilities £m
At 27 December 2016	34.5	0.3	(14.0)
Total gains or losses:			
in profit or loss	7.2	–	–
Net settlements	–	–	(0.1)
Disposals	–	–	–
<b>At 26 December 2017</b>	<b>41.7</b>	<b>0.3</b>	<b>(14.1)</b>

## 25. Derivative financial instruments

Details of the Group's derivative financial instruments are given below.

### NYX Convertible element of Convertible Notes

The embedded derivative (Convertible element of Convertible Notes) was recognised at an initial fair value at acquisition of £44.1m. This has been valued at fair value of £41.7m determined as the agreed convertible preference share disposal consideration of £87.9m, less £46.2m carrying value of the Loan element of Convertible Notes (note 16).

### Ante post bets

Ante post bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Ante post bets at the period end totalled £14.1m (27 December 2016: £14.0m) and are classified as current liabilities.

Ante post bet liabilities are valued using methods and inputs that are not based upon observable market data and all fair value movements on the balance are recognised in revenue in the Income Statement. There are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets.

## 26. Deferred tax

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current period:

	At 27 December 2016 £m	Disposals £m	Amount credited to reserves £m	Amount credited/ (charged) to income £m	Amount credited to Other Comprehensive Income £m	At 26 December 2017 £m
Fixed asset timing differences	(2.6)	0.3	–	(0.7)	–	<b>(3.0)</b>
Held over gains	(1.2)	–	–	1.1	–	<b>(0.1)</b>
Retirement benefit obligations	(2.7)	–	–	(1.7)	(5.6)	<b>(10.0)</b>
Licences and other intangibles	(82.0)	–	–	0.1	–	<b>(81.9)</b>
Other timing differences	1.3	–	–	2.6	–	<b>3.9</b>
Share remuneration	0.5	–	0.8	0.9	–	<b>2.2</b>
Tax losses	1.0	–	–	(0.3)	–	<b>0.7</b>
	(85.7)	0.3	0.8	2.0	(5.6)	<b>(88.2)</b>

The enacted future rate of UK corporation tax of 17% (52 weeks ended 27 December 2016: 17%), the Gibraltar statutory income tax rate of 10% (52 weeks ended 27 December 2016: 10%), the Australian corporation tax rate of 30% (52 weeks ended 27 December 2016: 30%) and the future US corporate tax rate of 21% have been used to calculate the amount of deferred tax. The 21% future rate of US corporation tax was enacted in December 2017.

The Group has recognised £12.7m of deferred tax assets, including £0.7m of losses, which have been recognised as the losses are in companies which are anticipated to make future profits. The Group has no material unrecognised deferred tax assets.

Certain deferred tax assets and liabilities have been offset in the above analysis. The deferred tax liability for fixed asset timing differences of £3.0m includes deferred tax liabilities of £8.9m, partially offset by deferred tax assets in other tax jurisdictions of £5.9m. The following is the analysis of the deferred tax balances for financial reporting purposes:

	26 December 2017 £m	27 December 2016 £m
Deferred tax liabilities	<b>(100.9)</b>	(88.5)
Deferred tax assets	<b>12.7</b>	2.8
	<b>(88.2)</b>	(85.7)

## Notes to the Group financial statements continued

## 27. Called-up share capital

	26 December 2017		27 December 2016	
	Number of shares	£m	Number of shares	£m
<b>Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:</b>				
At start of period	887,251,884	88.7	884,309,807	88.4
Shares issued	43,388	–	2,942,077	0.3
At end of period	887,295,272	88.7	887,251,884	88.7

The Company has one class of ordinary shares, which carry no right to fixed income.

## 28. Own shares

	£m
At 27 December 2016	(98.5)
Purchase and issue of own shares	(1.4)
Transfer of own shares to recipients	2.9
<b>At 26 December 2017</b>	<b>(97.0)</b>

Own shares held comprise:

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

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

Further to the shareholders' resolution of the Company passed at the AGM held on 9 May 2017, the Company did not purchase any of its own shares during the period (27 December 2016: 29,573,675). The reason that no shares were purchased was the completion of the Company's share repurchase programme in December 2016. The shares previously acquired under the share repurchase programme are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 9 May 2017, to purchase up to a maximum of 85,774,500 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and
- the higher of the price of the last independent trade and the highest independent current bid on the London Stock Exchange at the time the purchase is carried out.

The authority conferred, unless varied, revoked or renewed prior to such time, expires at the earlier of the conclusion of the next AGM of the Company or on 30 June 2018.

## 29. Notes to the cash flow statement

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

## 30. Operating lease arrangements

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Minimum lease payments under operating leases recognised as an expense in the period:		
plant and machinery	0.7	0.7
other (including land and buildings)	65.6	64.0
	<b>66.3</b>	<b>64.7</b>

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	26 December 2017 £m	27 December 2016 £m
Within one year	51.6	55.6
In the second to fifth years inclusive	163.0	175.2
After five years	147.9	177.8
	<b>362.5</b>	<b>408.6</b>

Operating lease payments represent rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment.

## Notes to the Group financial statements continued

### 31. Share-based payments

The Group had the following share-based payment schemes in operation during the period, all of which will be settled by equity:

- Performance Share Plan (PSP), Executive Bonus Matching Scheme (EBMS), Restricted Share Plan (RSP) and Retention Awards (RA), encompassing awards made in the years from 2014 to 2017; and
- Save As You Earn (SAYE) share option schemes encompassing grants made in the years from 2012 to 2017.

