



William Hill PLC
Annual report and accounts

Focused on
opportunities
for growth



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Building on the
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already underway



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Creating
value for all
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Chairman's introduction to governance

Good
governance in
a demanding
year



Introduction

Governance

Financial
statements

We are one of the world's leading gambling companies. With over 80 years of heritage, William Hill is a **powerful brand**. Millions of people around the world enjoy betting with us.

With compelling **growth opportunities**, we are building on **our strengths** and **investing** in our digital and international **expansion**. And we continue to **innovate** to give our customers the best possible gambling experience.

Chairman's statement

A motivated team driving improvements

Gareth Davis
Chairman



Performance overview

2016 was a challenging year for William Hill, with performance below what the Board expected at the start of the year. However, we have made a number of strategic and leadership changes to address this and ultimately delivered a full-year profit within the range of our revised expectations.

To summarise the results, Group net revenue¹ and profit before interest and tax were both up 1%. However, adjusted operating profit², which gives a clearer picture of underlying performance, declined 10% in 2016 to £261.5m (2015: £291.4m) and basic, adjusted earnings per share (EPS)³ declined 10% to 22.3p (2015: 24.7p).

Although we benefited in both wagering and margin terms from the EURO 2016 football tournament, other sporting results were poor, including Cheltenham in March and significant losses in football in the final weeks of the year.

Excluding the sporting results, Retail, Australia and the US all performed well. Retail progressed our omni-channel strategy by rolling out 2,000 proprietary self-service betting terminals (SSBTs) and also successfully implemented its modernisation programme. This revised the management and staffing model throughout the business to increase customer focus and will also help mitigate the cost of National Living Wage increases in future years. It is encouraging to see the Australian business deliver top-line growth following extensive work to improve the

product, user experience and marketing. In the US, we continue to expand, adding new sports books in Nevada, launching a new mobile app and signing an agreement that takes us into Iowa.

Online's performance was weaker than last year. In March, we highlighted that more customers than expected were using the new 'time-out' and automatic self-exclusion measures; we were required to add these to our portfolio of responsible gambling measures from November 2015.

While this regulatory requirement was outside our control, Online was also affected by weaker performance around product and marketing. Specifically, new customers acquired in 2015 were generating less revenue than expected, indicating our marketing was not as efficient as planned, and the competitiveness of our sports betting and gaming products had diminished while we focused on delivering our important front-end platform and undertook less product development than usual.

We changed Online's leadership early in the year and were pleased to appoint Crispin Nieboer as managing director of Online. He has successfully refocused the team, who have worked incredibly hard to turn around performance. One of their major achievements of the year was a redesign of the Sportsbook app, delivered in time for the start of EURO 2016. This gave us a market-leading sports betting offering once again and we saw early signs of improved financial performance in the second half as a result.

Shareholder returns

The Board has approved a full-year dividend of 12.5p per share. Although EPS declined for the reasons described above, the Board believes the Group's continued strong cash generation and our confidence in delivery of strategic priorities and future growth prospects warrant maintaining the current dividend level at this time.

Our target balance sheet is 1-2x net debt to EBITDA⁴. During the year, we returned £95m to shareholders and invested £104m in the NYX / OpenBet and Grand Parade transactions to improve our technology capability. This left us with net debt to EBITDA for covenant purposes⁴ of 1.8x at the year-end.

Corporate activities

During the year, we also assessed certain large-scale M&A opportunities. We believe shareholder value can be realised from sector consolidation, not least from cost synergies. However, opportunities should also present significant industrial logic to be compelling.

The Board declined Rank and 888's approach in July first and foremost because of the lack of strategic progress it offered; the combined group would have remained as exposed to the UK and land-based businesses as William Hill alone does today.

The potential combination with Amaya was strategically more compelling but, following consultation with a number of our major shareholders, we decided not to pursue this opportunity. We, like them, recognise that there is near-term value to be generated from improving our own performance and this remains our priority.

Corporate governance update

To support the Group's digital and international expansion strategy, we have made some key Board changes. In July 2016, James Henderson stood down as CEO after two years in the role. I would like to record the Board's thanks to him for his contribution over more than 30 years with William Hill.

Philip Bowcock took over as Interim CEO in July 2016 and continues to perform excellently in leading the business.

We are also pleased to welcome John O'Reilly, Robin Terrell and, from April 2017, Mark Brooker as Non-executive Directors, who together bring additional digital, multi-channel and gambling industry experience to the Board.

Outlook

Looking ahead, we remain focused on continuing to improve Online's performance. We are progressing our omni-channel plans, bringing Online's extensive product to Retail's customers and creating a more consistent cross-channel experience for customers. Australia is now growing well and we continue to build our digital and physical footprint in the US ahead of possible regulatory change.

In 2017, we are implementing a transformation programme that is expected to deliver at least £40m of efficiency savings. Given our confidence in the business, we will be reinvesting these savings in marketing, product development and enhanced technology systems to further support growth.

Longer term, our strategy is to grow our digital and international revenues. With a more diverse revenue mix, we can better manage the volatility inherent in our business from both sporting results and regulatory change. At the same time, the strong cash flows from our UK Retail business support our investments in technology and marketing as well as good returns to shareholders.

The Board believes William Hill continues to be very well-placed to benefit from the structural growth of online gambling in the UK and internationally.

This confidence is underpinned by our core strengths: we have a sports betting capability that is hard to match or replicate; our 83-year-old brand is widely recognised and trusted by customers; and we have built proprietary technologies that enable us to give our customers a differentiated – and therefore highly competitive – experience.

On behalf of the Board, I would like to thank our William Hill colleagues for their commitment to the business through a challenging year, and for their continuing high standards of service to our customers.

Gareth Davis
Chairman

Performance highlights

Net revenue¹

£1.6bn
+1%

Profit before
interest and tax

£225.6m
+1%

Adjusted
operating profit²

£261.5m
-10%

Basic earnings
per share

18.9p
-13%

Basic, adjusted
earnings per share³

22.3p
-10%

Dividend per share

12.5p
0%

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. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. 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 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.

Looking ahead

1

Technology is **changing** our world

Technology has helped us massively expand our product. It's given customers access wherever and whenever they want to bet. And it's helping us to understand our customers better than ever before.





Technology is changing gambling. And it's changing fast.

Before, the betting experience stopped when the game kicked off.

Now, the thrill of the ride continues with the first whistle. With 200 different ways to bet while you cheer on your football team. Point-by-point betting on a tennis match. Scoreboards to follow the game in real-time. Live streaming to watch on the move. Enhanced bets that change with the ebb and flow of the game. And the chance to cash in – some or all of your bet – when you think you have an edge.

That's the journey William Hill has been on for the last decade. Bringing customers more ideas to bet on and more ways to engage with the game. Making it accessible wherever and whenever they want to bet. And, right now, making the experience as quick and easy as we possibly can.

And what's next? Today, we have a massive product range. And a massive customer base. The next goal is to join those up. Personalisation. It's been the talk of the industry for years. But no-one has delivered it. Yet.

The technology is in place. We can create and deliver a great product, fast. And we have the data to understand what's relevant to each and every individual customer.

So let's get personal.

 **Find out more:**
Page 10



Looking ahead

2

Our home advantage in the UK

It's a market that's still growing. Every week 2.8 million people gamble. That's 10% higher than it was two years ago. It's driven by mobile making it easier and more fun to get a bet on than ever before.



The UK is still our number one priority.



+ Find out more:
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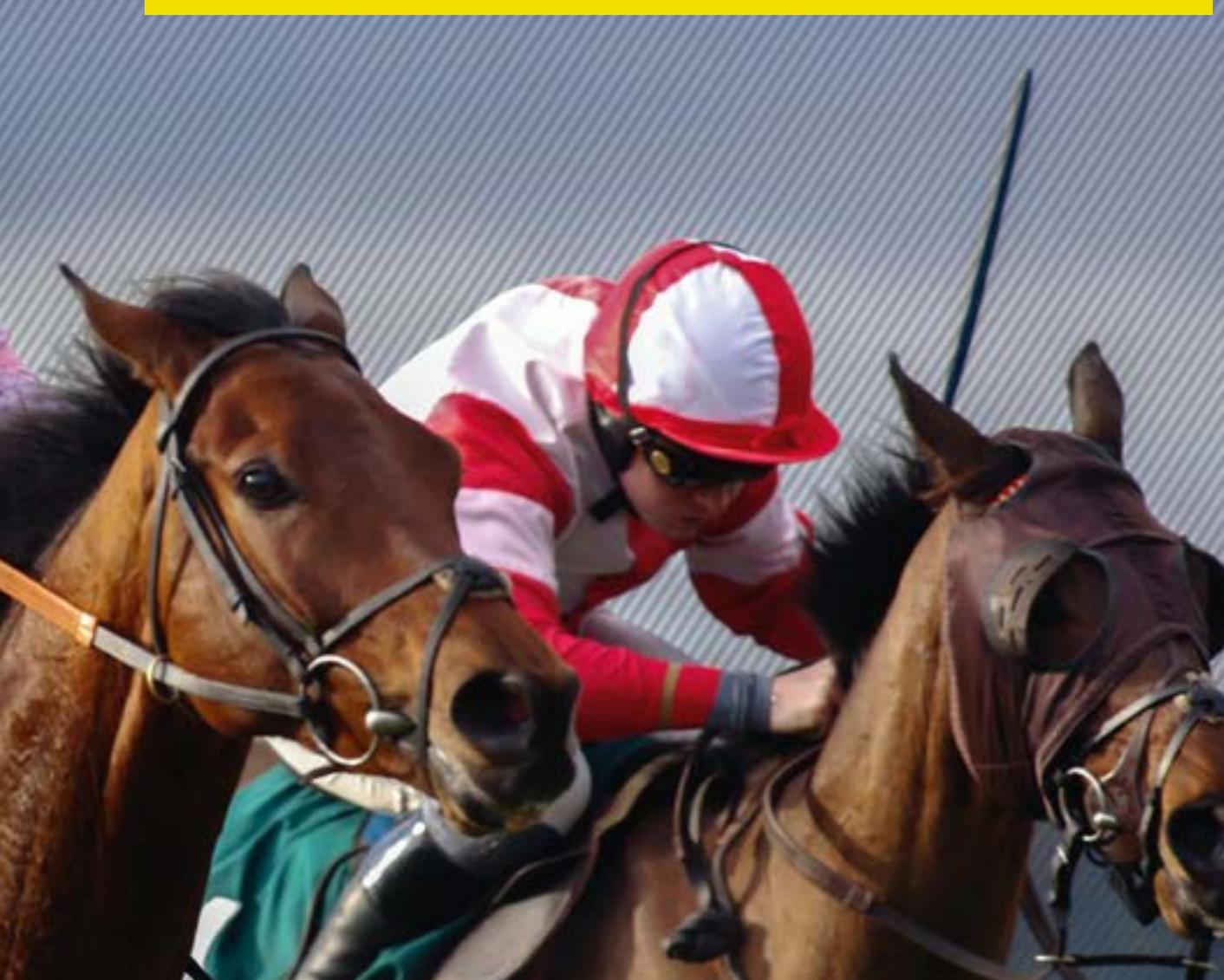
Digital has just become the biggest part of the UK market. It grew at 14% CAGR between 2012 and 2015.

But, in the same period, betting shop revenues remained very steady. Customers still love walking into their betting shop. And more of them are choosing to use both shops and online – 26% of them each month, in fact.

In this market, we're big. We have 27% of the betting shops and around 11% of the digital betting and gaming market. And people know our brand.

We've lost a bit of ground in the last year. But we know what it takes to become the customers' favourite again.

Being a market leader in the UK gives us a great platform for international expansion too. Because the UK is one of the toughest markets in the world. We're highly regulated, which means other governments trust us. We're intensely competitive, which has driven incredible innovation. And our scale means investing here can drive good near-term returns.



Looking ahead

3

Expanding internationally

Technology hasn't just given us in-play betting and mobile apps. It has taken down borders.

Before digital, gambling companies were land-locked. Now, Online is giving us access to millions more customers. And the UK's biggest companies are leading the way.





The UK is the world's largest regulated digital gambling market, four times bigger than the next largest market. Its regulatory regime is both liberal and responsible. That has encouraged existing and new gambling companies to invest in that market. This has driven competition. And innovation. And scale. Particularly in sports betting.

Sports is the most popular digital gambling product – 54% of the gross gaming yield worldwide. It's a key product for acquiring new customers. But it's complex. It requires deep data, odds-setting expertise and risk management capabilities. And technology to support real-time price changes on millions of bet types. It's hard to replicate and expensive to build from scratch. In short, a high barrier to entry. As a result, it's the UK's most successful sports betting companies who are leading the way internationally.

And we're just at the start of this change. So far, only 15 governments have updated their gambling legislation to put in place online regulations. This is out of 150 possible countries. More are getting ready to follow.

The prize is big but it won't be an easy ride. Regulation is only going to become tougher. Costs are increasing – both gambling taxes and compliance with those regulations. Deep pockets are needed to build the brand, from scratch if necessary. And to ride out the impact of regulatory change.

Thanks to our scale in the UK, we have the capital to invest in technology to differentiate us and in marketing to raise our profile. International expansion means we can leverage what we've already built across a much wider customer base. And our heritage in regulated markets and sports puts us right in the sweet spot.

+ Find out more:
Page 10



Strategy update

Building on the good work
already underway

Philip Bowcock
Interim Chief
Executive Officer



Though 2016 was a difficult year, we have made positive progress in our four focus areas. Looking ahead, we want to accelerate the momentum we are starting to see in the business.

Our four focus areas in 2016

01

**Maintain the pace of
Online's turnaround**

02

**Drive increased
efficiencies across
the Group**

03

**Deliver the
technology roadmap**

04

**Refocus the
international growth
and expansion**

2016: good progress in a difficult year

Online's performance was the focus of much attention during the year. With a rigorous focus on the customer experience, we have delivered rapid and meaningful improvements to our digital offering.

In June, we launched our redesigned Sportsbook app and consequently saw UK wagering levels move from a decline in H1 to 5% growth in H2. Gaming upgrades were started in the second half and led to increases in the number of actives and level of cross sell as we progressed through the half. By optimising the user experience, we have improved conversion rates on key customer journeys, such as registration, and we have enhanced customer acquisition, increasing the value of new accounts and retention rates.

We made good progress in reviewing Online and the Group functions to identify ways to increase efficiency. We are targeting at least £40m of annualised cost efficiencies that we can deliver before the end of 2017. These will be reinvested in product, marketing and technology to further accelerate growth in the business.

In addition to enabling the rapid delivery of Online's product improvements, our new front-end platform enabled the creation of our proprietary SSBTs for the betting shops and we rolled out 2,000 during 2016. We expanded our product development capability and capacity by acquiring the Grand Parade team, who have been successfully integrated and who are delivering high-quality output, including our new Vegas iOS app.

Our international operations all performed well. In Australia, we migrated customers to the William Hill brand and launched product innovations to differentiate us in a crowded marketplace. In the US, we continued to grow market share by expanding our Nevada footprint and launching a new mobile app. Italy and Spain also grew, benefiting from further product enhancements.

Strategic priorities going forward

Looking ahead, we are focused on further improving the customer experience by making it both fast and easy as well as enjoyable and personal to bet with William Hill. To do this, we are expanding our product range, increasing our marketing investment and using our technology for continuous improvement.

Grow UK market share

The UK remains our near-term priority. It is not only our largest market, it is also the world's largest regulated online gambling market, four times bigger than Italy or Australia. Our brand, extensive high street footprint, product range, user experience and large-scale marketing investment remain powerful drivers in this market and we are confident we can further grow market share.

To achieve this, we aim to:

- continue to deliver an extensive product pipeline to make William Hill an exciting destination for customers;
- establish a market-leading omni-channel offering to improve brand loyalty and broaden the customer experience for Retail customers; and
- reassert William Hill's position as a leading brand by targeted increases in marketing spend.

In product terms, in 2017 we have already launched #YourOdds, a social media-based personalised odds offering, and we have extended our High 5 horseracing promotion, which is our first ever omni-channel offer, given its popularity.

For omni-channel, we are extending the product range on our proprietary SSBTs and also trialling a new smaller version of our SSBT. We have developed an app that enhances the post-bet experience for customers without an account and will launch an omni-wallet to enable customers to use the funds in their Online account in shops.

We have extensively reviewed our marketing effectiveness and have implemented a number of changes to digital marketing. With this in place, and with a clear pipeline of product innovations ahead, we are increasing our marketing investment in the UK by c20%.

Continued international revenue growth

We will continue to grow internationally, capitalising on good growth in digital markets and diversifying our sources of revenues.

In Australia, recent improvement in performance has given us the confidence to consolidate our challenger position with more marketing investment. As one of the largest digital gambling markets outside the UK, this remains an attractive market but it is intensely competitive and we want to capitalise on our position as one of the leading operators.