Details of these schemes are provided on pages 77 to 97 in the directors' Remuneration Report and below.

#### Costs of schemes

The costs of the schemes during the period, excluding provisions for social security, were:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
PSP, EBMS, RSP and RA	3.9	4.6
SAYE schemes	1.3	1.5
	<b>5.2</b>	<b>6.1</b>

#### PSP, EBMS, RSP and RA

The PSP provides conditional awards of shares dependent on the Group's Adjusted EPS growth, total shareholder return (TSR) performance and certain business performance measures over a three or four-year period as well as continued employment of the individual at the date of vesting (awards are usually forfeited if the employee leaves the Group voluntarily before the awards vest). EBMS shares are partly deferred shares conditional on continued employment of the individual at the date of vesting and partly share awards dependent on the Group's EPS growth as well as continued employment at the date of vesting. EBMS awards must be exercised within one month from their vesting date, which is three years after their grant date. If PSP options remain unexercised after a period of ten years from the date of grant, the options lapse.

The RSP and RA are deferred grants of shares contingent upon continued employment.

The PSP, EBMS, RSP and RA are conditional awards of shares and the recipients do not have to pay an exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £2.60 (52 weeks ended 27 December 2016: £3.72). The awards outstanding at 26 December 2017 had a remaining weighted average contractual life of 5.7 years (27 December 2016: 5.2 years).

Options under these schemes are as follows:

	26 December 2017 Number	27 December 2016 Number
Outstanding at beginning of the period	7,680,711	9,035,534
Granted during the period	3,769,628	3,416,021
Forfeited during the period	(1,530,260)	(3,098,969)
Exercised during the period	(415,548)	(1,671,875)
Outstanding at the end of the period	9,504,531	7,680,711
Exercisable at the end of the period	–	–

#### SAYE schemes

Options under the SAYE schemes, which are open to all eligible employees, are based on a two, three, or five-year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

The exercise prices for the 2012, 2013, 2014, 2015, 2016 and 2017 SAYE schemes were £1.65, £3.12, £2.73, £3.03, £2.64 and £1.96 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £2.89 (52 weeks ended 27 December 2016: £3.28). The options outstanding at 26 December 2017 had a remaining weighted average contractual life of 2.7 years (27 December 2016: 2.1 years).



### 31. Share-based payments continued

Options under these schemes are as follows:

	26 December 2017		27 December 2016	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	8,491,795	2.76	7,959,040	2.79
Granted during the period	6,210,902	1.96	4,001,813	2.64
Forfeited during the period	(4,014,404)	2.79	(2,761,904)	2.86
Exercised during the period	(639,254)	2.31	(707,154)	2.09
Outstanding at the end of the period	10,049,039	2.28	8,491,795	2.76
Exercisable at the end of the period	1,155,609	2.67	701,801	3.02

### Fair values of share-based payments

Share-based payments are valued using the Black-Scholes-Merton pricing formula. The inputs are as follows:

	SAYE		PSP, EBMS, RSP, RA	
	26 December 2017	27 December 2016	26 December 2017	27 December 2016
Weighted average share price at date of grant	£2.45	£3.30	£2.67	£3.13
Weighted average exercise price	£1.96	£2.64	£nil	£nil
Expected volatility	27%	25%	27%	25%
Expected life	3-5 years	3-5 years	1-3 years	1-4 years
Risk free interest rate	0.3%	0.5%	0.3%	0.5%
Expected dividend yield	3.6%	3.5%	3.6%	3.5%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For PSP, the value of the option has also been adjusted to take into account the market conditions applicable to the option (i.e., TSR requirements) by applying a discount to the option value.

This discount is calculated based on an estimate of the probability of achieving the relevant condition and was 25% for the 52 weeks ended 26 December 2017 (52 weeks ended 27 December 2016: 25%).

The weighted average fair value of the awards granted under the PSP, EBMS, RSP and RA schemes at the date of grant was £2.71 per option (27 December 2016: £3.13). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.52 per option (52 weeks ended 27 December 2016: £0.69).

## Notes to the Group financial statements continued

### 32. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes. The UK schemes are operated under a single trust and the assets of all the schemes are held separately from those of the Group in funds under the control of trustees.

The respective costs of these schemes are as follows:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Defined contribution schemes (charged to profit before interest and tax)	11.9	11.9
Defined benefit scheme (charged to profit before interest and tax)	1.8	2.0
Defined benefit scheme (credited to finance costs)	(0.5)	(1.0)
Defined benefit scheme ((credited)/charged to other comprehensive income)	(33.0)	17.8
	(19.8)	30.7

#### Defined contribution schemes

The defined contribution schemes, to which both the Group and employees contribute to fund the benefits, are available for all eligible employees. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to income in respect of these schemes represents contributions payable to the schemes by the Group at rates specified in the rules of the respective schemes. At 26 December 2017, contributions of £0.8m (27 December 2016: £1.1m) due in respect of the current reporting period had not been paid over to the schemes.

#### Defined benefit scheme

The Group also operates a defined benefit scheme in the UK for eligible employees which closed to new members in 2002. Under the scheme, employees are entitled to retirement benefits varying between 1.67% and 3.33% of final pensionable pay for each year of service on attainment of a retirement age of 63. With effect from 1 April 2011, the defined benefit scheme was closed to future accrual but maintains the link for benefits accrued up to 31 March 2011 with future salary increases (up to a maximum of 5% per annum). Employed members of this scheme were automatically transferred into one of the defined contribution schemes. The Group makes a contribution towards the costs of administering the scheme.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2016 and updated to 26 December 2017 by a qualified independent actuary. The present values of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

#### Funding valuation

The general principles adopted by the Trustees for the purposes of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid and to reflect the commitments which will arise from members' accrued pension rights. The Group has agreed to pay £8.8m to the scheme towards ongoing funding requirements during 2018 plus a £1.9m contribution towards the cost of life assurance and costs of running the scheme.

The IAS 19 position of the plan, as reflected in our Statement of Financial Position, is generally expected to differ from that of the triennial funding valuation assessment. The last triennial actuarial valuation as at 30 September 2016 showed a funding surplus on the defined benefit scheme of £1.5m. The principal reasons for this difference are the requirements for prudence in the funding valuation (which contrasts with the IAS 19 best estimate principle) and the application of a prudent estimate of asset returns in the funding valuation (which contrasts with the IAS 19 requirement to use a discount rate derived from high quality corporate bonds).

We have concluded, following professional advice, that no adjustment is required to our accounting to reflect either the recovery of the current IAS 19 surplus or a minimum funding requirement; this reflects that the Group has an unconditional right to recover that surplus in the future.

#### Disclosure of principal assumptions

The financial assumptions used by the actuary in determining the present value of the defined benefit scheme's liabilities were:

	26 December 2017	27 December 2016
Rate of increase of salaries	2.0%	3.3%
Rate of increase of pensions in payment	3.0%	3.1%
Rate of increase for deferred benefits	2.2%	2.3%
Discount rate	2.4%	2.7%
Rate of RPI inflation	3.2%	3.3%
Rate of CPI inflation	2.2%	2.3%

## 32. Retirement benefit schemes continued

In accordance with the relevant accounting standard, the discount rate has been determined by reference to market yields at the period end date on high-quality fixed income investments at a term consistent with the expected duration of the liabilities. Price inflation is determined by the difference between the yields on fixed and index-linked Government bonds with an adjustment to allow for differences in the demand for these bonds, which can distort this figure. The Bank of England target inflation rate has also been considered in setting this assumption. The expected rate of salary growth and pension increases are set with reference to the expected rate of inflation. No change has been made to the basis of inflation applied to pension increases in the scheme.

The mortality assumption is kept under review and has been updated. The current life expectancies for a member underlying the value of the accrued liabilities are:

	26 December 2017 years	27 December 2016 years
Life expectancy at age 65		
Male retiring now	21.8	22.5
Male retiring in 25 years' time	24.1	24.7
Female retiring now	24.2	25.3
Female retiring in 25 years' time	26.5	27.6

The assets in the scheme are set out in the table below. Assets with quoted prices in an active market are identified separately.

	26 December 2017 £m	27 December 2016 £m
Equities (quoted)	43.5	37.5
Corporate bonds (quoted)	104.2	103.1
Property (unquoted)	5.2	5.0
Gilts and cash (quoted)	291.0	280.5
Gilts and cash (unquoted)	6.8	4.4
Total market value of assets	450.7	430.5
Present value of scheme liabilities	(392.0)	(415.0)
Surplus in scheme	58.7	15.5

The Group has recognised the scheme surplus as a non-current asset.

Analysis of the amount charged to profit before interest and tax:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Current service cost	0.9	1.0
Administration expenses	0.9	1.0
Total operating charge	1.8	2.0

Analysis of the amounts recognised in the Consolidated Statement of Comprehensive Income:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Actual return less expected return on pension scheme assets	(14.2)	(56.7)
Actuarial (gain)/loss arising from changes in financial assumptions	(18.8)	74.5
Actuarial remeasurements	(33.0)	17.8

## Notes to the Group financial statements continued

### 32. Retirement benefit schemes continued

Movements in the present value of defined benefit obligations in the current period were as follows:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
At beginning of period	415.0	342.5
Movement in period:		
Service cost	0.9	1.0
Interest cost	11.0	12.8
Remeasurements – changes in financial assumptions	6.7	74.5
Remeasurements – changes in demographic assumptions	(11.8)	–
Remeasurements – experience adjustments	(13.7)	–
Benefits paid	(15.2)	(14.8)
Insurance premium for risk benefits	(0.9)	(1.0)
At end of period	392.0	415.0

Movements in the present value of fair value of scheme assets in the current period were as follows:

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
At beginning of period	430.5	365.5
Movement in period:		
Interest income on assets	11.5	13.8
Remeasurements – return on plan assets (excluding interest income)	14.2	56.7
Contributions from the sponsoring companies	11.5	11.3
Administration expenses charged to profit before interest and tax	(0.9)	(1.0)
Benefits paid	(15.2)	(14.8)
Insurance premium for risk benefits	(0.9)	(1.0)
At end of period	450.7	430.5

#### Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivity of the present value of the scheme's liabilities to changes in the principal assumptions used to measure these liabilities is illustrated in the table that follows. The illustrations consider the single change shown, with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). In addition, changes in the assumptions may occur at the same time as changes in the market value of the scheme assets, which may or may not offset the change in assumptions.

Assumption	Changes in assumption	Impact on defined benefit liabilities
Discount rate	Decrease by 0.25% p.a.	Increase of £17.2m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £10.3m
Life expectancy	Members assumed to live one year longer	Increase of £16.6m

If the change in assumptions were in the opposite direction to that shown above, the impact on the defined benefit liabilities would be of a similar magnitude, but in the opposite direction.