In the US, we are building optionality ahead of potential regulatory change. We are extending our footprint – digital and physical – wherever we can, including adding sports books in Nevada, mobile in Delaware and a new race book in Iowa. We are also supporting efforts either to challenge the legality of the PASPA federal ban on sports betting or to achieve legislative change.

In Italy and Spain we will continue to invest in marketing to capitalise on continued market growth. In other markets, the global technology platform we are developing will provide an efficient market entry in due course. Ahead of that, we will be opportunistic as key markets open up, using existing and/or third-party systems to make it economic to enter new markets.

Transformation and technology projects

Enabling this strategy are two key projects: a transformation programme to increase efficiencies and deliver £40m of annualised savings to support our higher investment; and a three-year programme to deliver a global technology platform for the whole William Hill Group.

The transformation programme is now moving into the implementation phase. The review is focused primarily on Online and Group functions, which have grown rapidly over the last eight years without having been reviewed. Other areas to be addressed include external spend, IT, customer service and organisation.

The transformation programme is expected to incur one-off operating costs and additional capital expenditure over 2017, 2018 and 2019 to achieve the targeted efficiencies. This is currently expected to cost c£40m.

For the UK, we now have in place the major technology components we need to deliver our current product pipeline. Having benefited from the increased capacity added by the Grand Parade team, we are investing to further expand our product development team by increasing headcount in the coming months.

We are also investing over the next three years in our next-generation technology platform alongside OpenBet. This will enable us to improve the customer experience even further in the UK. It will also support lower cost entry into new markets and increase the Group's efficiency by moving all divisions onto a single platform, enabling sharing of innovations in all markets.

Our business today

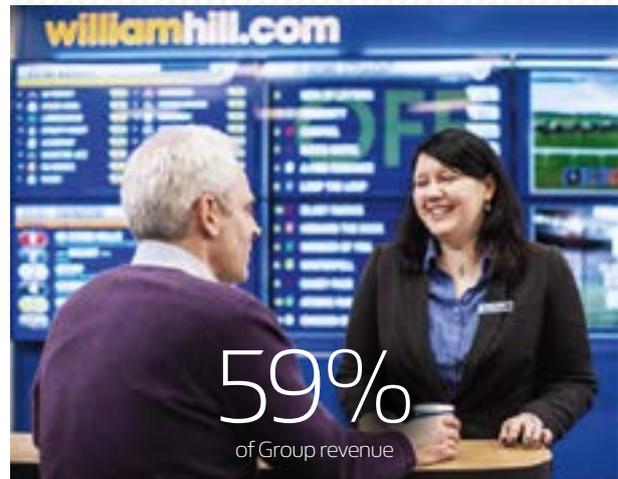
A diversified gambling business across four divisions

We benefit from having a large-scale capability in both land-based and digital betting and gaming.

Digital



Land-based



Online

William Hill is one of the leading online betting and gaming providers to UK customers. We are also a top three online sports betting operator in Italy and Spain. With more than a million betting opportunities on offer every week, we provide in-play and pre-match sports betting, and a wide range of gaming products. Our customers – 2.2 million active customers in 2016 – can bet with us wherever and whenever they want, enhancing the fun of watching a match and enjoying the experience of gaming.

+ Find out more:
Page 24

Retail

William Hill is a familiar name on UK high streets where we have 2,375 of the c8,700 Licensed Betting Offices (LBOs). Our shops offer over-the-counter (OTC) betting on football, horseracing and other sports as well as gaming on machines. In 2016, we rolled out 2,000 of our proprietary self-service betting terminals (SSBTs) – the first of their kind in the industry – giving our Retail customers access to an array of Online's product.

+ Find out more:
Page 26

Australia

In Australia, we are one of the top three providers of online betting with around 284,000 active customers. We offer sports betting products online, by telephone and mobile devices. Our business in Australia was created through the acquisition of Sportingbet (including Centrebet) and tomwaterhouse.com in 2013. Those two businesses have now been rebranded to William Hill.

+ Find out more:
Page 28

US

We are the largest operator of land-based sports betting shops ('sportsbooks') in Nevada with 56% market share by number of outlets. Our US business also provides mobile sports betting services in Nevada and we are the exclusive bookmaker for the State of Delaware's sports lottery. William Hill US was created in June 2012 through the acquisition of three small sports book operators in Nevada that were consolidated and rebranded as William Hill.

+ Find out more:
Page 29

By division and market



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



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

A strong global presence

We are licensed in five regulated gambling markets and have a presence in 10 countries worldwide.



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

Marketplace

Key trends in the market

01

Global regulation

Around the world, governments are updating their existing gambling legislation to take account of digital gambling. This is creating opportunities for William Hill. Having built a highly competitive digital offering in the UK, one of the most advanced and innovative markets globally, we compete strongly in new international markets and thereby diversify our business.



+ Find out more:
Page 20

02

Macro-economic changes

Following the UK's decision to exit the European Union and the subsequent weakening of sterling, many experts believe consumer spending will be squeezed in 2017 by cost inflation. As a low ticket leisure activity, gambling has proved relatively resilient in previous economic downturns but is not recession proof. However, structural growth in online gambling may offset such weakness.



+ Find out more:
Page 20

03

Tax on gambling

When governments regulate they also tax licensed gambling companies. This is increasing the importance of scale as the larger operators can continue to invest while bearing this tax cost. In the UK, the Point of Consumption Tax was imposed on online gambling companies in December 2014. This additional cost is expected, over time, to drive further consolidation of the industry.



+ Find out more:
Page 21

04

Consolidation and scale

Scale is becoming increasingly important, with companies investing millions in marketing and technology as well as paying gambling duties. This, combined with the potential for substantial cost synergies, is driving sector consolidation. William Hill is one of the largest scale operators and benefits from Retail's cash flows when investing in digital and international.



+ Find out more:
Page 02

05

Developments in technology

Over the last decade, much of the gambling industry has relied on third-party software suppliers for core betting and gaming technology. Increasingly, the small number of companies that can afford to do so – like William Hill – are controlling more of the technology themselves in order to bring customers a differentiated offering.



+ Find out more:
Page 04

06

Focus on responsible 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. Wherever possible, we aim to identify any problems before they develop in order to encourage customers to use the tools and support available to stay in control.



+ Find out more:
Page 33

07

Evolving customer expectations

How customers bet and what they gamble on is constantly changing. Gaming is now half of our revenues. Football is now our most popular sports product online. In-play is now more popular than pre-match betting. Self-service betting has arrived in shops. Customers who would never naturally have walked into a betting shop have signed up as online customers. Mobile is now 70% of Online's Sportsbook revenues. We continually evolve and innovate to bring our customers the best experience.



+ Find out more:
Page 04

08

Getting closer to the customer

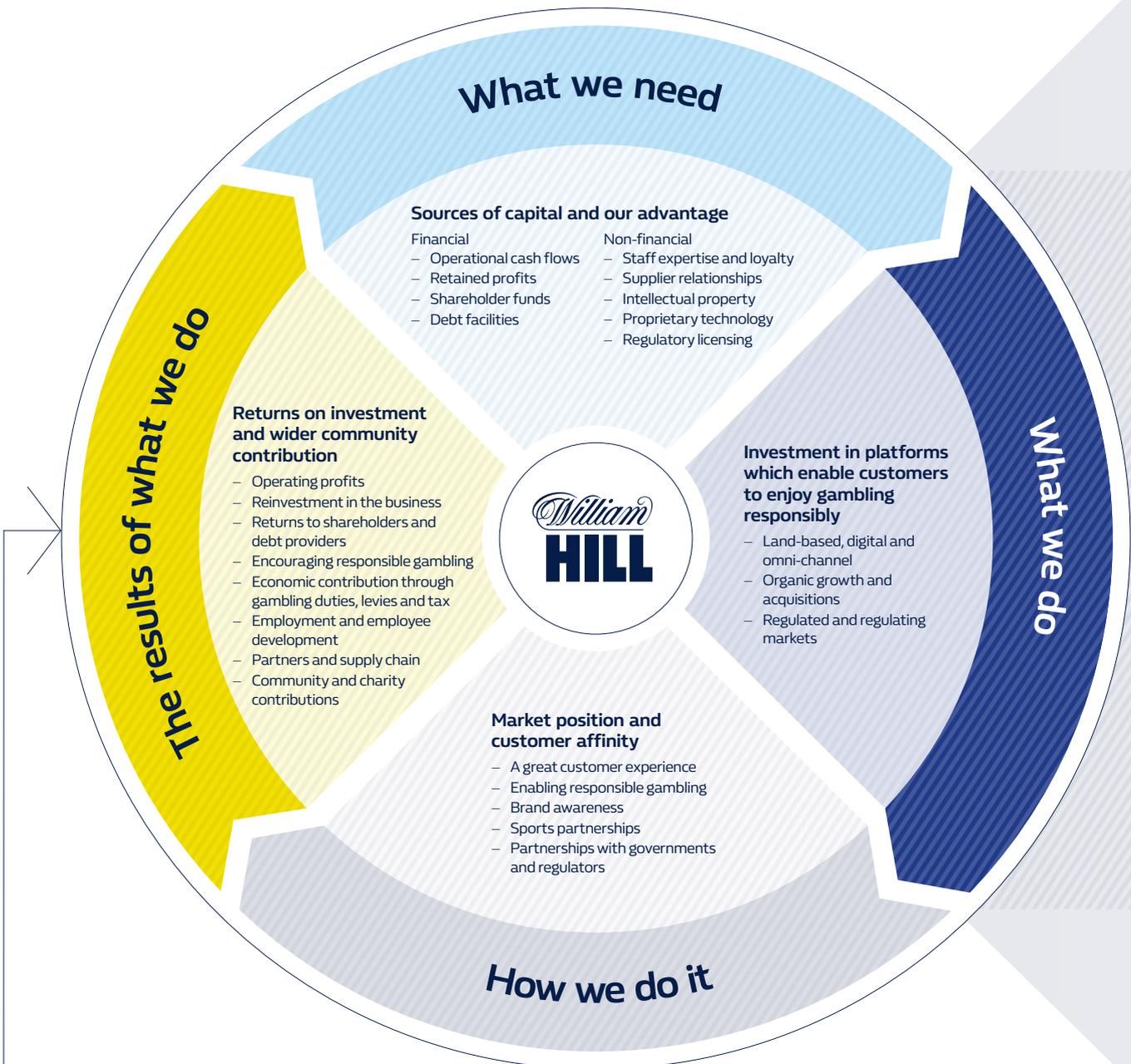
With more extensive product ranges delivered across multiple channels comes the need to make the customer experience ever more relevant. Personalisation is a major focus for the industry. The personal experience already exists in shops. Taking it online is all about data: managing and translating vast volumes of data into ways of anticipating exactly what our customers want to do.



+ Find out more:
Page 05

Our business model

Creating value for all stakeholders by leveraging our scale and expertise



What we do



Sports betting

Our Trading team sets pricing (odds) and builds in a margin



Gaming

Fixed margin built into random number generated games or margin for staging a game

The customer experience

Making everything enjoyable and personal



Key performance indicators

How we performed

Indicators of strategic progress

Our strategy is to increase the diversification of the Group's revenues by growing our digital and non-UK revenues. On page 10 we summarise the progress we made against four focus areas we outlined at the time of appointing Philip Bowcock as Interim CEO. We have also outlined our strategic priorities, targeted at growing our UK market share and our international revenues.

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 2016, the proportion of revenues from digital and international markets has remained relatively stable at 41% 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 85% of Australia's revenues.

With greater stability now achieved in our Online and Australia divisions, we would expect to see our strategic measures progress positively in the coming years.

International diversification

Reducing reliance on UK-derived revenue



2014	82%
2015	85%
2016	82%

Digital and international diversification

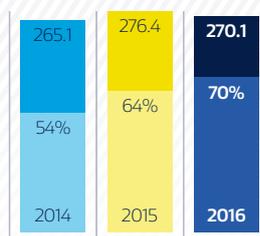
Digital as a percentage of Australia revenues



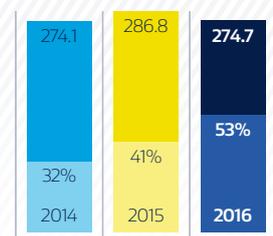
2014	76%
2015	76%
2016	85%

Digital diversification

Increasing mobile as a percentage of Sportsbook revenues (£m)



Increasing mobile as a percentage of Online Gaming revenues (£m)

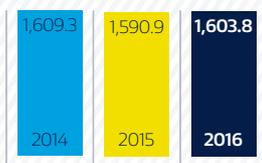


2014 and 2015 numbers have been re-presented to include Telephone.

Group KPIs

Net revenue¹ (£m)

+1%



Net revenue¹ is the key indicator of the Group's top line growth, being the revenue retained from the amounts staked after paying out customer winnings and deducting free bets. In 2016, Group net revenue¹ was 1% higher. Within this, Online revenues fell by 3%, reflecting both weaker sports betting margins in the final quarter and a fall in gaming. Retail revenues were flat with a decline in Sportsbook driven by lower wagering and gross win margins, while revenue from gaming machines increased. Net revenue in Australia and the US increased by 16% and 31%, respectively.

Adjusted operating profit² (£m)

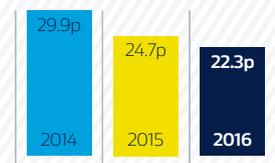
-10%



Adjusted operating profit², 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 2016, it fell by 10% as the Group's revenue growth was insufficient to offset cost increases to support growth, including the investment needed to strengthen our Online business after the difficult first half of the year.

Basic, adjusted EPS³ (pence)

-10%

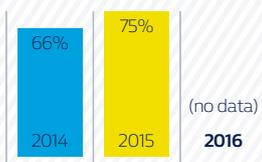


Basic, adjusted earnings per share (EPS)³ is a key indicator of the Group's growth after allowing for all costs, including interest and tax, but excluding exceptional items and adjustments. The decline in EPS reflects the adjusted operating profit² decline and higher finance costs but a lower effective tax rate.

Corporate responsibility KPIs

Employee engagement participation (%)

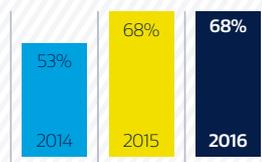
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This KPI reflects the proportion of our colleagues who participate in our annual employee survey, which is a key measure of our colleagues' satisfaction in working for William Hill and highlights areas we can address to improve. In 2016, a full survey was not undertaken as the date of the annual survey has been moved. The next full survey will be undertaken in 2017.

Retail net promoter score (NPS) (%)

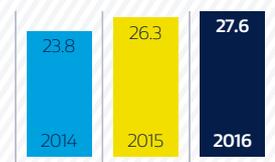
68%



This KPI addresses the overall satisfaction of our Retail customers with their experience of our LBOs, reflecting the quality of our customer service, product range and in-shop experience. The net promoter score is based on customers' likelihood of recommending our LBOs. In 2016, the net promoter score remained flat at 68% while we implemented the Retail-wide restructure. 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)

27.6



This KPI reflects our financial contribution to responsible gambling and our support for other related organisations and industries, some of which are heavily reliant on the success of our industry. It incorporates: our annual donations to the Senet Group and to GambleAware to fund research, education and treatment of problem gambling; levies on our UK Retail horseracing and greyhound racing revenues; sponsorships; and charitable donations, including matched donations for colleagues' fundraising efforts. In 2016, charitable donations amounted to £1.4m, including £1.3m to GambleAware and £74,300 in matched funding.

[+ Find out more:
Page 32](#)

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. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements.

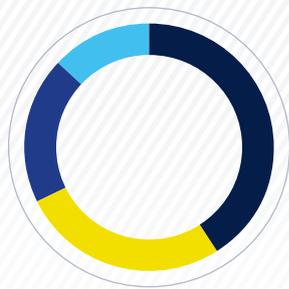
³ Adjusted EPS is calculated using adjusted profit after tax and is used for remuneration purposes (see page 68 onwards) and in evaluating performance for dividend policy purposes. Further detail on adjusted measures is provided in note 3 to the financial statements. The calculation of EPS measures is shown in note 11 to the financial statements.

Our marketplace

Our core markets

William Hill's core strategy is to invest in regulated markets where we can take a licence and operate profitably. Approximately 96% of the Group's revenues are generated from these markets. As the legal picture continues to evolve, we have formed a risk-assessed legal view on each market from which we generate, or consider generating, revenues.

UK market share by number of LBOs (%)



■ Ladbrokes Coral	41%
■ William Hill	27%
■ Betfred	19%
■ Other	13%

The UK

UK retail

LBOs were first legalised in 1961 when the Government recognised that significant levels of gambling were happening outside race tracks. They decided to tax, regulate and control the industry through licensing.

The number of betting shops has stayed relatively stable for some years, having peaked at c16,000 in the 1970s. It declined by c150 around 2015 to the current level of c8,700 after a number of operators, including William Hill, closed shops in response to the Government increasing gambling duties.

The market continues to consolidate, with three major operators accounting for 87% of the market. William Hill is the second largest operator with 27% of the LBOs, but the leading individual brand.