## 32. Retirement benefit schemes continued

### Nature and extent of the risks arising from financial instruments held by the defined benefit scheme

Pension assets and liabilities (pre-tax) of £450.7m and £392.0m respectively were held on the Group's Statement of Financial Position at 26 December 2017 (27 December 2016: £430.5m and £415.0m respectively). Through the scheme the Group is exposed to a number of potential risks as described below:

- asset volatility: the scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, in addition to corporate bonds, the scheme invests in asset classes other than corporate bonds which may out or underperform corporate bonds in the long term but provide volatility and risk in the short term;
- changes in bond yields: the risk of a decrease in bond yields, which increases the value of the scheme liabilities, is partially offset by the upside benefit of an increase in the value of the scheme's bond holdings;
- inflation risk: a significant proportion of the scheme's defined benefit obligation is linked to inflation and therefore higher inflation would result in a higher defined benefit liability. Although a proportion of the scheme's investments are in inflation-linked securities which should compensate for any changes in inflation, the balance of the scheme's assets is either unaffected by inflation or only loosely correlated with inflation and therefore an increase in inflation would also increase deficit; and
- life expectancy: if the scheme's members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the defined benefit obligation (longevity risk).

The Trustees and the Company manage the investment risk (asset volatility) in the scheme by investing c90% of the scheme's investments in Liability Driven Investments (LDI) strategies which aim to invest in assets whose values move broadly in tandem with changes in liability values arising from market movements.

The Company accepts and indemnifies the other residual risks in the scheme including longevity risk.

### Funding

Alongside the risk assessment above, the Group has agreed an ongoing funding requirement with the Trustees, as described in note 23.

The weighted average duration of the scheme's defined benefit obligation as at 26 December 2017 is 18 years (27 December 2016: 20 years).

The undiscounted maturity profile of the Defined Benefit obligation between one and ten years is shown below:

	26 December 2017 £m	27 December 2016 £m
Less than one year	10.1	15.2
Between one and two years	10.7	15.6
Between two and five years	36.2	49.3
Between five and ten years	74.1	91.2

No allowance is made for commutation lump sums or individual transfers out due to the fluctuating nature of these payments.

There were no plan amendments, curtailments or settlements during the period.

## 33. 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. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

### Trading transactions

#### Associates

During the period, the Group made purchases of £52.5m (52 weeks ended 27 December 2016: £50.5m) from Sports Information Services Limited, a subsidiary of the Group's associated undertaking, Sports Information Services (Holdings) Limited. At 26 December 2017, the amount receivable from Sports Information Services Limited by the Group was £nil (27 December 2016: £nil).

The Group made no purchases from its associated undertaking, NeoGames. At 26 December 2017 and 27 December 2016, no amounts were due to or from NeoGames.

All transactions with associates were made on market terms.

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

## Notes to the Group financial statements continued

### 33. Related party transactions continued

#### Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	52 weeks ended 26 December 2017 £m	52 weeks ended 27 December 2016 £m
Short-term employee benefits (including salaries)	1.6	1.5
Post-employment benefits (employer's contribution)	0.1	0.2
Share-based payments (IFRS 2 charges)	0.4	0.2
	<b>2.1</b>	1.9

The disclosures above include c£46,000 received by directors in respect of dividends on the Company's ordinary shares (52 weeks ended 27 December 2016: c£26,000).

The values presented above include share-based payments measured in accordance with IFRS 2. This is a different basis from that used for the presentation in the directors' Remuneration Report (DRR). In addition, the above includes bonuses on a paid basis, whereas the DRR includes them on an accrued basis. Other than the inclusion of dividends, the timing of bonus inclusion and the basis of measurement of share-based payments, all values above are presented on a consistent basis with those disclosed in the DRR.

#### Pension schemes

The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in note 32.

### 34. Contingent liabilities

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

## Parent Company Statement of Financial Position

as at 26 December 2017

	Notes	26 December 2017 £m	27 December 2016 £m
<b>Non-current assets:</b> Investments	4	38.2	38.2
<b>Current assets:</b> Trade and other receivables	5	3,259.8	3,194.7
<b>Total assets</b>		<b>3,298.0</b>	3,232.9
<b>Current liabilities:</b> Trade and other payables	6	(821.5)	(708.6)
<b>Non-current liabilities:</b> Borrowings	7	(720.5)	(718.6)
<b>Total liabilities</b>		<b>(1,542.0)</b>	(1,427.2)
<b>Net assets</b>		<b>1,756.0</b>	1,805.7
<b>Equity</b>			
Called-up share capital	8	88.7	88.7
Share premium account	9	689.4	689.3
Capital redemption reserve		6.8	6.8
Own shares held	10	(97.0)	(98.5)
Retained earnings		1,068.1	1,119.4
<b>Total equity</b>		<b>1,756.0</b>	1,805.7

The Company's profit for the year was £58.4m (52 weeks ended 27 December 2016: £126.3m).

The Parent Company financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 23 February 2018 and are signed on its behalf by:

**P Bowcock**  
Director

**R Prior**  
Director

## Parent Company Statement of Changes in Equity

for the 52 weeks ended 26 December 2017

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
<b>At 27 December 2016</b>	<b>88.7</b>	<b>689.3</b>	<b>6.8</b>	<b>(98.5)</b>	<b>1,119.4</b>	<b>1,805.7</b>
Profit for the financial period	–	–	–	–	58.4	58.4
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58.4</b>	<b>58.4</b>
Purchase and issue of own shares (note 10)	–	–	–	(1.4)	(0.1)	(1.5)
Transfer of own shares to recipients (note 10)	–	–	–	2.9	(1.5)	1.4
Other shares issued during the period	–	0.1	–	–	–	0.1
Dividends paid (note 3)	–	–	–	–	(108.1)	(108.1)
<b>At 26 December 2017</b>	<b>88.7</b>	<b>689.4</b>	<b>6.8</b>	<b>(97.0)</b>	<b>1,068.1</b>	<b>1,756.0</b>
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
<b>At 29 December 2015</b>	<b>88.4</b>	<b>686.6</b>	<b>6.8</b>	<b>(4.1)</b>	<b>1,103.3</b>	<b>1,881.0</b>
Profit for the financial period	–	–	–	–	126.3	126.3
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>126.3</b>	<b>126.3</b>
Purchase and issue of own shares	–	–	–	(95.0)	(0.4)	(95.4)
Transfer of own shares to recipients	–	–	–	0.6	(0.6)	–
Other shares issued during the period	0.3	2.7	–	–	(0.2)	2.8
Dividends paid (note 3)	–	–	–	–	(109.0)	(109.0)
<b>At 27 December 2016</b>	<b>88.7</b>	<b>689.3</b>	<b>6.8</b>	<b>(98.5)</b>	<b>1,119.4</b>	<b>1,805.7</b>



# Parent Company Statement of Accounting Policies

for the 52 weeks ended 26 December 2017

## Significant accounting policies

### Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100, and as such, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by section 408 of the Companies Act 2006, the Income Statement of the Company has not been presented.

The principal accounting policies adopted are set out below.

### Investments

Non-current asset investments are shown at cost less provision, if any, for impairment.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction or at an average rate. Monetary assets and liabilities denominated in foreign currencies at the period end date are reported at the rates ruling at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

### Finance costs

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

### Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are charged on an accrual basis to the Income Statement using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals within trade and other payables.

## Parent Company Statement of Accounting Policies continued

for the 52 weeks ended 26 December 2017

### Own shares held

Own shares held in treasury and held in employment benefit trusts are included within equity.

### Share-based payments

The Company issues equity-settled share-based payments to certain employees within the William Hill PLC Group and operates a number of HMRC-approved Save As You Earn (SAYE) share option schemes open to all eligible employees within the William Hill PLC Group, which allow the purchase of shares at a discount. The cost to the Company of both of these types of share-based payments is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is borne by the employing Company within the Group.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the Group's share-based payment plans are given in note 31 to the Group financial statements.

### Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in notes 22 and 23 to the Group financial statements.

As highlighted in notes 22 and 23 to the Group financial statements, the Group and the Company meet their day-to-day working capital requirements from the positive cash flows generated by their trading activities and their available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until May 2019. Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 45 to 50, the Group and the Company are confident of their ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group and the Company should be able to operate within the level of their currently available and expected future facilities and their banking covenants for the period of the strategic forecast.

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

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors do not consider that there are any judgements, estimates or assumptions that could lead to a material change in the carrying amounts of assets and liabilities.

## Notes to the Parent Company financial statements

### 1. Directors' remuneration and interests

The Company had no employees other than directors during the current or prior period. The Company did not operate any pension schemes during the current or prior period. Details of directors' remuneration, share interests, share options and other entitlements, which form part of these financial statements, are given in the parts of the Directors' Remuneration Report on pages 77 to 97 which are described as having been audited.

### 2. Income statement disclosures

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement for the year.

The audit fee for the Company and the consolidated financial statements is disclosed in note 5 of the Group financial statements. Fees payable to Deloitte LLP and their associates for audit and non-audit services to the Company are not required to be disclosed because the Group financial statements disclose such fees on a consolidated basis.

### 3. Dividends proposed and paid

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

Further details of dividends paid and proposed are shown in note 10 to the Group financial statements.

### 4. Investments

	£m
Cost and net book value:	
At 26 December 2017 and 27 December 2016	38.2

It is the opinion of the directors that the total value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the Parent Company Statement of Financial Position.

All subsidiaries of the Company, their country of incorporation and ownership of their share capital are shown in note 14 to the Group financial statements.

### 5. Trade and other receivables

	26 December 2017 £m	27 December 2016 £m
Amounts owed by Group undertakings	3,259.8	3,194.7

### 6. Trade and other payables

	26 December 2017 £m	27 December 2016 £m
Amounts owed to Group undertakings	815.1	700.7
Accruals and deferred income	6.4	7.9
	821.5	708.6

## Notes to the Parent Company financial statements continued

## 7. Borrowings

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

## Bank facilities

At 26 December 2017, the Company had a committed revolving credit bank loan facility (RCF) of £540m provided by a syndicate of banks which expires in May 2019. At the period end, £nil of this facility was drawn down (27 December 2016: £nil).

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

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (see note 23 to the Group financial statements). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

## Corporate bonds

**(i) £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 Company's RCF. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon rate of 4.25% and are due for redemption in June 2020.

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

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

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

Further details of borrowings are shown in note 22 to the Group financial statements.