The customer experience is a critical driver of continued LBO popularity, with shops providing a social environment and many being a hub within their local community.

The regulatory environment for LBOs last changed significantly with the 2005 Gambling Act and the regulation of gaming machines. We pay 15% gross profits tax on sports betting (both OTC and SSBT) and, since April 2015, 25% gross profits tax (Machine Games Duty) on gaming machines.

The LBO industry is a key contributor to the UK economy. We directly support around 43,000 full-time equivalent jobs. With a number of industries reliant on ours, notably UK horseracing and greyhound racing, our total economic footprint is more than 100,000 FTE jobs and £3.2bn towards GDP, including contributing around £1bn a year to Treasury through direct, indirect and employee taxes¹.

The industry makes a positive contribution to local economies, paying business rates, offering flexible working arrangements and providing a meeting place for people in local communities to take part in an enjoyable pastime, enjoyed by millions of people throughout the UK.

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

¹ Source: Association of British Bookmakers.



11%

William Hill's online market share of sports betting and gaming in the UK by revenues¹

27%

of LBOs are William Hill, making us the second largest operator

We continue to have an active dialogue with the UK Government to encourage and support evidence-based decision making in relation to our industry, given the social and economic contribution we make to the UK.

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 – such as William Hill – as the most recognised and trusted operators. The entrance of more technology-led and specialist online operators eroded the leaders' market share. However, between 2008 and 2015 William Hill grew rapidly and grew market share by enhancing its product range and mobile experience.

Online was regulated by the Gambling Commission on a 'point of transaction' basis from 2007. In November 2014, the basis of regulation changed to a 'point of consumption' basis and, from December 2014, all licensed operators have been taxed on that same basis at 15% gross profits tax.

William Hill has an estimated 11% market share of online sports betting and gaming in the UK by revenues. Currently, the market is relatively fragmented, more so than in other taxed and regulated online gambling markets across the world, though consolidation has been evident in the last year.

In our view, sports betting – the single largest product – has a high barrier to entry. The most successful operators – like William Hill – benefit from large-scale specialist teams who produce increasing volumes of innovative betting opportunities, including using proprietary algorithms to derive pricing for new markets, such as in-play.

Sports betting is a key product for driving customer acquisition, with a relatively lower cost per acquisition, higher customer lifespans and good cross-selling potential as well as the greatest opportunity for product differentiation.

Technology is also a barrier to entry with significant investment required to support delivery of a high-quality, seamless and differentiated user experience across multiple access channels.

UK Online sports betting market share (%)



■ Paddy Power Betfair	27%
■ Bet365	23%
■ William Hill	15%
■ Sky Bet	10%
■ Ladbrokes Coral	9%
■ Others	16%

Source: Gambling Compliance, UK Online Gambling: Data Forecasting & Market Shares, October 2016.

¹ Source: Gambling Compliance, UK Online Gambling: Data Forecasting & Market Shares, October 2016.

Our marketplace (continued)



Australia

Australia is one of the most attractive gambling markets, having the highest spend per capita among the ten largest gambling countries.

Betting – or wagering as it is known locally – now accounts for 18% of the Australian gambling market at A\$27bn of turnover and A\$4.1bn of gross gambling yield a year. Between 2012 and 2016, total betting has grown at around 5% per annum, within which online has grown at 14%. Online is projected to grow between 6-10% per annum in 2017-2020 given the shift to mobile and high smartphone penetration rates¹.

Pre-match betting is regulated but the Interactive Gambling Act 2001 prohibits in-play betting and gaming online.

For many years, the market was dominated by land-based, pari mutuel, state monopolies. Since 2006, online has grown from c9% of the market to half the market today, with advertising allowed since 2008. As in the UK, mobile has been a driver of growth, as has customers' increasing preference for sports betting, though betting continues to be dominated by racing.

Australia's online betting market is already much more consolidated than in the UK, with the top five leading operators accounting for over 80% of the market².

A number of European operators have moved into the market in recent years, including William Hill, Paddy Power, Ladbrokes and Bet365. Local brands, notably Crown, have also sought to gain market share. However, unlike William Hill, most are not yet profitable. This is compounded by increasing costs in the market, with significant increases in betting taxes and levies in recent years.

Italy and Spain

A number of European countries have followed the UK in amending or establishing licensing regimes for online gambling. William Hill has been awarded licences to operate in Italy, Spain and Ireland.

Italy is the largest of the mainland European gambling markets. Spend per capita on gambling is the second highest among the major regulated markets, after Australia. The online market was initially dominated by the land-based incumbents and is still dominated by casino as the primary revenue driver. However, sports betting took an increasingly strong position as the regulatory framework widened and new developments such as Cash In were permitted.

William Hill was the first major brand to offer online casino in 2011 and it still holds the number one spot for brand awareness in the market. The online sports betting and gaming markets in Italy are predicted to grow at double-digit rates for the next four years.

In Spain, sports betting features more strongly in the online market, representing just under half of the gross gaming yield. In 2015, Spain regulated online slots games for the first time. With no prominent land-based sports betting incumbent, the market is led by the major European operators. The online sports betting and casino markets are expected to double over the next four years.

William Hill is still one of the most recognised and respected brands in the market. This is in the face of stiff competition, with more than 10 new licences appearing in the market in the last 18 months.

¹ Source: H2GC, November 2015.

² Source: IBISWORLD 2017.



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 land-based sports betting 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 typically are either run by the casino operator or outsourced to a specialist operator. William Hill US is the largest such operator and was created through the acquisition and consolidation of three small operators. Nevada also permits mobile betting for customers who create their accounts through land-based outlets.

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

A number of states are exploring ways to challenge PASPA and enable land-based or intra-state mobile sports betting. There has been increased focus on the sports betting legalisation debate, prompted in part by the increasing popularity of Daily Fantasy Sports Betting.

William Hill has an agreement in place with Monmouth Park in the event that sports betting is permitted in New Jersey. We are also establishing a racebook in Iowa for Caesars Entertainment.

Other non-core markets

William Hill also generates revenues in other countries outside of our core five markets by providing online sports betting and gaming activities. There are more than 100 countries within this category. These markets make up c4% of Group revenue. We take regular legal assessments of whether existing regulations allow us to provide these services. We have processes in place to monitor regulatory change and respond on an operational level accordingly. Regulation in Europe continued to expand in 2016 with the Czech Republic, Poland and Hungary regulating their markets. Germany, the Netherlands, Sweden and Russia are the next big markets that are expected to materially change from a regulatory perspective over the course of 2017 and 2018.

Divisional overview

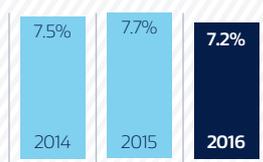
Online

Online generated 34% of Group net revenue in 2016 and employs around 1,800 people in Gibraltar, the UK, Israel, Bulgaria, Italy, Spain and the Philippines.



KPIs

Sportsbook margin (%)

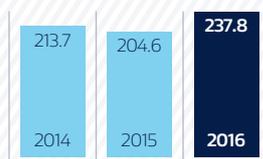


Note: The Online division now includes Telephone, which was previously reported separately. 2014 and 2015 numbers have been re-presented to include Telephone.

-0.5 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 2016, the gross win margin was 0.5 percentage points lower year-on-year at 7.2%. This comprised an in-play margin of 5.8% (2015: 5.4%) and a pre-match margin of 8.4% (2015: 9.4%). This KPI is an industry term and is described in the glossary under 'gross win margin' on page 150.

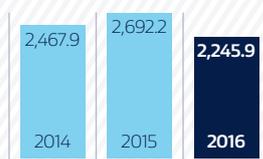
Revenue per unique active player (£)



+16%

This KPI reflects the average revenue generated from customers who have used our products during the year. This demonstrates our effectiveness in growing the value of customers. Total Online net revenue was 3% lower in 2016, with Sportsbook down 2% and Gaming down 4%. However, net revenue per unique active player was stronger in 2016 as we enhanced customer acquisition and addressed bonus levels. This KPI reflects Online's performance excluding Telephone.

Unique active players (no. in '000s)



-17%

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 2016, the number of unique active players was down 17% in 2016 as we addressed bonus abuse levels and focused on quality customer acquisition and retention. This KPI reflects Online's performance excluding Telephone.

Growing UK market share

The UK remains a key focus given the growth of the market. In 2016, following a period of underperformance, we focused on turning around our Online business and returning it to growth. In 2017, we expect the business to benefit from the turnaround measures undertaken this year (see 'Performance review' opposite). Specifically, we continued to invest in our product and user experience to deliver differentiation, and used our substantial marketing budget to support our continuing high brand profile.

Maximising the mobile opportunity

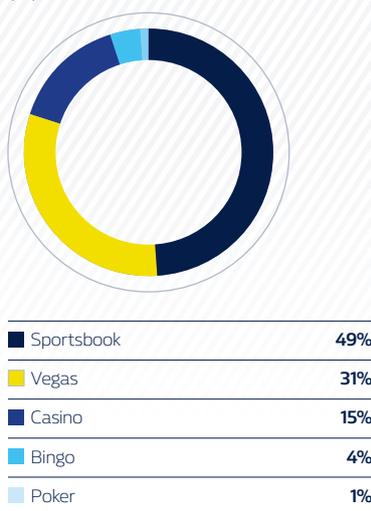
With a broader betting and gaming product range than ever before, it becomes ever more critical to make it easy for customers to bet when they want and on what they want. The increasing use of mobile technology has been a key trend in the industry in recent years, and mobile betting and gaming continues to be a major focus for us. It now accounts for 70% of Sportsbook net revenue and 53% of Gaming net revenue.

International expansion

We are also taking our online offering into a number of other countries, focusing on markets with a strong gambling culture and a competitive regulatory and tax framework in which we have the ability to offer a broad sports betting product range and casino gaming.

Approximately 76% of Online's net revenues¹ in 2016 came from the UK, with a further 11% from Spain and Italy. The remaining revenues are spread across a large number of other countries, with none accounting for more than 2% of Online's revenues.

Online net revenue – split by product (%)



Performance review

Commentary on the division's performance below 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 is provided in note 3 to the financial statements and segmental results are shown in note 2 to the financial statements.

After several years of sustained outperformance and market leadership, Online's growth stalled in 2016, with net revenue¹ down 3% and adjusted operating profit down² 20%.

In January 2016, we changed Online's leadership. We recognised that new customers were generating lower-than-expected revenue levels and that our product range had become less competitive. Revenues were also being impacted by responsible gambling measures implemented in November 2015.

Improving performance in our core UK market, which accounted for 71% of Sportsbook amounts wagered³ and 76% of Online's total net revenue¹, was a key priority in 2016. We launched a substantially improved Sportsbook

app ahead of EURO 2016 and saw UK Sportsbook amounts wagered³ grow 5% in the second half. We refreshed many aspects of the Gaming verticals in H2, launching new web and mobile versions of Casino, Games and Live Casino, followed by a new Vegas iOS app in January. Gaming declined in 2016 but has returned to growth in the early weeks of 2017.

Italy and Spain continued to perform well, benefiting from expanded product ranges, particularly in gaming. The two markets together made an adjusted operating profit² of £1.8m in the period (2015: £0.4m).

Within the amounts wagered³ increase, core markets grew 5% with the UK up 2% and Italy and Spain up 29% (up 15% on a local currency basis), and non-core markets declined 11%. Wagering benefited from the UEFA EURO 2016 football tournament, during which Online's wagering was 85% higher than for EURO 2012.

Sportsbook fair value adjustments in the period were 0.9% of amounts wagered³ (2015: 1.0%), lower than the 1.1% reported in H1 2016 following actions taken to address bonus abuse.

Gaming net revenue was 4% lower, with core markets down 5% and non-core markets up 2%. These were impacted by the time-out/automatic self-exclusion uptake in the first half of the year and less new content being released while we implemented the 'reality checks', responsible gambling measures in Q2 2016. We have now returned to our normal content release cycle.

Mobile continues to grow as a proportion of the business, increasing to 70% of Sportsbook net revenue (2015: 64%) and to 53% of gaming net revenue (2015: 41%).

Operating costs were 5% higher, driven by higher staff costs. Amortisation also continued to increase reflecting higher capital expenditure in recent years. Marketing costs were £121.7m (2015: £122.5m) equating to 22% of net revenue.

As a result of the lower revenues and higher costs, adjusted operating profit² was 20% lower.

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. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements.

³ Amounts wagered is an industry term as described in the glossary on page 150.

Divisional overview (continued)

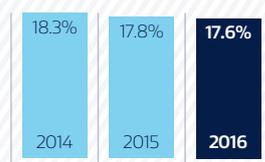
Retail

Retail is the largest William Hill division, generating 56% of Group net revenue in 2016 and employing around 12,500 people in the UK.



KPIs

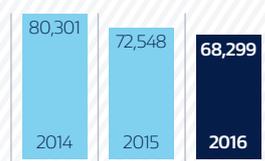
Sportsbook margin (%)



-0.2 ppts

This KPI gives an indication of how sporting results have affected our performance during the year. At 17.6%, the gross win margin was 0.2 percentage points lower than the prior year but within our normalised range of 17-18%. This KPI is an industry term and is described in the glossary under 'gross win margin' on page 150.

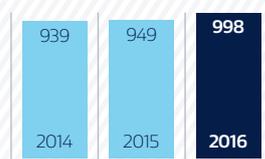
Average profit per LBO (£)



-6%

This KPI reflects the average profitability of the Retail business. Retail net revenue¹ was flat with Sportsbook net revenue down 5% and gaming machine net revenue up 6%. Cost of sales increased by 2%. Operating costs were up 2%. Overall, adjusted operating profit² was 5% lower at £162.0m. Average profit per LBO also decreased by 6% to £68,299. The average number of shops was slightly up at 2,372 (2015: 2,363), with 16 new licences opened and 11 shops closed in the period.

Average gross win per machine per week (£)



+5%

This KPI reflects the trends in the underlying growth in gaming machine net revenue¹. Based on an average of 9,343 machines, the average gross win per machine per week (net of free bets) was 5% higher at £998. A maximum of four machines are allowed per shop. Gaming machine net revenue increased 6%, benefiting from the regular release of new slots and casino games content, higher footfall in the shops during the EURO 2016 period and rolling over the implementation of the '£50 journey' in April 2015.

Growing UK market share

We believe that LBO customers are looking for an entertaining and engaging experience, ranking convenience as their main reason to bet in LBOs per se and location and customer service as the key reasons for choosing a particular LBO. We have focused on the quality of our customer service, our product range – particularly in football – and technology innovations to bring customers an attractive and differentiated offering.

Our estate

We aim to expand Retail organically through a small number of new shop openings each year. We continue to exceed our internal hurdle rate for returns on new openings as a portfolio.

Around 90% of our shop estate is 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 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, but we are yet to finalise our assessment of the likely impact. This new accounting standard is explained in more detail in the notes to the financial statements.

Enhancing the omni-channel experience

It is estimated that more than half of Online's regular customers also gamble in LBOs and 26% of our regular Retail customers gamble online. We are using new technology such as SSBTs to create a more consistent experience between Retail and Online. In 2016, we rolled out 2,000 of our proprietary SSBTs, supported by Online's front-end platform, which is bringing more of Online's extensive product range to shop customers. Further innovations are planned in 2017.

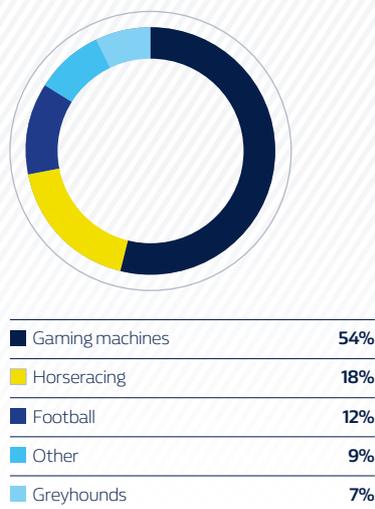
Retail restructure enabling greater focus on the customer

In 2016, we reviewed our Retail operating structures and announced the first major organisational change to the business for over a decade. This involved modernising the organisational structure by creating 359 Business Performance Manager roles that now focus on enhancing the customer experience. It is bringing management support closer to the shops teams and reduced the number of existing middle management roles. These changes were implemented on 1 January 2017, following a consultation process with colleagues. One of the further benefits of the restructuring is that it helps to mitigate National Living Wage increases we will have to absorb in the coming years.

Performance review

Commentary on the division's performance below 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 is provided in note 3 to the financial statements and segmental results are shown in note 2 to the financial statements.

Retail net revenue – split by product (%)



Retail's net revenue was flat year-on-year. Overall performance has benefited from net revenue growth in Gaming while Sportsbook (comprising transactions over-the-counter (OTC) and on self-service betting terminals (SSBTs)) was down, with gross win margin down 0.2 percentage points and amounts wagered³ down 4%.