## 8. Called-up share capital

	26 December 2017		27 December 2016	
	Number of shares	£m	Number of shares	£m
Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:				
At start of period	887,251,884	88.7	884,309,807	88.4
Shares issued in the period	43,388	–	2,942,077	0.3
At end of period	887,295,272	88.7	887,251,884	88.7

The Company has one class of ordinary shares, which carry no right to fixed income.

### Share options

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes as shown below:

	Number of shares under option	Price per share	Exercise period
Performance Share Plan (2014)	710,277	Nil	Between 2018 and 2024
Performance Share Plan (2015)	787,582	Nil	Between 2019 and 2025
Performance Share Plan (2016)	1,733,194	Nil	Between 2020 and 2026
Performance Share Plan (2017)	2,482,748	Nil	Between 2020 and 2027
Executive Bonus Matching Scheme (2015)	1,884,970	Nil	March 2018
Executive Bonus Matching Scheme (2016)	155,428	Nil	March 2019
Executive Bonus Matching Scheme (2017)	243,295	Nil	Between 2018 and 2021
Retention awards	526,743	Nil	Between 2018 and 2020
Restricted Share Plans	980,344	Nil	Between 2018 and 2020
SAYE 2012	67,944	£1.65	Between 2015 and 2018
SAYE 2013	93,737	£3.12	Between 2015 and 2019
SAYE 2014	1,189,722	£2.73	Between 2016 and 2020
SAYE 2015	988,297	£3.03	Between 2017 and 2021
SAYE 2016	1,650,855	£2.64	Between 2019 and 2022
SAYE 2017	6,058,484	£1.96	Between 2020 and 2023

Note 31 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

## 9. Share premium

	26 December 2017 £m	27 December 2016 £m
At start of period	689.3	686.6
Shares issued in the period	0.1	2.7
<b>At end of period</b>	<b>689.4</b>	689.3

## 10. Own shares

	£m
At 27 December 2016	(98.5)
Purchase and issue of own shares	(1.4)
Transfer of own shares to recipients	2.9
<b>At 26 December 2017</b>	<b>(97.0)</b>

## Notes to the Parent Company financial statements continued

### 10. Own shares continued

Own shares held comprise:

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

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

Further to the shareholders' resolution of the Company passed at the AGM held on 9 May 2017, the Company did not purchase any of its own shares during the period (27 December 2016: 29,573,675). The reason that no shares were purchased was the completion of the Company's share repurchase programme in December 2016. The shares previously acquired under the share repurchase programme are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 9 May 2017, to purchase up to a maximum of 85,774,500 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and
- the higher of the price of the last independent trade and the highest independent current bid on the London Stock Exchange at the time the purchase is carried out.

The authority conferred, unless varied, revoked or renewed prior to such time, expires at the earlier of the conclusion of the next AGM of the Company or on 30 June 2018.

### 11. Financial commitments

The Company had no capital commitments at 26 December 2017 (27 December 2016: £nil).

The Company had no commitments under non-cancellable operating leases at 26 December 2017 (27 December 2016: £nil).

### 12. Related party transactions

The Company is taking advantage of the exemption granted by paragraph 8(k) of FRS 101 not to disclose transactions with companies within the William Hill PLC Group, which are related parties.

## Five-year summary

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
<b>Summarised results:</b>					
Revenue	1,711.1	1,603.8	1,590.9	1,609.3	1,486.5
Profit/(Loss) before interest and tax	(43.7)	225.6	224.3	281.8	303.0
Profit/(Loss) before tax	(74.6)	181.3	184.7	233.9	257.0
Profit/(Loss) for the financial period	(83.2)	164.5	189.9	206.3	226.5
<b>Summarised statements of financial position:</b>					
Assets employed:					
Non-current assets	1,968.6	2,151.0	2,003.8	2,098.4	2,141.2
Current assets	393.4	291.7	342.9	282.2	272.7
Current liabilities	(477.9)	(410.1)	(663.2)	(369.8)	(328.6)
Non-current liabilities	(821.4)	(807.1)	(467.7)	(850.5)	(1,062.0)
Net assets	1,062.7	1,225.5	1,215.8	1,160.3	1,023.3
Financed by:					
Equity attributable to equity holders of the parent	1,062.7	1,225.5	1,215.8	1,160.3	1,023.3
Minority interest	–	–	–	–	–
Total equity	1,062.7	1,225.5	1,215.8	1,160.3	1,023.3
<b>Key statistics:</b>					
Adjusted operating profit <sup>1</sup>	291.3	261.5	291.4	372.2	335.0
Adjusted basic earnings per share	27.6p	22.3p	24.7p	29.9p	28.8p
Diluted (loss)/earnings per share	(9.7p)	18.8p	21.5p	23.4p	24.7p
Dividends per share (paid)	12.7p	12.5p	12.3p	11.9p	10.9p
Share price – high	£3.18	£4.16	£4.32	£4.12	£4.95
Share price – low	£2.39	£2.36	£3.12	£3.15	£3.39

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

## Statement of Group Accounting Policies

### General information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London N22 7TP. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 50 and note 2.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

### Basis of accounting

The Group financial statements have been prepared in accordance with IFRSs as issued by the IASB and endorsed by the European Union.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The key accounting policies adopted are set out on page 114.

Below is a complete list of the remaining accounting policies adopted.

### Adoption of new and revised standards

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

IAS 1 (amended)	Presentation of Financial Statements
IAS 16 (amended)	Property, plant and equipment
IAS 27 (amended)	Separate financial statements
IAS 38 (amended)	Intangible assets
IFRS 5 (amended)	Non-current assets held for sale and discontinued operations
IFRS 10 (amended)	Consolidated financial statements
IFRS 11 (amended)	Joint arrangements
IFRS 14	Regulatory deferral accounts

### Standards in issue but not effective

At the date of authorisation of the Group financial statements, the following Standards, amendments and Interpretations, which have not been applied in these Group financial statements, were in issue but not yet effective:

New standards	
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments and interpretations	
IAS 7 (amended)	Statement of Cash Flows
IAS 12 (amended)	Income taxes
IAS 28 (amended)	Investments in associates and joint ventures
IAS 40 (amended)	Investment property
IFRIC 22	Foreign currency transactions and advance consideration
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 2 (amended)	Classification and measurement of share-based payment transactions
IFRS 12 (amended)	Disclosure of Interests in other entities

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

#### Classification and measurement

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



## Impairment

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

## Hedge accounting

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

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

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

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

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

IFRS 16 'Leases' will replace IAS 17 in its entirety and is effective for accounting periods beginning on or after 1 January 2019. It will result in most leases being recognised on the Statement of Financial Position. The Group continues to assess the full impact of IFRS 16 but since the impact is influenced by interest rates in future years, it is not yet possible to reasonably quantify its effects. At this stage, the directors assess that the implementation of the new standard will likely have a material impact upon the Group's reported performance, Statement of Financial Position and operating cash flows.

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

## Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) up to 26 December 2017. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

## Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e., where the cost of acquisition is below the fair values of the identifiable net assets acquired, is credited to the Income Statement in the period of acquisition.

## Interests in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the Group financial statements using the equity method of accounting. Interests in associates are carried in the Statement of Financial Position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those entities are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition is recognised as goodwill within the interests in associates line. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition (i.e., discount on acquisition) is credited to the Income Statement in the period of acquisition.

Where a Group Company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant entity. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

## Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities, including separately identifiable intangible assets, of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to impairment testing.

## Investment income

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## Statement of Group Accounting Policies continued

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease period.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each period end date, monetary assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the period end date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities, where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group makes efforts to match its foreign currency assets and liabilities and where necessary the Group takes out foreign currency hedges.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the period end date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Finance costs

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

### Profit before interest and tax

Profit before interest and tax is stated after the share of results of associates but before investment income and finance costs.

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each period end date. Actuarial remeasurements are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statement of Other Comprehensive Income.

The net retirement benefit asset or obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Internally generated intangible assets – computer software and systems

Expenditure on initial investigation and research of computer software and systems is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of computer systems is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, generally between three and five years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### Intangible assets – licences

Betting licences recognised in acquisitions are recorded at fair value. They are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life owing to: the fact that the Group is a significant operator in a well-established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

## Intangible assets arising on acquisitions

Intangible assets arising on acquisitions are recorded at their fair value.

Amortisation is provided at rates calculated to write off the valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Acquired brands	– assessed separately for each asset, with lives ranging up to five years
Customer relationships	– between 18 months and eight years
Bookmaking and mobile technology	– between three and five years
Wagering/lottery contracts	– ten to 12 years

## Property, plant and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the Statement of Financial Position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all property plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	– 50 years
Long leasehold properties	– 50 years
Short leasehold properties	– over the unexpired period of the lease
Short leasehold improvements	– ten years
Fixtures, fittings and equipment and motor vehicles	– at variable rates between three and ten years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Impairment of property plant and equipment and intangible assets

At each period end date, the Group reviews the carrying amounts of its goodwill, property plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This process is described in more detail in note 12 to the financial statements.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Other than for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the point that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

## Share-based payments

The Group issues equity-settled share-based payments to certain employees and operates an HMRC-approved Save As You Earn (SAYE) share option scheme open to all eligible employees which allows the purchase of shares at a discount. The cost to the Group of share-based payment plans is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, adjusted for the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

At each period end date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme or resign from the Group. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

## Statement of Group Accounting Policies continued

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less.

### Receivables

Trade and other receivables do not carry any interest and are stated at their gross receivable value as reduced by appropriate allowances for estimated irrecoverable amounts.

### Loans receivable

Loans receivable comprise loans granted to other parties which have fixed or determinable payments and are not quoted in an active market. These are measured at amortised cost, less any impairment, with interest income recognised using the effective interest method.

### Investments

Investments comprise shareholdings in entities where the Group is not in a position to have control, joint control or significant influence over the financial and operating policy decisions of the entity. These are classified as available-for-sale financial assets and are revalued to fair value at each period end with any fair value movements recognised in other comprehensive income. The fair value is measured based on the share price of the entity.

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group derecognises financial liabilities when and only when the Group's obligations are discharged, cancelled or otherwise expire.

### Interest-bearing borrowings

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are charged on an accrual basis to the Income Statement using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals within trade and other payables.

### Payables

Trade and other payables are not interest-bearing and are initially measured at fair value, and subsequently at their amortised cost.

### Derivative financial instruments and hedge accounting

The Group's activities expose it to the risks of changes in interest rates and foreign currency exchange rates. The Group may use fixed rate borrowings to hedge some of its interest rate exposure. The Group may make use of foreign currency forwards to hedge a proportion of its largest net foreign currency transactional exposures. Where possible and practicable, the Group retains foreign currency cash balances equivalent to its foreign currency liabilities to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

All derivative financial instruments are initially measured at fair value at the contract date and are subsequently remeasured to their fair value at subsequent reporting dates. Changes in fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the Income Statement.