Sporting results were volatile during the year, with one of our poorest Cheltenham festivals on record and unusually weak football results in Q4 but a very positive EURO 2016 football tournament and a sustained period of good margins from Tier 3 horseracing. Overall, this resulted in Sportsbook gross win margin being below expectations but still in our normalised range of 17-18% for the year as a whole. The Tier 3 horseracing results were a key contributor to lower amounts wagered as this product is particularly influenced by recycling levels.

Gaming has seen good growth rates following the restructuring of the Gaming Operations team over the last year, with regular releases of new slots and casino games content. Within the 6% net revenue growth, the slots content (B3) grew 16%. Gaming benefited from higher footfall in the shops during the EURO 2016 period and rolling over the implementation of the '£50 journey' in April 2015. Gross win per machine per week (net of free bets) was 5% higher at £998 (2015: £949).

We completed installation of our initial 2,000 proprietary SSBTs in the period. Through the back end of the year, we started releasing further content onto the SSBTs, which will continue through 2017.

The average number of shops was slightly higher at 2,372 (2015: 2,363), with 16 new licences opened and 11 shops closed in the period.

Cost of sales was 2% higher due to a greater proportion of net revenue coming from machines in the period, which attracts a higher rate of gambling duties. Operating costs were 2% higher, primarily reflecting increases in employee costs, including National Living Wage increases. As a result, adjusted operating profit¹ decreased 5%.

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. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements.

³ Amounts wagered is an industry term as described in the glossary on page 150.

Divisional overview (continued)

Australia

William Hill Australia generated 7% of Group net revenue in 2016 and employs around 325 people based in Sydney, Darwin and Manila.



Building a digital business

Since we established William Hill Australia through two acquisitions in 2013, we have focused on building a business that is highly competitive in the online betting market and focused more on mass market customers. We changed the management team, restructured the operations, increased marketing effectiveness, improved the customer experience and rebranded the main businesses as William Hill.

Benefiting from proprietary technology

We have also invested in our IT operations to benefit from one of our greatest differentiators: our proprietary technology platform. Without being reliant on the same platforms used by others in the market, we can deliver a differentiated experience by bringing new and exciting products to the market faster than our competitors. We have built an internal IT team to make the most of this asset and now have c130 people in Manila working on technology, business intelligence and digital design. Our Global Trading Platform enables us

to expand our product range and offer customers content from a much wider range of sports from Europe and the US.

Improving the customer experience

We are focused on expanding the product range and continuously improving the user experience, making it 'fast and easy' for customers to bet with us. These include developments such as Cash Card and Quick Bet. Having previously launched an in-play product, Click to Call, we revised this following changed licensing requirements in October 2016, replacing it with Quick Call. Given this constraint, we have increased our focus on horseracing as a product, including launching our innovative 'Double Down' product ahead of the peak Spring Carnival trading period in October/November, providing an exciting experience for racing customers.

Performance review

Commentary on the division's performance below 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 is provided in note 3 to the financial statements and segmental results are shown in note 2 to the financial statements.

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

Our Australian business is now delivering good top-line growth, with amounts wagered³ up 18%. This has followed a period of substantial improvement to our product, marketing and operations.

We successfully migrated the tomwaterhouse.com customers and Centrebet customers to the William Hill brand during the year. While this is detrimental to the number of active accounts in the short term, the average revenue per user is improving as retained customers enjoy a better product range and user experience.

New accounts have increased strongly, up 19%, and recognition of the William Hill brand is much higher following effective advertising campaigns and our unique betting partnership with the Australian Open.

Gross win margins were weaker than expected as horseracing results impacted the whole industry.

During the year, we invested in expanding the teams that support our product development. However, we also reduced our costs by offshoring back-office activities to our lower-cost centre in Manila, which enabled us to offset this investment. Therefore, operating costs were down 1% overall.

As the weaker-than-expected gross win margin meant wagering growth did not translate into revenue growth, adjusted operating profit grew just 1%.

US

William Hill US generated 3% of Group net revenue in 2016 and employs around 400 people, mainly in casino-based sports books in Nevada.



The American Gaming Association (AGA), of which we are a Board member, is working on routes to challenge the federal ban. The AGA has made this a priority in the near term.

Performance review

Commentary on the division's performance below 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 is provided in note 3 to the financial statements and segmental results are shown in note 2 to the financial statements.

William Hill US continues to perform strongly with growth from amounts wagered³ up 37% (local currency: +21%). Net revenue¹ was 31% higher (local currency: +16%) at £43.7m (2015: £33.3m) with the gross win margin 0.3 percentage points lower at 6.2%. Operating costs were 20% higher (local currency: +5%) and adjusted operating profit² was 55% higher (local currency: +39%) at £14.3m (2015: £9.2m).

During the year, we launched a new mobile app and another means by which customers can deposit funds into their mobile accounts. We expanded our Nevada footprint by opening a further five sports books and now have 108 of the 192 books in the State of Nevada. Our market share has also grown in revenue terms, up from 21% of sports gross win in 2015 to 26% in 2016. We have also partnered with Caesars Entertainment to run a race book in Iowa.

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, though customers using mobile accounts can deposit via kiosks provided in casino and bar locations. 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 192 sports books in Nevada.

We have successfully grown William Hill US by expanding the product range, including in-play betting, developing the mobile app and redeveloping the sports books, which are branded as William Hill.

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

Creating optionality

There continues to be a lot of discussion in the US about the potential for overturning the federal ban on land-based sports betting and for licensing online gaming in other states. While it is unclear how such changes may evolve, we want to ensure William Hill is well positioned to take advantage of emerging opportunities.

Through our Nevada operations, we are building brand awareness and recognition of our strengths in sports betting. 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 are also prepared to invest 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.

[+ Read about the US market:](#)
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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. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements.

³ Amounts wagered is an industry term as described in the glossary on page 150.

Financial review

Continued strong cash generation



“The Group’s ability to be highly cash generative, with £265.9m of operating cash flow in 2016, allowed us to make key investments to support the development of our technology.”

Mark Summerfield
Interim Chief Financial Officer

	2016 £m	2015 £m	%
Revenue	1,603.8	1,590.9	+1
Cost of sales	(382.2)	(377.9)	+1
Gross profit	1,221.6	1,213.0	+1
Adjusted operating profit ¹	261.5	291.4	-10
Profit before interest and tax	225.6	224.3	+1
Net finance costs	(44.3)	(39.6)	+12
Tax	(16.8)	5.2	
Profit after tax	164.5	189.9	-13
EPS	18.9	21.6	-13
EPS (adjusted) ³	22.3	24.7	-10

In 2016 the Group delivered a 1% increase in both revenues and profit before interest and tax. However, adjusted operating profit¹ fell 10% to £261.5m. The fall mainly reflects that revenue growth was insufficient to offset cost increases to support growth, including the investment needed to strengthen our Online business after the difficult first half of the year.

There were also adverse effects from higher finance costs in 2016, due to a period of overlap through the refinancing of one of our bonds, and higher tax costs as 2016 did not benefit from the same level of tax credits as the prior year. Overall this led to a year-on-year fall in profit after tax of 13%, to £164.5m, and a fall in EPS of 13% to 18.9p.

Net operating cash flows remained strong at £265.9m, the £35.0m reduction over the prior year being broadly in line with the reduction in adjusted operating profit¹. Together with an increase in cash from financing activities, this allowed us to fund significant investment as well as cash returns to shareholders while remaining within our target net debt to EBITDA ratio of one to two times. Net debt for covenant purposes² rose to £618.1m from £488.2m, increasing the ratio from 1.3x to 1.8x.

Income Statement by division

	Revenue			Adjusted operating profit		
	2016 £m	2015 £m	%	2016 £m	2015 £m	%
Online	544.8	563.1	-3	100.5	125.3	-20
Retail	893.9	889.5	+0	162.0	171.4	-6
Australia	113.8	97.9	+16	15.4	13.4	+15
US	43.7	33.3	+31	14.3	9.2	+55
Other	7.6	7.1	+7	(0.1)	–	
Corporate	–	–		(30.6)	(27.9)	+10
Group	1,603.8	1,590.9	+1	261.5	291.4	-10

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 £1,603.8m, an increase of 1% on 2015, with adjusted operating profit¹ falling £29.9m to £261.5m. Online revenues fell by £18.3m or 3%, reflecting both weaker sports betting margins in the final quarter and a fall in gaming of £12.1m, in part due to the regulatory impacts of self-exclusions and timeouts. Poker and Bingo also saw further declines. Retail revenues grew £4.4m. Within this, Sportsbook saw a £21.6m decline, driven predominantly by lower wagering levels and the impact of results on margins in Q4, while revenue from gaming machines increased by £26.0m as frequent content releases led to higher gross win per machine. Australia revenues increased by 16% to £113.8m, although this comparison is flattered by the weak pound and growth was 3% in local currency terms. US revenues grew 31% to £43.7m, a rise of 16% in local currency.

Costs of sales grew 1% or £4.3m. In most divisions this was generally in line with changes in revenue, although in Australia the relative burden of wagering taxes and integrity fees continues to increase.

Adjusted net expenses were 4% or £38.5m higher at £960.1m. Retail expenses grew 2% to £504.9m, driven primarily by employee cost increases that reflect the introduction of the National Living Wage. Costs in Online grew £14.6m or 5%, as higher amortisation, content costs and employee costs from ongoing investment offset smaller reductions in marketing and banking fees. Net expenses in Australia grew £6.8m to £68.1m, although in local currency terms these declined 1%. Elsewhere, the Group's costs grew by £7.5m reflecting the currency impact on expenses in the USA and higher costs in corporate functions.

Exceptional items and adjustments

Adjustments and exceptional items amounted to £32.7m before tax, a fall of 51% from the prior year following the £60.6m accelerated brand amortisation in 2015. Within this, exceptional items amounted to £19.6m, principally £9.8m of corporate transaction costs and £10.2m of costs relating to corporate restructurings.

Adjustments included a slightly lower charge of £6.4m (2015: £8.1m) for amortisation of intangibles recognised on acquisitions, along with a net £6.7m charge from finance income and the revaluation of our NYX investments.

Taxation

The Group's effective tax rate was 9.3% (2015: credit of 2.8%, due to an exceptional release in that year). The rate in 2016 benefits from a deferred tax credit resulting from the enacted change in the rate of UK corporation tax and a lower rate of tax on overseas profits and adjustments in respect of prior years. The forecast effective tax rate for 2017 is c.14%.

Earnings per share

Basic EPS declined 13% to 18.9p, reflecting primarily the 13% fall in profit after tax to £164.5m. Adjusted EPS³ declined 10% to 22.3p.

Cash flows and net debt

	2016 £m	2015 £m
Cash flows from operations	265.9	300.9
Acquisitions and loans	(104.0)	(17.4)
Other investment cash flows, inc. capex	(80.9)	(64.5)
Purchases of own shares	(94.4)	(3.0)
Dividends	(109.0)	(108.4)
Increase in bonds in issue/(repayment of debt)	50.0	(50.0)
Other	(1.3)	3.5
Net cash flows	(73.7)	61.1
Net debt (for covenant purposes)	618.1	488.2

Operating cash flows were £265.9m or £35.0m lower than in 2015, reflecting the similar fall in adjusted operating profit¹. Of this we invested £161.9m in technology, including investments in NYX (£92.0m) and Grand Parade (£12.0m), and developing intangible assets (£57.9m).

The Group returned £203.4m to shareholders through dividends and share purchases, and received a net £50m in refinancing bonds in issue, leading to a closing net debt for covenant purposes² of £618.1m. This reflects a 1.8x multiple of EBITDA for covenant purposes (2015: 1.3x).

The Board continues to believe that an appropriate capital structure for the Group ranges between 1x and 2x net debt to EBITDA for covenant purposes². In light of this, the Board does not currently intend to commence any additional returns of capital.

In considering the Group's capital structure, the Board continues to take into account the ability to deliver strong 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.

Profit Guidance in 2016

Under LR 9.2.18(2), a statement regarding the profit guidance issued, and regularly updated, by the Group during the financial year can be found on page 90 of the directors' Report.

¹ Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. 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 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.

Corporate responsibility

Leading responsible gambling

Our approach to responsibility is core to how we operate as a business and focuses on three key areas: our customers, our colleagues and our community contribution.

Overview

Throughout 2016 we have continued to promote responsible gambling to our customers through enhanced tools and increased information, including an industry-wide GambleAware Week in 2016.

We have also applied a significant focus to local communities where we operate through our community commitment, Close to HOME, and other initiatives to get people into work. This includes our partnership with Our Club providing employability training for young people in London, and our work with female ex-offenders.

Importantly we continue to take a responsible approach towards our colleagues, introducing the National Living Wage in April 2016 for all of our colleagues aged 18 and over, not just those over 25. We are also committed to not using zero-hour contracts.

Customers



+ Find out more:
Page 33

20%

of shop window advertising committed to responsible gambling messages

Colleagues



+ Find out more:
Page 34

23,385

colleague attendances at workshops held as part of the Retail Academy programme in 2016

Community



+ Find out more:
Page 36

6,393

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

Customers

We are committed to keeping our customers safe and free from harm whenever and wherever they choose to gamble with us.

Principles

We continue to operate in a way 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.

Responsible gambling

Responsible gambling remains a key priority. We want our customers to gamble safely and responsibly, and we recognise our role in encouraging and enabling them in this. We have introduced a range of measures to give customers the tools and the information to make an informed decision about their gambling habits.

The latest problem gambling evidence has consistently shown that the levels of problem gambling remain low and that there is no causal link between particular gambling products and problem gambling levels.

We continue to evolve our responsible gambling approach. Key elements we have implemented include:

- introducing a voluntary TV advertising ban on sign-up offers (free bets and free money) before 9 pm;
- withdrawing all advertising of gaming machines from betting shop windows and committed 20% of shop window advertising to responsible gambling messages;
- funding a major new advertising campaign to educate people on responsible gambling – ‘When the fun stops, stop’ – and using more prominent responsible gambling messages on all advertising;
- increasing exposure to responsible gambling messaging on gaming machines, through audio transmissions and in-shop gantry;
- introducing the ability to set loss and time limits on gaming machines, as well providing mandatory warnings;
- when a customer wins £50 or more, giving them the option to cash out;
- holding responsible gambling interactions with individuals who exhibit harmful behaviour; and
- using identified markers of harm to develop an approach using behavioural analytics to identify problematic customers who can then be approached by colleagues.

Training

We continue to have rigorous training programmes in place for our colleagues to ensure that we remain compliant as a business and consistent with our principles under the licensing objectives.

We train our colleagues in responsible gambling, security, and health safety requirements and delivered 135,029 hours of training to our colleagues during the year.

Age verification

Gambling is an age-restricted product and we take every effort to ensure that people under the age of 18 do not get access to our products. We operate a strict ‘Think 21’ policy and regular training for colleagues. We also have leading age verification measures in place online. In 2016 we carried out over 1.3 million age verification checks and the effectiveness of our age verification checks is independently reviewed on a regular basis.

We want our customers to have a safe and enjoyable experience wherever and whenever they bet with us.

We have a dedicated security team who work across the business to keep customers’ data protected and online accounts secure, and also to risk assess all of our shops to make sure that they are safe.

We have a range of security measures in place in our betting shops including:

- CCTV in every betting shop;
- 2,214 shops with safe havens installed; and
- Staff Safe, a third party monitoring system.

As a result we have seen positive progress in keeping crime out of gambling.

2,214

LBOs with safe havens installed

Corporate responsibility (continued)

Colleagues

Summary

With over 16,000 colleagues working with us around the world, we are committed to ensuring that those who work for us are engaged and fulfilled in their work. We aim to treat our colleagues fairly, which is why in 2016 we introduced the National Living Wage for all of our UK colleagues, not just those aged over 25 as required by the UK government. We also continue in our commitment not to use zero hour contracts.

Engagement

We believe that engaged colleagues contribute meaningfully to the continued success of our business. That is why we engage our colleagues in the decisions that affect our business through our National and International Colleague forums.

We also actively seek to gauge colleague feedback on a regular basis, to identify engagement levels and also to identify actions we can take to improve. We have committed to implementing changes where possible to address legitimate colleague concerns.

We did not conduct a survey in 2016 but are committed to undertake a survey in 2017.

Development

At William Hill we pride ourselves on the development opportunities we provide for our colleagues to build their skills and start their careers, wherever they work for us.

We have a range of development programmes in place including the Taking the Lead Programme. In 2016, 27 colleagues took part in the programme, and 18 have since gone on to senior leadership and management roles in the business.

We also run several initiatives that focus on getting people back into work from local communities where we are based.

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.

Working Chance

"By giving women ex-offenders quality, paid jobs, William Hill is transforming lives by enabling the women and their children to cross the social divide from lives of exclusion to lives of contribution."

Jocelyn Hillman
Working Chance CEO



Brenda Birungi
Working Chance employee

Brenda started a career at William Hill after coming through our programme with Working Chance. She recently visited Uganda to deliver talks to offenders on life after a conviction.