For any derivative instrument that is part of a hedging relationship which is designated as effective, changes in the fair value of the derivative financial instruments are recognised directly in equity. Changes in the fair value of ineffective hedges, including the ineffective portion of effective hedges, are recognised immediately in the Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the line of Income Statement relating to the hedged item, in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Income Statement under other operating expenses.

Ante post bets are carried at fair market value as they meet the definition of a derivative. The resulting gains and losses from bets are included in revenue. The net liability resulting from open positions is reported on the Statement of Financial Position under the term Derivative financial instruments within financial liabilities under the term 'Held for Trading'.

## Abbreviations and glossary

### Adjusted operating profit

Profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the Group financial statements

### AGM

Annual General Meeting

### Amounts wagered

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

### CAGR

Compound Annual Growth Rate

### Company

William Hill PLC, the ultimate holding Company of the William Hill Group

### CR

Corporate Responsibility

### DCMS

Department for Digital, Culture, Media & Sport

### Digital

In the context of our Australian operations, digital revenues are those that do not derive from our BDM operations

### DPS

Dividends per share

### EBITDA

Earnings before interest, taxation, depreciation and amortisation

### EBMS

Executive Bonus Matching Scheme

### EPS

Earnings per share

### FTE

Full Time Equivalent

### Gambling Commission

The Gambling Commission for Great Britain, the regulatory body for casinos, bingo clubs, gaming machines, betting, remote gambling and larger lotteries (including all local lotteries but excluding the National Lottery)

### GGY

Gross Gambling Yield

### Grand Parade

Grand Parade Limited and subsidiaries

### Gross win

Gross win is an industry measure which is calculated as total customer stakes less customer winnings. This measure is non-statutory and differs from net revenue as net revenue is stated after deductions for free bets and customer bonuses. It is used by management to evaluate the impact of sporting results and customer activity on performance

### Gross win margin

This is an industry measure that represents gross win as a proportion of amounts wagered

### H2GC

H2 Gambling Capital

### HMRC

HM Revenue and Customs

### Horsereading levy

A levy attributable to bets taken on UK horse racing and payable to the Horserace Betting Levy Board, primarily for the purposes of augmenting prize money available for winning horses and providing certain racecourse amenities

### IAS

International Accounting Standards

### IASB

International Accounting Standards Board

### IBAS

Independent Betting Adjudication Service

### IFRS

International Financial Reporting Standards

### KPI

Key Performance Indicator

### LBO

Licensed Betting Office

### LIBOR

London Interbank Offered Rate

### LTIP

Long Term Incentive Plan

### MGD

Machine Games Duty. A duty charged by the UK Government on gaming machine net revenue

### NeoGames

NeoGames S.a.r.l and subsidiaries

### Net revenue

This is an industry term equivalent to Revenue as described in the notes to the financial statements

### NYX

NYX Gaming Group Limited and subsidiaries

### OTC

Over-The-Counter

### PBIT

Profit Before Interest and Tax

### POCT

Point of Consumption Tax. The UK Government implemented a new online gambling regulatory regime on 1 November 2014 on the basis of where the consumer is located. From 1 December 2014, it also implemented a new gross profits tax at 15% on revenue on the same 'point of consumption' basis

### PSP

Performance Share Plan

### RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences

### RSP

Restricted Share Plan

### SIS

Sports Information Services (Holdings) Limited (formerly Satellite Information Services (Holdings) Limited) or its subsidiary Sports Information Services Limited (formerly Satellite Information Services Limited), as the context requires

### Sportsbook

Bets placed and accepted online on sporting and other events, or via OTC and SSBTs in Retail

### Sports books

The dedicated sports betting areas operated within casinos in Nevada

### SSBT

Self-Service Betting Terminal

### TSR

Total shareholder return

### VAT

Value Added Tax

### William Hill or the Group

The Company and its subsidiaries or any of them, as the context may require

## Shareholder information

William Hill PLC listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price on [www.williamhillplc.com](http://www.williamhillplc.com).

To find the shop closest to you, go to our shop locator on [www.williamhillplc.com](http://www.williamhillplc.com).

### Financial calendar

2017 Full Year Results	23 February 2018
2017 Final Dividend Record Date	27 April 2018
2018 Annual General Meeting	8 May 2018
2017 Final Dividend Payment Date	7 June 2018
2018 Half Year Results	3 August 2018

### Registrar

The registrar of the Company is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ ([www.computershare.com](http://www.computershare.com)). Telephone 0370 703 6251. Please contact Computershare for advice regarding transfer of shares, change of name or loss of share certificate. Computershare will be able to change your address or add/change your bank mandate over the telephone and reissue outstanding dividend payments subject to an administration charge.

You may give instructions for your dividend to be used to purchase additional William Hill shares and full details of the Dividend Reinvestment Plan (DRIP) can be found in the Investor Relations section of our corporate website ([www.williamhillplc.com](http://www.williamhillplc.com)) under shareholder centre. A DRIP Election Form and Terms and Conditions can be obtained from Computershare Investor Services PLC, in writing, by telephoning the number above or online at [www.investorcentre.co.uk](http://www.investorcentre.co.uk), in the Downloadable Forms section.

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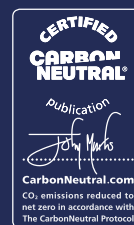
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