"I've worked for other companies in the past but none supported me as much as the people at William Hill have. It is important to me that the Company I work for is making a firm commitment towards supporting ex-offenders."

20

women joined our betting shop teams in 2016 as a result of the Working Chance partnership

"I knew nothing about betting before I joined but not only have my maths skills improved, I'm also now enjoying having conversations about horseracing!"

"I want to continue to work hard at my job and to be a positive role model for people who have had similar experiences and challenges to me."

WORKING CHANCE
Restorative Recruitment

Working Chance

In 2016 we worked with Female Ex-Offender charity Working Chance which provides support for women with past criminal convictions or who have recently left prison.

In 2016, 20 women join our betting shop teams as a result of this partnership.

Our Club

We also have a partnership with Our Club, a social enterprise organisation that provides employability training for young people who have been out of work. The programmes build confidence and provide work experience and interview technique training.

Diversity

We are proud to have a very diverse range of colleagues, who contribute valuable different perspectives to our business.

The chart below shows gender diversity within the Board, management and the Group as a whole.

Gender diversity
(as at 27 December 2016)
(number)



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 2016, comprising 46 men and 12 women.

Reward and benefits

We believe in rewarding success where we see it and encouraging our colleagues to help us become a successful Company. We have a number of reward and benefit schemes to incentivise colleagues to share in the success of our business, including the William Hill Sharesave scheme.

We celebrate and recognise outstanding contributions from our colleagues from around the world with the William Hill Excellence Awards each year, which celebrates achievements from community contribution and innovation to great service.

Our Club

"Through the Our Club programme, William Hill is giving a real helping hand to young people in the UK who are looking for the skills and experience to kick-start their careers."

Paul Dowd
Our Club CEO



Jagvir Tiwana
Our Club graduate

Our Club is a social enterprise programme that has helped people like Jagvir get into full-time employment and start a career at William Hill.

In 2016, we employed 41 people through this partnership.

"The William Hill Our Club programme was a brilliant experience that boosted my confidence and gave me the skills I needed to start a career at the Company.

"I'm enjoying my time here and getting to meet new customers and colleagues. I'm lucky to work in a great team who have been really supportive from my first day."

41
people employed through
the Our Club partnership

Corporate responsibility (continued)

Community

Summary

We have an established presence in more than 2,375 communities in the UK and in 10 locations around the world. At William Hill, we believe in making a positive difference in each of the local communities where our colleagues live and work.

Our main Community Commitment – Close to HOME – encourages our colleagues wherever they are based, to volunteer their time and skills to support good causes in their local areas.

Our Community Policy prioritises the giving of Company time to support worthy causes and encourages colleagues to get involved in three key areas:

- through sport;
- through promoting skills and opportunity; and
- through supporting the local community environment.

We have seen colleagues from around the business get involved by volunteering their time for good causes in their local areas. In 2016, our colleagues participated in 48 community projects and volunteered 6,393 hours.

Colleagues have formed partnerships from animal rescue sanctuaries to homeless shelters. In Manila, for instance, our colleagues took part in an outreach programme to offer care and support to young people who are living with severe mental disabilities.

Colleagues have given a total of 6,393 hours of their time in the last year to support these good causes in their local areas. In 2017, we are committed to providing even more opportunities for our colleagues to get involved with Close to HOME.

International Community Day

“The Community Day was an exciting event to be a part of. It was great to get the time out to go and help in our communities around the world.”

Vicky Lucente
HR Co-ordinator, William Hill US

International Community Day

In 2016 we held William Hill's first International Community Day which saw colleagues across our international offices take part in 24 hours of volunteering projects.

It was a continuous day of community activity that started in our Sydney office, moving across every William Hill location with the last project finishing in Nevada, a full 24 hours after we had begun. Some groups partnered with charities and local initiatives they had already worked with, others started new partnerships from that day. Projects included:

- our colleagues in Manila ran football sessions for young people from a local charity;
- in Gibraltar, our colleagues volunteered at an animal shelter;
- a team in Bulgaria helped to refurbish an orphanage; and
- our head office team in London improved the garden for a local care home.

Environmental impact

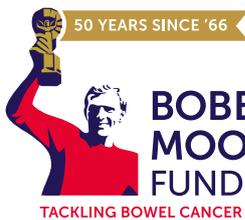
We continue to have a focus on reducing our carbon footprint principally through the reduction of our CO₂ emissions. We report an emissions figure based on tonnes of CO₂ equivalent (tCO₂e). This includes Scope 1 and Scope 2 emissions, including natural gas consumption, electricity consumption, refrigerant emissions and fuel from Company cars. In 2016, we saw a 10% decrease to 48,584 tCO₂e (2015: 54,100 tCO₂e). Within this, Scope 1 emissions were 3,015 tCO₂e (2015: 2,757 tCO₂e) and Scope 2 emissions were 45,569 (2015: 51,343 tCO₂e).

Since 2013, we have used an intensity measure – tonnes of CO₂ equivalent per £1m of net revenue – to track our performance. In 2016, we saw a year-on-year decrease of 11% to 30.29 (2015: 34.01). These data were calculated using DEFRA guidelines and conversion rates.

Bobby Moore Fund

“William Hill really got behind Football Shirt Friday in 2016 and raised an amazing amount by wearing and encouraging customers to wear their favourite team’s shirt for a donation. Every penny raised will go towards helping us beat bowel cancer once and for all.”

Stephanie Moore MBE
founder of the Bobby Moore Fund



Corporate charitable partnerships

Alongside our Close to HOME volunteering initiatives we also support a number of corporate charitable partnerships with chosen charities.

We partnered with the Bobby Moore Fund for 2016, the 50th anniversary year of Bobby lifting the World Cup for England.

As part of our partnership we sponsored and took part in the Fund’s flagship event, Football Shirt Friday in April. In the

lead-up to the event, we used our UK-wide network across our shops and offices to educate our customers and colleagues on the risks of bowel cancer, as part of bowel cancer awareness month.

On Football Shirt Friday itself, our colleagues across the UK and Gibraltar donated £2 to wear their favourite football shirt to work for the day, raising £20,000, all of which is going towards funding bowel cancer trials and research.

£20,000

raised by our colleagues across
the UK and Gibraltar on Football Shirt Friday

William Hill Foundation

Our work through the Foundation continues to focus on two main areas; supporting our colleagues in times of difficulty through the Hardship fund and also Project Africa, where we are building a medical centre in the remote village of Ol Maisor in Kenya.

48

grants were made in 2016
through the hardship Fund
totalling £48,645

Support for Sport

We continue to make a significant contribution to sport through the payment of various levies and media rights specifically into horseracing and greyhound racing.

We also have sponsorship deals as the Official Betting Partners for Chelsea, Tottenham Hotspur and Everton, and are sponsors of the William Hill World Darts Championship. In Australia, we are the betting partner for the Australia Open.

Corporate responsibility (continued)

Performance

Performance		2016	2015	Comments
Customers				
Customer protection	Number of self-exclusions – Retail	9,687	8,152	We have continued to improve responsible gambling interactions, supported by training for colleagues to identify patterns of 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	23,886	23,805	
	RIDDOR reportable accidents – customers	2	18	
Customer satisfaction	Retail Net Promoter Score	68%	68%	Mystery shopper scores in Retail remained stable even against the backdrop of a significant organisational restructure.
	Disputes referred to IBAS IBAS disputes found in customers' favour	719 1.0%	454 1.3%	Our customers can rely on an independent arbitrator to resolve customer disputes. In around 99% of cases, our original decisions are upheld.
Colleagues				
Protection	RIDDOR reportable accidents – colleagues	11	18	RIDDOR requires accidents to be reported when they resulted in absence from work for over seven days.
	Incidents of violence in the workplace	344	252	The number of physical attacks on LBO colleagues increased in 2016 by 47%. During the year, 46 anti-social behaviour workshops were held to address violence in the workplace, involving 80 LBOs and attended by 285 employees.
	Number of robberies	89	120	The number of actual robberies at 45 (excluding attempts) continued to decrease. Since 2009, we have successfully reduced the number of robberies by 73%.
	Number of burglaries	56	55	The proportion of burglaries classed as attempts in 2016 increased slightly to 56%. Since 2009, we have reduced the number of burglaries by 73%.
	Number of cash-in-transit incidents	9	7	Although the number of incidents increased slightly in 2016, we have reduced them by 67% since 2009.
	Average cash loss from OTC robberies (£)	405	321	Average cash loss was 26% higher in 2016.

Colleagues (continued)

Training and development	Total number of training days	24,559	27,708	Our business is made more sustainable by attracting and retaining engaged employees. We encourage this by offering clear career progression and development opportunities.
	Value of training investment (£'000)	1,019.4	834.5	
Engagement	Employee Engagement Index – participation	–	75%	As we are changing our employee survey approach, we did not conduct a full survey in 2016. The next survey will happen in 2017.
Support	William Hill Foundation grants (£)	48,645	31,042	The Foundation supported colleagues from across the business, making 36 grants at an average of c£1,351.
Community				
Environment	Total CO ₂ equivalent (tonnes)	48,584	54,100	Our tonnes of CO ₂ e decreased by 10%.
Industry relationships	UK horseracing levy (£m)	14.6	173	We continue to support sports through sponsorship and the horseracing and greyhound racing levies.
	Sports sponsorship (£m)	8.8	44	
Community engagement	Employee charity matching scheme (£'000)	74.3	41.2	Our colleagues participated in 177 charity events that we matched in 2016.
	GambleAware donation (£'000)	1,300	822.9	William Hill is a major contributor to GambleAware (previously known as the Responsible Gambling Trust). Our contribution each year is linked to net revenue levels.

Managing our risks

An active approach

Our Group risk appetite acknowledges the need to proactively balance risk with opportunity, and knowingly taking an approved level of risk is essential to allowing the Group to advance in its strategic aims. Effective management of these risks is an inherent part of our operations.

Principal risks across the Group are managed on a day-to-day basis by the Group Executive and steps are taken to assess whether the business is within the Group's risk appetite as set by the Board. Regular operational reporting from the executive and independent assurance provided on the Board's behalf to the Audit and Risk Management Committee ensure that the Board is regularly appraised on 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.

Local business units consider their own risk profiles and a consolidated view is presented to the Board, highlighting both perceived material changes in risk and also any common themes for further review. 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.

We continue to assess how best to conduct risk management throughout the Group. Whilst current processes are fit for purpose, we are currently investing with the Group Executive in a programme of risk analysis and data capture to enhance our capabilities to support decision-making. This process is supported by the Board and already forms a mandatory component of our investment appraisal process through the Corporate Development Office.

Set out below 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:

 High
 Medium
 Low

 Stable
 Increasing
 Decreasing
 New risk

Area of risk

Regulatory compliance and change

Impact on strategy

William Hill is committed to upholding the British Gambling Commission's core licensing objectives and adhering to the regulatory standards required in all of our licensed territories as they continue to evolve. Holding licences in key markets, such as with the Nevada Gaming Board, is an essential part of our growth strategy and therefore the risk of breaching local licensing regulations is a clear risk and must be managed. This multi-territory licensing drives a need to continually update processes and controls 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.

What are we doing to address the issue?

We remain wholly confident that sustained investment in our compliance and other assurance functions allows us 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.

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.

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.

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. 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 Interim CEO and ensures compliance issues are shared across the Group to allow for the identification of trends and common issues.

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.

Area of risk

Cyber crime and IT security

Impact on strategy

The ability to provide a market leading offering to retain and attract customers, and the associated complex back-office functionality we require, is wholly underpinned by significant investment in proprietary technology and carefully selected third-party offerings. Increasing threats to these technologies from cyber-crime or malicious activities requires sophisticated protection techniques and growing investment to mitigate against them. 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?

During the year a significant DDoS attack on a previously unheard of scale was successfully addressed and customer impact minimised. The ability to scale our defence capability and work with mitigation partners to swiftly and successfully address rapidly emerging threats proved the value of investments made in this area.

Our technology security arrangements have prevented any material data security breaches or financial loss. However, the scale and complexity of the DDoS attack referred to above serves as a reminder as to the continually evolving and growing threats we face.



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. This includes appointing a new Chief Information Security Officer with deep experience at a national infrastructure level, to enhance our team and to ensure our defences remain fit to address the changing threats.

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.

Managing our risks (continued)

Area of risk

Transformation programme

Impact on strategy

We recognise the benefits to be gained through a transformation programme to increase efficiencies and establish more effective ways of working in ensuring we can continue to invest in longer-term growth.

Delivering widespread change through such a programme 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.

What are we doing to address the issue?

Working with a leading global consultancy firm who have a depth of experience in delivering wide-reaching programmes of this type, we have produced both top-down and bottom-up efficiency models and are working with the leadership teams within our business to prioritise a delivery programme. The programme has the full support of the Board and the Group Executive, both of which regularly discuss and monitor progress. A fully resourced programme office is in place to manage the delivery timelines, dependencies and resourcing requirements in order to minimise delivery risk and impact on existing plans.

Likelihood



Medium

Impact



High

Change



New risk

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 to ensure full visibility of the impacts of change.

An independent programme of assurance and risk management will report directly to the Interim CEO and Audit and Risk Management Committee for the duration of the programme.

Area of risk

Competitive landscape

Impact on strategy

The challenge to acquire, retain and service customers continues to intensify as recent mergers within the UK gambling industry begin to embed and entrants from overseas continue to invest in the region. We must ensure our strategy acknowledges and responds to this across all areas of our business, but specifically with respect to product development, user experience and marketing effectiveness.

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.

What are we doing to address the issue?

The keys to success in an increasingly fragmented market are new product developments which are easy to use and which are marketed such that both new and existing customers feel valued and rewarded. All of these elements involve providing customers with a personalised experience. The combination of the flexibility provided by our front-end platform with investment into our back-office, data and trading platforms provides the tools required to understand and service our customers' needs. Steps taken in the year include the launch of our proprietary SSBTs in Retail, investments in NYX, improved access to development resource with the acquisition of Grand Parade and the development of our UNO single customer data warehouse, providing us with other opportunities to differentiate.

Likelihood



Medium

Impact



Medium

Change



Stable

Aligned to this, our high street presence and a change in the tone-of-voice of our marketing communications will ensure our brand is able to stand out in a crowded marketplace. Whilst we focus largely on our core brand, William Hill, we are also able to flex according to local market needs, as demonstrated by the use of Centrebet in Australia to complement our mass-market presence in that location.

Further, the appointment of Board members and key senior managers with deep industry experience during the year leaves us well placed.

Area of risk

Delivery of IT strategy

Impact on strategy

The ability to deliver change through the development of our IT infrastructure and platforms is key to differentiating ours from commodity-driven offerings, enhancing customer experience through our time to market, front-end, 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.

What are we doing to address the issue?

During the period, the Board sanctioned major investments in order to support our IT strategy and ensure we are fit for purpose for future needs. Our investments in NYX and acquisition of Grand Parade are key enablers in our technology strategy alongside our internal investments in our front-end platform, SSBTs and other key initiatives, which in turn underpin several other strategic goals. These investments enhance both our infrastructure and our ability to develop and support future capabilities. Our investment in NYX supported its acquisition of Openbet, which positions us well to partner with them to deliver our next-generation back-end platform.



Grand Parade has already been integrated into William Hill and has significantly enhanced our development capabilities with several of the enhancements to our mobile experience being the direct result of Grand Parade development work. A clear roadmap is in place to utilise existing development resource alongside Grand Parade to enhance user experience and increase personalisation.

Area of risk

Talent

Impact on strategy

We operate in a highly competitive landscape with operations in multiple locations worldwide. Delivery of our strategy relies on the maintenance and development of a focused leadership team and access to a number of highly skilled specialists across the Group.

What are we doing to address the issue?

During the year the Board made a change at the CEO level and Philip Bowcock was appointed Interim CEO, supported by Mark Summerfield as Interim CFO. Whilst the roles are interim a clear focus of this leadership team has been to strengthen our senior management cohort and align leadership skills to the needs of the business. Several senior hires with a depth of betting, gaming and technical specialist experience have been appointed to the Online business and critical support functions.

In addition, following a review of the composition of the Board (see the report from the Nomination Committee on page 66) we have appointed three additional Non-executive Directors who bring significant digital, multi-channel and gambling industry experience.

As well as looking to strengthen with external appointments, we also recognise the need to do more to retain and develop the talent we have in-house. By making significant investments in our Human Resources leadership, and outsourcing much of the administrative work to a third party, our HR function is able to focus on talent development, robust performance appraisal and the alignment of reward to performance.

Overall, the Group provides competitive salary and benefits packages, including short-term bonuses and long-term share-based incentives, having taken steps to review and enhance reward



arrangements during the year. All employees are encouraged to become owners of the business through a Sharesave programme. The Board has visibility of key leadership remuneration arrangements through the Remuneration Committee.

Following investment into the HR function, robust appraisal and goal-setting processes are being rolled out for 2017 and annual talent reviews will be conducted with the senior management team. The Group regularly reviews the levels of employee engagement through an annual employee survey and implements specific action plans to address areas of improvement.

Managing our risks (continued)

Area of risk

Business continuity management

Likelihood

Impact

Change



High



Low



Stable

Impact on strategy

With key operational offices in ten countries, supported by a network of operational hubs, licensed betting offices and sports books, disaster recovery facilities and business critical third-party locations, a comprehensive business continuity plan in the event of disruption to any of our key sites is required. Business continuity events include disruption to our people and locations which may impact the business' ability to service customer needs.

What are we doing to address the issue?

Whilst we have successfully dealt with significant issues across our estate in the recent past, minimising the impact of any business interruption on our customer group and the ability to serve their needs is essential.

As we look to drive efficiencies across the Group we continue to consider whether our location strategy is aligned to our needs and where our exposures are unfavourable.

The Group now has access to business continuity (BC) sites in our core UK locations, multiple sites or bespoke BC facilities in key overseas locations, or the ability to rely on flexible ways of working in other locations. We have established a Brexit Working Group to consider the implications as we move towards the triggering of Article 50 and beyond, specifically considering the potential implications financially, operationally and from a regulatory perspective. This includes ensuring suitable arrangements are in place should there be disruption to the Gibraltar crossing or the availability of any services offered through Gibraltar, and validation of these arrangements by undertaking BC testing.

A BC management system is in place which includes a programme of rolling reviews of our Group-wide BC plans and we continue to evolve these plans in line with our wider business evolution. This is owned by a full-time BC Manager, with appointed BC champions in all key locations, as well as named BC plan owners in all business units. We continue to test and rehearse our people, technology and building services infrastructure to ensure that BC capability and readiness is embedded in the culture of the business and that our business is safe and secure and available for colleagues and customers. In 2017 a particular focus will be given to assessing BC capabilities across our supply chain.

BC readiness forms part of the regular reporting to the Group Audit and Risk Management Committee, to ensure adequate oversight of our plans and preparedness.

Area of risk

IT disaster recovery

Likelihood

Impact

Change



Low



High



N/A*

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 significant 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 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 on our customer group 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 and indeed have been improved over the last 12 months.

We continue to monitor the status of our IT Disaster Recovery capabilities across the Group to ensure that our protections 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.

* Previously considered as part of Business Continuity

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 2019. 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.

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.

Board of Directors

An experienced and strengthened Board providing leadership, industry knowledge and expertise



Gareth Davis
Chairman

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 2016:

Leadership of the Board; response to corporate activity; Board composition and new appointments

Current directorships:

Wolseley plc (Chairman)
DS Smith PLC (Chairman)

Former roles:

Chief Executive, Imperial Tobacco Group PLC



Philip Bowcock
Interim Chief Executive Officer

Responsibilities:

Group strategy, operational management, leadership of the Executive team

Year of appointment: 2015

Relevant qualifications:

Chartered Management Accountant

Key skills:

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

Focus in 2016:

Transition to Interim Chief Executive Officer; strategic and operational delivery; response to corporate activity; reshaping the Group Executive

Former roles:

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



Sir Roy Gardner
Senior Independent
Non-executive Director

Year of appointment: 2014

Key skills:

Breadth of corporate experience; leadership; network

Focus in 2016:

Liaison with other NEDs; independent challenge and scrutiny

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



Georgina Harvey
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 2016:

Independent advice, challenge and scrutiny

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

- Audit and Risk Management Committee
- Corporate Responsibility Committee
- Nomination Committee
- Remuneration Committee
- Chair



Ashley Highfield
Independent Non-executive Director

Year of appointment: 2008

Relevant qualifications:

Chartered Information Engineer (CEng) Fellow of Royal Society of Arts (FRSA)

Key skills:

Technology; Online markets, strategy and technology security; leadership; network

Focus in 2016:

Independent challenge and scrutiny, chairing the Corporate Responsibility Committee against a background of further regulatory developments

Current directorships:

Johnston Press PLC (Chief Executive)
News Media Association (NMA) (Chairman)

Former roles:

Managing Director and Vice President, Microsoft UK; CEO, Project Kangaroo; Director, New Media & Technology; Member of executive board, BBC; Managing Director, Flextech Interactive Limited



David Lowden
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 2016:

Leadership of the Audit and Risk Management Committee in particular on oversight of risk management and controls across the business; independent challenge and scrutiny

Current directorships:

Michael Page International plc (Non-executive Chairman)
Berendsen plc (Non-executive Director)

Former roles:

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



Imelda Walsh
Independent Non-executive Director

Year of appointment: 2011

Key skills:

People leadership; broad corporate experience; remuneration focus; network

Focus in 2016:

Development of remuneration policy for approval in 2017; remuneration aspects of Board changes; ongoing external focus on executive pay

Current directorships:

First Group plc (Non-executive Director)
Mitchells & Butlers plc (Non-executive Director)

Former roles:

Mothercare plc (Non-executive Director); Institute of Employment Studies (Board member); 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
- Pensions

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 2016:

Co-ordination of Board matters in response to corporate activity; managing Board changes and inductions

Former roles:

Head of Governance, Centrica plc
Group Deputy Secretary, RSA Insurance Group plc
Deputy Secretary, Spirent Communications plc

2017



John O'Reilly
Independent Non-executive Director

Year of appointment: 2017
(with effect from 2 January)

Key skills:

Sector and market experience; leadership; breadth of corporate experience; industry network

Current directorships:

New Bridge Foundation (Trustee)

Former roles:

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



Robin Terrell
Independent Non-executive Director

Year of appointment: 2017
(with effect from 2 January)

Key skills:

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

Former roles:

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



Mark Brooker
Independent Non-executive Director

Year of appointment: 2017
(with effect from 3 April)

Key skills:

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

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

Chairman's introduction

Good governance and strategic leadership in a demanding year for the Board



"Your governance report this year explains the main areas of the Board's focus in 2016, a challenging year on a number of levels, and the effective governance processes that supported key decision-making at critical times. We look forward to 2017 with a further strengthened Board, a clear strategy and renewed optimism."

Gareth Davis
Chairman

Introduction

2016 was undoubtedly a demanding year for William Hill, requiring the Board's already effective governance processes to respond to and support strategic and operational decision-making in different contexts. I would like to thank all the members of the Board for the important additional time and flexibility they committed to the Group during 2016, facilitating the responses to challenges discussed later and elsewhere in this report.

The Group's employees also contributed significantly during the year, for which I commend them. Our employees have performed consistently through periods of considerable flux and change, helping to drive the Board's strategic initiatives.

As shareholders might expect, the primary focus of my attention as Chairman in 2016 has been the evolving composition of the Board, leading the Board's response to corporate activity involving the Group, and liaising with significant investors and stakeholders on different matters.

Evolving composition of the Board

In July the Company announced that James Henderson would step down as Chief Executive Officer (CEO) and from the Board. The Board spent time deliberating the decision at specially convened meetings of the Board, Nomination and Remuneration Committees. The Board would like to record their thanks to James for his significant contribution to the business over his 30-year career with William Hill.

The Nomination Committee, having carefully considered the situation, recommended (with the Board's endorsement) the appointment of Philip Bowcock (previously CFO) as Interim CEO. The appointment also served to provide continuity at Executive level during a period in which the Group was the subject of significant corporate activity. Philip continues in his role as Interim CEO and has exceeded the Board's expectations. He has refocused strategy, overseen operational improvements, overseen better performance in the Online business, and he has taken responsibility for reshaping the Executive team.

Mark Summerfield also joined as Interim CFO on secondment from KPMG following Philip's transition to Interim CEO. Although Mark is not appointed to the Board, he does attend each Board meeting. Mark, an experienced accountant and auditor, has provided continued leadership of the Finance function while providing Philip, the rest of the Board and the Group Executive with high-quality support and fresh perspectives. The decision to appoint Mark was approved by the Nomination Committee and endorsed by the Board.

Board succession planning and the optimum composition of the Board was one of my most important considerations during 2016. During the year the Nomination Committee reviewed the Board's collective skill set and decided that additional digital, multi-channel and gambling industry experience would be beneficial. Following a comprehensive search process, the Board approved the appointment of three additional Non-executive Directors: John O'Reilly and Robin Terrell (from 2 January 2017) and Mark Brooker (from 3 April 2017). The appointments further strengthen the Board's sector experience and its blend of skills and capabilities. I look forward to the added contribution the new Non-executive Directors will bring to the Board.

At the time of writing, the succession process for the permanent CEO is ongoing. As I stated in July 2016, it could take up to 12 months for us to have a new permanent CEO in place and I shall continue to oversee this process with the Board. Having joined the Board in 2010, I am now in the third and last three-year term of my appointment, which expires in August 2019. Once we have in place a permanent CEO, I have agreed with the Nomination Committee of the Board that we should commence a process to plan for the succession of my position. With three new Non-executive Director appointments recently made to the Board and the permanent CEO position to fill, any change of the Chair must be planned in an orderly manner and with adequate time for induction and familiarisation for a new Chair and for any other recent Board appointments. I would envisage, once an orderly handover has been completed, to be in a position to retire from the Board before the time of the 2018 Annual General Meeting. I have discussed this proposed approach with the rest of the Board and they unanimously consider that this orderly and structured process is the best way to proceed.

As disclosed in previous reports, all Board-level appointments are made on merit as a matter of policy. However, I am mindful that the recent appointments will have the effect of temporarily reversing the Board's gender diversity ratio from 25% (at the beginning of 2016) to 20%. Whilst the current composition of the Board does not meet current diversity targets as set out in the review by Lord Davies, the Board is of the view that diversity should also encompass other factors such as business background and sector experience (which is now a specific requirement in respect of the composition of the Audit Committee under the UK Corporate Governance Code). I believe that the current composition of the Board reflects these wider considerations and best positions the Group to deliver on its future strategy and is therefore in the best interest of our shareholders. The Board and the business remain committed to promoting diversity in its widest meaning.

Strategic formulation

In March the Board reported a weaker than expected performance in Online and since that time a number of strategic priorities to improve the business have been identified and announced in our trading updates. The Board remained very close to Philip Bowcock during this process and fully support the priorities. The Board is monitoring achievement against the priorities and providing constructive challenge to management as part of the Board's core remit to provide strategic leadership and oversight.

Through the mid-part of the year, the Group received well-publicised approaches from The Rank Group plc and 888 Holdings plc to combine the three businesses. The Board discussed the proposals at specifically convened meetings of the Board. Following deliberation, however, the Board decided to reject the consortium's approach, as it was not in the best interests of the Company and its shareholders.

The Board remains cognisant of its duties to consider strategic alternatives and the best interests for the business over the long term. During the year alternative strategies were evaluated for the business, in particular whether it would be better to consolidate with another gambling industry peer, particularly to accelerate William Hill's strategy of increasing diversification by growing its digital and international businesses. Following review, the Board considered an opportunity to combine our business with Amaya, Inc., the Canada-based operator of leading online poker brands. As announced by the Company in October, various exploratory due diligence and other workstreams were underway with Amaya but far from complete and the Board maintained oversight over this process. The Board also listened to the views of a number of William Hill's major shareholders. After listening to such views, the Board decided that it would not pursue discussions with Amaya further. When considering the Board's governance obligations, I do believe that exploring this opportunity was the right thing to do and formed an essential part of the Board's responsibility to take a serious look at strategic alternatives for the business.

The business continues to focus on its priorities and the Board will also continue to consider strategic alternatives where they have the potential to create shareholder value.

Governance

I drew considerably on Board members' collective experience and the sound governance processes already in place in order to lead and respond to both the significant and routine events of 2016. In such a busy year I was pleased that all matters for the Board to consider and decide upon were dealt with appropriately.

This year's annual performance evaluation has been completed with input from an external adviser, Independent Audit Limited. The results of that exercise broadly support my view that the Board continues to take its responsibilities seriously and that the Board has shown great commitment, which was particularly important as 2016 was such a demanding year. The recommendations arising from the 2015 evaluation, completed internally, have been addressed during the year. As with any complex business, there will always be further ways of improving the Board's performance and these will be progressed during 2017.

The governance report which follows will give further clarity and detail on the effective governance processes that continue to underpin the Board's operation, and provides more discussion of the key events of the year for investors and stakeholders.

There were no changes to the Group's compliance with the UK Corporate Governance Code during the year and a compliance statement can be found on page 59.

Our AGM will be held on 9 May 2017 and I look forward to welcoming shareholders who can attend in person.

Gareth Davis
Chairman

Report on Corporate Governance

Overview of the Board

Board role & 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 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 committee and the work they have undertaken in the last year is provided in the specific reports from each committee commencing on page 60.

Board structure



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.

2016 calendar of Board activity and key dates

February 2016

2015 Full Year results; Share Repurchase Programme

March 2016

Online Performance; Trading Update

April 2016

Investment in NYX Gaming Group

May

£350m Corporate Bond refinancing

July

Board changes; Response to Rank Group & 888 Holdings proposal

August

Half Year results; Grand Parade acquisition

September

Board Strategy Conference

October

Amaya, Inc merger proposal and shareholder consultation

November

Appointment of Mark Brooker, John O'Reilly and Robin Terrell as Non-executive Directors; Review of the annual operating plan for 2017

December

Approval of the annual operating plan for 2017; Technology Security report; Regulatory Review; Arrangements for Board external evaluation.

At every meeting the Board receives and discusses updates from the Interim CEO, Interim CFO, director of Legal Services 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.

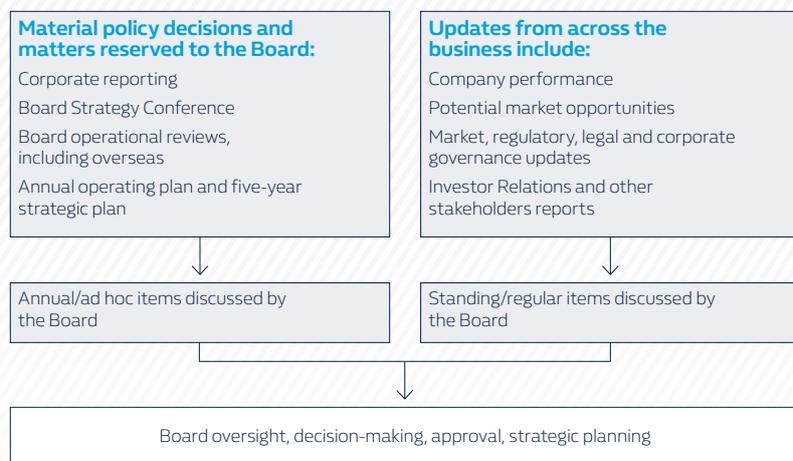
Matters reserved to the Board

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 operates 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. The Group Delegation of Authority and Schedule of Matters Reserved to the Board are circulated by the Company Secretary to all members of the Group Executive 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 Chief Executive;
- 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 chairmen on a regular basis;
- approving changes to the Group's capital structure, any significant acquisitions and disposals, capital investment projects and material contracts;

Information flows to the Board



- approval of the Group's annual plan, five-year strategic plan, Annual Report and Accounts, Half Yearly 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; and
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee).

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

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.

Report on Corporate Governance (continued)

In addition to the information provided on a standing basis at most Board meetings, the Board holds annual or ad hoc events which provide an opportunity to focus specifically on certain issues. 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 2016 reviewed each part of the business as well as wider strategic issues. A comprehensive process is in place to track and follow up on actions arising from the annual 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 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 good debate and consideration of important matters.

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. This is supported by a forward-looking 12-month rolling Board plan which not only provides 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 important in the forthcoming year;
- during 2016 Board members were required to be available to the Company more frequently and consider matters of greater strategic importance to the Group than would ordinarily be expected. The flexible and collaborative approach of each of the Non-executive Directors facilitated the required co-ordinated response to the corporate activity during the year;
- 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 who has been invited to attend for that particular item;
- each scheduled Board meeting reviews individual reports received from the Interim Chief Executive Officer, the Interim Chief Financial Officer, the director of Group Legal Services 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 2016;
- 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. 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 are 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.

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 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 2016, 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 Interim Chief Executive Officer, 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 2016, the SID led the discussion of the Nomination Committee when it recommended to the Board that the Chairman's term of office be further extended (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; and
- through the Nomination Committee, undertake the role of recommending the appointment, and where necessary removal, of positions on the Board.

Role specifications of Chairman, Chief Executive, 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.

Board composition

The Board currently comprises seven independent Non-executive Directors, the Chairman and one executive director. Philip Bowcock joined the Group as CFO in November 2015 and was appointed as Interim Chief Executive Officer with effect from 21 July 2016, when James Henderson stepped down as Chief Executive. Mark Summerfield joined the Group as Interim Chief Financial Officer on secondment from KPMG in August, but has not been appointed to the Board. Sir Roy Gardner was appointed as Senior Independent Director in 2014.

Throughout 2016 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 2016 stood at 29%, however, with the appointment of three male Non-executive Directors in January and April 2017, the proportion of women members is anticipated to fall to 20% from 3 April 2017. The Board continues to monitor composition of the Board, and while mindful of the considerable benefits greater diversity offers, it was deemed critically important that the new three Non-executive Directors appointed in November offered the specific skill sets required to support the Group's strategies. The appointments were therefore made on the grounds of merit against the specific role criteria.

The Company regards each of Sir Roy Gardner, Georgina Harvey, Ashley Highfield, David Lowden, John O'Reilly, Robin Terrell and Imelda Walsh as independent Non-executive Directors, and Mark Brooker is expected to be deemed to be independent on appointment on 3 April 2017. The independence of each director is reviewed annually.

Ashley Highfield was appointed in 2008 and during the year, the Nomination Committee and the Board reviewed Ashley Highfield's independence against provision B.2.3. of the Code, which requires that any term beyond six years for a Non-executive Director be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. The Board continues to regard Ashley Highfield as independent in accordance with provision B.1.1. of the Code. Ashley Highfield's nine-year term will end in November 2017 at which time he is expected to step down from the Board. Gareth Davis satisfied the independence criteria detailed in provision A.3.1 of the Code upon his appointment as Chairman on 1 September 2010.

Board balance



Philip Bowcock
Leisure, construction and finance



Gareth Davis
International regulated business



David Lowden
International business and finance



Georgina Harvey
Media and publishing



Imelda Walsh
Retail and human resources



Sir Roy Gardner
International business



Ashley Highfield
Media and technology



Mark Brooker
Betting and Gaming industry, international regulated business



John O'Reilly
Betting and Gaming industry, international regulated business



Robin Terrell
Online, retail and technology

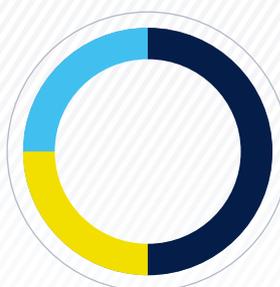
Report on Corporate Governance (continued)

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 composition and approach

Composition of the Board as at 31 December 2016

Composition of the Board
(%)



Male non-executive	57%
Female non-executive	29%
Executive	14%

Length of service of Board members
(%)



0-3 years	29%
3-6 years	57%
6-9 years	14%

Attendance at Board and Board Committee meetings

Details of Board and Committee attendance during 2016 are set out in the table below. All directors are expected to attend all Board and relevant Committee meetings.

	Scheduled Board ¹	Ad hoc Board ¹	Ad hoc/ Defined Scope Board Committees ¹	Audit and Risk Management Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
Number of meetings held	8	10	10	5	4	8	8
Meetings attended							
Philip Bowcock ^{2,3}	8	10	10	n/a	3	n/a	n/a
Gareth Davis	8	10	9	n/a	4	8	8
Sir Roy Gardner	8	5	n/a	5	4	8	8
Georgina Harvey ⁴	8	10	n/a	n/a	4	8	8
James Henderson ²	3	4	7	n/a	1	n/a	n/a
Ashley Highfield ⁴	7	9	n/a	5	4	8	n/a
David Lowden ⁴	8	9	1	5	n/a	8	8
Imelda Walsh	8	10	n/a	5	4	8	8

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 Interim CEO to keep apprised of material developments in the business.

¹ An additional ten ad hoc Board / Committee meetings were held during the year to consider a number of matters. These included the review, discussion and authorisation of responses to the corporate activity involving the Group in 2016. The attendees for the ad hoc / Board Committee meetings differed, and the certain absences reflected in the above table were due to those meetings being convened at short notice when directors had other commitments. In addition, during the year there were ten defined scope meetings of Committees of the Board established, for example to give final approval to the release of the Company's trading results, and to approve and conclude acquisitions. The defined scope Committees comprised any two of the Chairman, the Chairman of the Audit and Risk Management Committee, the (Interim) CEO and the (Interim) CFO and there was full attendance for each meeting, other than one meeting convened at short notice at which the Chairman, Gareth Davis, was absent.

² Philip Bowcock was appointed Interim Chief Executive Officer with effect from 21 July 2016 and James Henderson left the Board on the same date. James attended all scheduled Board meetings for the period in which he was a director, however, as one of the unscheduled Board meetings held during the year was convened to consider his position, James did not attend that meeting.

³ As the CEO is a member of the Corporate Responsibility Committee, Philip Bowcock attended all the Corporate Responsibility Committee meetings during 2016 following his appointment as Interim CEO.

⁴ Following a review by the Nomination Committee, all Non-executive Directors were appointed to each Board Committee. Accordingly, with effect from 2 January 2017 Ashley Highfield joined the Remuneration Committee, David Lowden joined the Corporate Responsibility Committee, and Georgina Harvey joined the Audit and Risk Management Committee.

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.

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. In addition to receiving presentations from internal management, the Board also from time to time requests that external advisers provide briefings to support better awareness of issues and to facilitate decision-making. Directors are also encouraged to attend external seminars on areas of relevance to their role to further enhance their knowledge, and suitable training events are identified by the Company Secretary and details are then forwarded to the directors.

The Chairman is 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. In particular, the Chairman has led a process whereby some of the Non-executive Directors deepened their

knowledge of the business through a series of individual site visits across the business. This has proved to be very helpful and observations following site visits are shared with the rest of the Board.

Each newly appointed director receives an induction and each induction programme is tailored specifically to suit the needs of the newly appointed director. During the year the Company announced that John O'Reilly, Robin Terrell and Mark Brooker would join the Board, with effect from January 2017 (John and Robin) and April 2017 (Mark). Each induction is personalised and covers a range of general, industry and Group-specific information. The induction process also includes meeting members of the Board and of the Group Executive.

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 has followed this recommendation and the process for 2016 was conducted externally by Independent Audit Limited (IAL). IAL also provides the Company with software to support Board performance evaluations when conducted internally and save for this IAL has no any other connection with the Company. The process for the external evaluation was established by IAL and reviewed and endorsed by the Chairman with the support of the Company Secretary. A representative of IAL led a structured evaluation programme principally comprising of interviews with individual Board members. Thematic questionnaires were prepared in advance and sent to each director so that the director could fully prepare in advance of their interview. A shorter but similar process was also conducted with members of the Group Executive. Finally, a representative of IAL observed a meeting of the Board and meetings of the Audit and Risk Management, Nomination and Remuneration Committees in order to better understand first-hand the specific dynamics of the Board and each Committee. The representative of IAL then prepared a detailed report on the results

of the evaluation which was circulated to the Board in advance for consideration. The results were then presented to and discussed with the Board together with some recommendations for the Board's further consideration.

The evaluation determined that the Board continues to take its responsibilities seriously and that the Board has shown great commitment, which was particularly important as 2016 was such a demanding year.

Observations were made as part of the evaluation and recommendations for further improvements were also made. Observations and recommendations included:

- there are benefits to the business of making an appointment in respect of the permanent CEO as soon as possible. However, it is also recognised that it is vital to make the right appointment and for this to be done it may take some time;
- the Board should ensure that it maximises the opportunity for the infusion of fresh thinking following the appointment of three new Non-executive Directors. Also following the appointment of the new Non-executive Directors, the Board should ensure that the momentum for longer term Board succession planning is maintained;
- the interaction between the Board and the Group Executive can be further strengthened. This is particularly important given new appointments to both the Board and the Group Executive; and
- the Board may wish to consider further changes to better optimise the agenda setting process and the running of Board and Committee meetings. In particular, further time should be given over to strategic discussions and to focus on certain areas of the business. The scheduling of some meetings should also be reviewed and amendments considered to further enhance the content of pre-reading papers for meetings.

The Board is grateful for the detailed and insightful observations and recommendations provided by IAL. A detailed plan is being created to further consider and to make improvements against the identified areas and progress will be regularly reviewed by the Board throughout 2017.

Report on Corporate Governance (continued)

Shareholder engagement

Each year, the director of Investor Relations 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, 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 CEO facilitated a number of meetings with key investors during 2016 as part of the ongoing contact programme and also to gauge opinion and levels of support for potential corporate activity involving the Group in the year.

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 Investor Relations, 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 Investor Relations 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. Further information regarding the strategic rationale for decisions taken with respect to both 2016 dividend payments can be found in the Strategic Report on page 2.

The Board also committed to a share repurchase programme in February 2016, under which £95m was returned to shareholders in the financial year ended 27 December 2016. The decision to approve the share repurchase programme was taken as the Board determined that the Company was able to increase its capital efficiency without compromising its ability to continue investing in its growth strategies. As a result of that programme, an aggregated total of £203.4m was distributed to shareholders during the financial year, under the repurchase programme itself and 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 in the forthcoming 2017 financial year in the context of the Group's projected financial performance and outlook for its primary markets, or indeed for the foreseeable future. All reviews will encompass periodic assessments of the future profitability of the business, 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 2016, the Chairman and the former 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 2016 AGM meeting and intend to attend the 2017 AGM to be available to answer questions. At the conclusion of the formal 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 2016 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 2016 was passed with the requisite level of approval, and the Board considers that there was a high level of support for each resolution. As such, it was deemed that no additional disclosure was needed to be made regarding the reasons for votes cast against and that it was not necessary to take any additional action in respect of votes cast against.

A separate resolution is proposed on each substantially separate issue. It is intended to continue with these practices for 2017 and for future shareholder meetings. It is planned to post the Notice of the 2017 AGM to shareholders with the 2016 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.

Board and corporate culture

The Board recognises that a clear 'tone from the top' and a commitment to sound principles of conducting its business helps to support positive behaviours within the Company. This is a responsibility of the Board, which is discharged 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. 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 to raise issues regarding possible improprieties is already in place. During 2016, 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. Additionally, to support the Group's response to the Modern Slavery Act (see the report from the Corporate Responsibility Committee), the whistle-blowing arrangements were extended to address the risk of modern slavery in the Group's supply chain.

The Company also continues to operate and refine its clear 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 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, formed in 2015, has consolidated its remit to oversee regulatory compliance across the Group under the responsibility of the director of Regulatory Affairs, Andrew Lyman. Meetings of the Committee are attended by the (Interim) Chief Executive Officer 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 Head 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.

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 60 to 63.

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 Group Risk and Audit function administers a process of control self-assessment recording the operation of key controls in every business unit throughout the Group.

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.

At least annually, the Board assesses the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems). This is supported by an ongoing process for the provision of effective internal control and risk management systems, which includes:

- 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;
- 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; and
- management's controls self-assessment. This provides for a comprehensive 'bottom-up' process for key managers throughout the organisation to confirm compliance with material operational matters.

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.

Report on Corporate Governance (continued)

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.

The directors have undertaken a review of the effectiveness of the Group's system of risk management and internal control. This covered material controls, including controls over operational, financial and regulatory matters. The review spanned the full financial year and the controls subject to the review operated during the financial year. 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 best practice guidance. Specifically steps have been taken to formalise certain controls within William Hill Online, including the gaming environment as this was flagged as an area for improvement in the prior year. 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 confirm that 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 64 to 65.

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 periodic review to ensure 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 Audit and Risk 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. In addition, during 2016 the Group Risk and Audit function provided ongoing assurance to management and the Audit and Risk Management Committee in respect of a number of significant internal projects and also by conducting independent 'post-investment reviews' in respect of recent business acquisitions/investments.

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.

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 40 to 45, the Group is confident of its ability to access sources of funding in the medium term. The Group issued £350m of corporate bonds in May 2016, the proceeds of which were used to redeem £300m of corporate bonds which matured in November 2016. The new bonds are due for redemption in 2023. 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. The terms of reference of the Committees are available upon request or via the Group's corporate website (www.williamhillplc.com) and are regularly reviewed by the relevant Committee and the Board. 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.

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

Interim Chief Executive Officer

Joe Asher

CEO William Hill US

Robin Chhabra

Group director of Strategy and Corporate Development

Nicola Frampton

Director, UK Retail

Cem Miralay

Chief Customer Officer

Karen Myers

Group Human Resources director

Crispin Nieboer

Managing director, Online

Kevin O'Connor

Group Chief Information Officer

Terry Pattinson

Group Trading Director

David Steele

Director of Corporate Affairs

Mark Summerfield

Interim Chief Financial Officer

Luke Thomas

Company Secretary

Tom Waterhouse

CEO William Hill Australia

Remuneration

The directors' Remuneration Report is set out on pages 68 to 89.

Statement of Compliance

The Board supports the 'comply or explain' approach set out in the UK Corporate Governance Code (the Code), which forms part of the Board's governance processes. The Code is issued by the Financial Reporting Council (FRC) and is available on the FRC's website at www.frc.org.uk. This report has been prepared against the version of the Code published in 2014, which is applicable for William Hill's 2016 financial year.

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 whole of 2016, with the exception of Code provision C.3.7 which recommends that FTSE 350 companies should put the external audit contract out to tender at least every ten years. The report from the Audit and Risk Management Committee further explains the Board's undertaking to complete a formal tender of the external audit by no later than 2019, with the intention to appoint a different external auditor.

The Board has reviewed the FRC's updated version of the Code which was issued in April 2016. The updated Code applies to accounting periods beginning on or after 17 June 2016 and is therefore not applicable to the period covered by this report. However, the Board's view is that no further changes are required to the governance structures or processes as a result of the updated Code, which will be applicable for the 2017 financial year.

Luke Thomas

Company Secretary

For and on behalf of the Board
William Hill PLC

Report of the Audit and Risk Management Committee



“The Committee maintained a comprehensive approach to risk management and monitoring the internal control environment throughout 2016, focusing attention on key matters during the year.”

David Lowden
Chairman, Audit and Risk Management Committee

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

Sir Roy Gardner

Georgina Harvey

Ashley Highfield

Imelda Walsh

Mark Brooker
(with effect from 3 April 2017)

John O'Reilly
(with effect from 2 January 2017)

Robin Terrell
(with effect from 2 January 2017)

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 Interim CEO, the Interim CFO, the director of Group Legal Services, the director of Risk and Audit, the Head of Internal Audit, and the Group Financial Controller. 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 2016 and details of attendance at Committee meetings are set out on page 54.

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. Sir Roy Gardner, Georgina Harvey, Ashley Highfield, and Imelda Walsh are all financially literate and have significant general business experience of executive roles in both private and public organisations, as have the newly appointed Non-executive Directors taking office in 2017. The Committee's sector experience is also further strengthened with the appointments of John O'Reilly and Mark Brooker. Details of each director's significant current and prior appointments are set out on pages 46 and 47.

Committee remit

A full copy of the terms of reference for the Committee can be obtained via the website 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;
- 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 57.

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 2016

The calendar of Committee activities below provides an overview of the key areas of specific focus for the Committee in 2016.

2016 calendar of Audit Committee activity

February 2016

- Review of 2015 full year results, Annual Report and Accounts, and external audit report
- Review of the control environment in Online Gaming
- Review of operations in Manila
- Annual effectiveness and risk management assessment
- 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 2016

- Online Security presentation
- Technology Security update (also October meeting)
- Corporate Governance updates

July 2016

- Review of 2016 half year results and half year external auditor report
- NYX/Open Bet post-investment review
- Policy regarding the Investment of Surplus Cash

October 2016

- Update on post investment review for NYX/Open Bet and post-investment review of Grand Parade
- Online disaster recovery update
- Annual tax update
- Approval of the external audit plan for the 2016 financial year
- Approval of a revised Policy on the Independence of the External Auditor

December 2016

- Online disaster recovery update
- Review of significant risk and control issues
- Approval of 2017 internal audit plan
- Grand Parade 100-day post-investment review
- PwC review of Online Gaming controls
- Deloitte benchmarking review of annual report disclosures

Standing items at each Committee meeting

- Review of reports from Group Risk and Audit function on: 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 and disaster recovery
- 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 yearly 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.

The UK Corporate Governance Code requires the Board to 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 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 Interim CFO, the Company Secretary and the director of 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 this page provides further information regarding the specific areas covered by the Committee.

The Committee, in conjunction with the Group Risk and Audit function, took direct responsibility for reviewing and approving the statements on internal controls on pages 57 and 58 on behalf of the Board. The statements specifically 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 and continues to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process. A revised policy on the Independence of the External Auditor was discussed and approved by the Committee during the

Report of the Audit and Risk Management Committee (continued)

year, to implement the Statutory Auditors and Third Country Auditors Regulations 2016. The policy broadly 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.

As a result of the Statutory Auditors and Third Country Auditors Regulations 2016, all provision of non-audit services by external auditors will be restricted to a 70% cap of the audit fees over a rolling three-year period. The first three-year measurement period, covering the 2017, 2018 and 2019 financial years, will end and be subject to reporting in 2020. The Committee already has arrangements in place to monitor compliance with the non-audit services cap under the revised policy.

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

The external auditor regularly attended Committee meetings in 2016 and receives all reading papers and minutes in respect of the meetings of the Committee. The external auditor met at least once during 2016 with the Committee without executive management present. The Chairman of the Committee has also met privately with the external auditor.

In 2016 the Committee reviewed both the Audit Quality Inspection Report published by the Financial Reporting Council in respect of the Group's external auditor, Deloitte LLP, and their publicly available response. The Report showed Deloitte had further improved the quality of its auditing, again comparing favourably with its immediate market peers.

The external audit engagement

Deloitte LLP 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. During 2016, 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. 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 and can be found on page 111.

During 2016 the Audit Committee approved the provision of certain non-audit assurance services by the external auditor. The majority of the approved services, for which fees totalled approximately £828,000, related to external assurance for a £350 million bond issuance, and both the response to the proposed offer from The Rank Group plc and 888 Holdings plc, and the Amaya, Inc. merger proposal.

Other non-audit services provided by the external auditor during the year related to the provision of specific consultancy, technical and tax advice to the Group and its subsidiaries, and were also approved by the Committee for fees totalling approximately £110,000. The tax services pre-dated introduction of the new external auditor independence policy.

The Committee is satisfied in each case that the external auditor was best placed to undertake the relevant project. The nature of each advisory project meant that it was most timely and cost-effective to select Deloitte to provide the advice.

In the current year the level of non-audit fees in the period exceeded the audit fee. The Committee is satisfied that the

independence and objectivity of the external auditor, Deloitte was not impaired at any point during the year, on the basis that significant other assurance services, being reporting accountant services, were performed in connection with their position as the external auditor and were approved in advance by the Audit Committee. The Audit Committee does not anticipate that non-audit fees will exceed audit fees in the next financial period.

Deloitte has been the external auditor of the Group for more than 20 years, having been originally appointed to the Company in December 2001 on 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 reappointed 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.

After further consideration during the year, the Committee has re-affirmed that its current intention is to change the external auditor by no later than the expiry of the five-year term of the external audit partner, Paul Franek of Deloitte, (i.e. by 2019 in accordance with current ethical guidance regarding the rotation of audit partners). Hence, on that basis, a competitive tendering process will commence prior to the expiry of the five-year term. The Committee has scheduled a review in the 2017 financial year to outline plans for the competitive tendering process, and to also consider introductory presentations from potential tender participants on the basis that the formal tender process will commence in the 2018 financial year.

The Committee will continue to monitor any further legislative developments and will review its conclusion and any other associated matter with regard to the external auditor, again at least annually in the intervening period.

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 2016 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 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. Audit reports were made available to the Committee members after each audit, and the Committee monitored progress against actions identified in those reports and the external auditor's management letter. 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 2016 financial year, the Committee reviewed and discussed with management the key issues which had been identified, both at the

interim results stage and again in respect of the annual results.

In addition, each year the external auditor prepares a comprehensive forward plan in respect of their audit. Towards the end of 2016, the Committee reviewed the plan and discussed it with Deloitte. The plan explained:

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

The Committee endorsed Deloitte's plan in respect of 2016.

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 Group's compliance with guidelines on the disclosure and explanation of Alternative Performance Measures which appear in the Annual Report. In particular, the Committee noted changes made to the presentation of adjusted results and recent FRC publications highlighting best practice in this area;
- the carrying value of goodwill and intangibles across the Group. This review included an assessment of the impact of weaker trading performance during 2016 in Online. Following review it was agreed that no impairment charge was required;
- items which had been categorised as exceptional items for 2016. It was agreed with the Executive team that certain items 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 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 viability period of three financial years as a 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 investment in NYX Gaming Group Limited and the purchase of Grand Parade Limited; and
- the effectiveness of key controls within the business, which appears on page 57.

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 94 to 98 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 61.

David Lowden

Chairman, Audit and Risk Management Committee

Report of the Corporate Responsibility Committee



“The Corporate Responsibility (CR) Committee continued its focus on monitoring regulatory and industry developments, relationships with key regulators and with government authorities during 2016. This helped to support William Hill’s commitment to responsible gambling, its wider duties to the community and its responsibilities to all employees.”

Ashley Highfield

Chairman, Corporate Responsibility Committee

During the year the CR Committee exercised its authority to provide comprehensive oversight in respect of compliance against the Gambling Commission’s key licensing objectives:

- 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 oversight and challenge in a number of other areas related to William Hill’s corporate responsibility programme, as described in this Committee report and in the Corporate Responsibility Review on pages 32 to 39.

Membership and meetings

The following is the current membership of the CR Committee:

Director

Ashley Highfield, Chairman

Gareth Davis

Sir Roy Gardner

Philip Bowcock (with effect from his appointment as Interim CEO)

Georgina Harvey

David Lowden

Imelda Walsh

Mark Brooker
(with effect from 3 April 2017)

John O’Reilly
(with effect from 2 January 2017)

Robin Terrell
(with effect from 2 January 2017)

Philip Bowcock, Interim CEO, is the executive director responsible for CR. He is supported by various members of senior management throughout the business on the day-to-day management of CR-related issues. The Group director of Corporate Affairs, David Steele, provides 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 and regulation.

The Committee also receives a briefing, at least annually, from an external specialist consultant in respect of health and safety arrangements, primarily focused on the Retail operations in the UK. The Committee met on four occasions during 2016 and details of attendance at Committee meetings can be found on page 54.

CR Committee remit

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

- review CR 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 2016

The calendar of Committee activities below provides an overview of the key areas of specific focus for the Committee in 2016, and further information regarding key industry issues, and how William Hill is responding, are included in the specific review of CR matters on pages 32 to 39 of the Strategic Report.

2016 calendar of CR Committee activity

January 2016

- Update on revised Employee Engagement Programme
- Regulatory compliance initiatives
- Review in respect of Gambling Commission Annual Assurance Statement
- Review of Contractor Competency
- Review of corporate responsibility key performance indicators (via a CR dashboard)
- Extended Lone Working update
- Update on Info Exchange (database collation of key health and safety and related data)
- Security review

July 2016

- Security update
- Employee Engagement Programme update
- Compliance Review including Overseas Regulatory updates
- Review of corporate responsibility key performance indicators (via a CR dashboard)
- Good Neighbour Scheme review
- Grey Car Fleet review
- Health & Safety Review in the Retail business unit
- Extended Lone Working update
- Discussion and review of energy management
- Community Report

October 2016

- Security update
- Employee Engagement Update
- Compliance Review
- Political and Regulatory presentation and discussion with Portland Communications (external adviser)
- Update on Gaming Controls and Player Protection
- Annual Assurance Statement review

December 2016

- Triennial Review Status Update
- Annual Health & Safety Year End Review
- Modern Slavery Act Preparations
- Extended Lone Working Update
- Community update

The Committee also has standing agenda items covering Health and Safety performance and arrangements, and regulatory compliance which are reviewed at each meeting. Previous actions arising are followed-up at each meeting to ensure that they are completed.

Approach to core remit

CR 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 on the introduction of algorithms for account-based games machine players and the use of behavioural science analytics to help further reduce the incidence of problem gambling; and
- corporate reputation amongst key stakeholders, and improving the effectiveness of the Company's engagement with all stakeholders.

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 2016 the Committee reviewed performance metrics in respect of contractor competence, security, fraud, health and safety and regulatory compliance in LBOs.

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 set for 2016 and is in the process of agreeing objectives for 2017.

The Committee also discussed developments in several other areas and in particular the Committee:

- reviewed a new requirement to submit an Annual Assurance Statement to the Gambling Commission. The Committee reviewed a draft of the Statement prior to submission;
- reviewed the enhanced Employee Engagement programme developed during 2016; and
- confirmed the Group's approach to the implementation of the Modern Slavery Act 2015, which involved a Group-wide supply chain risk assessment. The Committee approved, on behalf of the Board, a Transparency Statement, which will be made available via the Group website (www.williamhillplc.com).

Ashley Highfield

Chairman, Corporate Responsibility Committee

Report of the Nomination Committee



“The Nomination Committee has been heavily focused on actively managing succession planning and changes to the Board in 2016, including recommending all new Board appointments. The Committee will maintain its focus on the optimal balance of skills, capabilities and experience to support an effective Board, and continues to commit to improving diversity.”

Gareth Davis
Chairman, Nomination Committee

Membership and meetings

Set out below is the membership of the Nomination Committee:

Director

Gareth Davis, Chairman

Sir Roy Gardner

Georgina Harvey

Ashley Highfield

David Lowden

Imelda Walsh

Mark Brooker
(with effect from 3 April 2017)

John O'Reilly
(with effect from 2 January 2017)

Robin Terrell
(with effect from 2 January 2017)

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 Interim CEO and/or the Group Human Resources director are invited to attend meetings as appropriate. The Committee met on eight occasions during 2016.

Nomination Committee remit

A full copy of the terms of reference for the Committee can be obtained via the website at www.williamhillplc.com or by request to the Company Secretary.

The Committee's principal responsibilities are to:

- make 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 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 2016, none of these were material to the extent that it would impact on the time required to commit to the Company.

Main activities during 2016

The calendar of Committee activities below provides an overview of the key areas of specific focus for the Committee in 2016, and further explanation regarding the key events for the Committee during the year can be found in the Chairman's introduction on page 48.

2016 calendar of Nomination Committee activity

January 2016

- Chairman's re-appointment
- Re-election of directors at the 2016 Annual General Meeting
- Annual Report disclosures
- Review of the Committee's terms of reference

July 2016

- Initiation of Chief Executive succession planning and appointment of Philip Bowcock as Interim Chief Executive

September 2016

- Update on Chief Executive succession planning
- Review of senior management succession planning, talent pipeline and gender and diversity programme

October 2016

- Update on Chief Executive succession planning
- Consideration of Board composition
- Consideration of potential Non-executive Director appointments and appointment process

November 2016

- Recommendation to the Board to approve the appointment of John O'Reilly, Robin Terrell and Mark Brooker
- Update on Chief Executive succession planning

December 2016

- Board committee composition review
- Update on Chief Executive succession planning
- To note arrangements for the induction for new director appointments

During 2016, the Committee played an important part in succession planning and in recommending changes to the composition of the Board, thereby ensuring that the leadership of the business remains well positioned for the future. The Board had endorsed all the recommendations of the Committee during the year. James Henderson stood down as CEO in July 2016 and was replaced by Philip Bowcock as the Interim CEO. The search for a permanent replacement CEO was then instigated by the Committee with the support of the Group Human Resources director and the external recruitment firm Heidrick and Struggles (Heidrick and Struggles has no other connection with the Company). The Committee considered the diverse and demanding range of personal and strategic skills and experience required and prepared a role criteria for the permanent CEO position. The search for a permanent replacement has included 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 dependent on the foregoing, further assessments. Further information on the progress made in appointing a permanent CEO can be found in my introduction to the Governance Report on page 49.

During the year the Committee considered the balance of skills and experience on the Board and also making changes to support timely succession planning. The Committee concluded that the Board would benefit from additional digital, multi-channel and gambling industry experience. The Committee had also taken into account that Ashley Highfield, who was appointed to the Board in 2008, is due to complete his nine-year term towards the end of 2017. As a result, role criteria were developed and a search process was commenced with the support of Heidrick and Struggles and the Group Human Resources director. The search process culminated with the appointments of John O'Reilly, Robin Terrell and Mark Brooker, as announced in November 2016.

The Committee aims to plan ahead for any future changes in Board composition. With this in mind, during the year Sir Roy Gardner (as Senior Independent Director) led a review by the Committee which unanimously agreed the re-appointment of Gareth Davis as Chairman of the Company for a further three years from August 2016. The Board also welcomed the recommendation, which was approved.

During 2016 and up to the date of this report, the Committee also:

- reviewed reports issued by Lord Davies in respect of women on boards and by Sir John Parker concerning the Ethnic Diversity of UK Boards; and
- considered and recommended to the Board that each director be proposed for re-appointment at the 2016 AGM.

Board diversity and composition

The Board already 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. It is the intention of the Board to keep the benefits that derive from a diverse Board in mind when making future appointments.

As at 31 December 2016, 29% of the Board was comprised of women, however, it is anticipated that this ratio will fall to 20% from 3 April 2017 when Mark Brooker joins the Board. 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 high performance. However, 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.

Going forward, 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. The Committee notes the report by Lord Davies which recommends to increase the voluntary target for women's representation on boards of FTSE 350 companies to a minimum of 33% by 2020. The Committee also notes Sir John Parker's recommendation to improve ethnic diversity metrics on UK listed boards. The Committee will continue to keep both reports under review, whilst all appointments continue to be made on merit.

Gareth Davis
Chairman, Nomination Committee

Directors' Remuneration Report



“The Remuneration Committee is comfortable that the current policy has displayed a good degree of alignment between pay and performance. To ensure this continues, we propose some minor changes to the policy for the coming year designed to reflect both good practice and the key strategic priorities for the business.”

Imelda Walsh
Chair, Remuneration Committee

Annual Statement

Background and business context

As the Chairman said in his statement, 2016 was a challenging year for William Hill with performance below the Board's original expectations at the start of the year. As a result of a lot of activity within the year, we delivered an adjusted operating profit in line with our revised expectations, albeit at the bottom end of our range at £261.5m (2015: £291.2m). Although we benefited from EURO 2016, results from other sporting events including Cheltenham and football in the second half of the year were less positive.

In March we announced that Online's performance was being impacted by a series of changes, which reduced the competitiveness of our sports betting and gaming products, at the same time as the introduction of further player protection measures. Online's new leadership team has already implemented a number of improvements, for example the redesign of the Sportsbook app, which saw a better second half performance. This has given the Board greater confidence that we have the products and user experience to compete strongly in 2017.

Following the difficult start to 2016 and after careful reflection, the Board concluded that a change of leadership was required and James Henderson left the Board with immediate effect on 21 July 2016 and Philip Bowcock, CFO, was appointed Interim CEO. This was followed by an unsolicited approach from The Rank Group plc and 888 Holdings plc.

There has been considerable consolidation across our industry over the past few years and though the Board did not believe that the offer from Rank and 888 represented good value for our shareholders, it did enter discussions over a possible merger with Amaya, which ended following consultation with leading shareholders in October 2016. This intense period of corporate activity, whilst the Board continued its search for a permanent CEO, did create additional complications in our remuneration policy review.

As 2016 ended, Philip had re-focused the leadership team and the business has a much clearer series of priorities, including a substantial transformation programme that will improve the efficiency of the organisation and drive cost savings that can support reinvestment in marketing and product development.

2016 remuneration

As noted above, James Henderson stepped down from the Board in July 2016. The Remuneration Committee (The Committee) followed established good practice in respect of his termination arrangements and in line with the provisions of our directors' Remuneration Policy. We fully disclosed the agreed terms at the time of the announcement.

Under the terms of James' contract, the Company was required to give him 12 months' notice and this commenced on 21 July 2016. For transition purposes, James remained an employee for four weeks from the start of the notice period. Following this the Company paid base salary, employer pension contributions and the cost of benefits in monthly instalments for up to

the remaining balance of his notice period. Mitigation will be applied with monthly payments in lieu of notice reduced by 100% of the amount of any salary or fee that James receives from any alternative employment or consultancy undertaken during this period.

Regardless of the outcome of the 2016 Annual Bonus Plan, at the time of James' departure, we confirmed that he would not be entitled to a bonus. All other unvested long-term incentive awards (including any unvested Save as You earn Sharesave awards) also lapsed in accordance with the rules of their respective schemes. The Committee did agree that James could retain the 77,754 deferred shares awarded under the Executive Bonus Matching Scheme. These shares were awarded as part of James' 2014 bonus, which was based on performance previously delivered and in part prior to James being appointed to the Board and as CEO. This award was made in March 2015 and the shares, which are not subject to any other performance condition, will be released in March 2018.

Following James' departure the CFO, Philip Bowcock, was appointed Interim CEO. Philip's remuneration was announced at the time of his appointment. His salary was increased from £420,000 to £550,000 for the period of his interim appointment which was in line with James' salary. His bonus opportunity was increased to 175% of salary, measured pro-rata for time in-post as Interim CEO.

All of Philip's remuneration is in accordance with our policy, and further details are set out on page 86.

The Committee set stretching targets for the 2016 bonus for executive directors, which included an adjusted operating profit threshold of £284.3m (60% weighting) as well as 25% on net revenue and 15% on individual objectives. However, as described above, final performance was below the targets originally set with adjusted operating profit, which also acts as an overall bonus gateway, below the threshold level and therefore no bonus was payable.

Due to the change from a three-year to a four-year Long Term Incentive Plan (LTIP) performance period, which was introduced in 2014, no long-term incentive awards were eligible to vest in 2016.

In considering remuneration decisions for executives, the Committee takes into account the pay and conditions applying to Group colleagues in general. It is regularly updated on this topic and, where significant changes are proposed to employment conditions elsewhere in the Group, these are highlighted for the attention of the Committee at an early stage.

There were a number of factors influencing employee pay in 2016. In particular the Company addressed the introduction of the National Living Wage ('NLW') in April 2016 by extending the scope to include those colleagues under 25. This means all colleagues are paid in excess of the National Minimum Wage. In addition, the restructure of the Retail business (described on page 27) led to changes in roles required in the future with an associated impact on salaries. As part of the restructure, the Retail business also introduced a new quarterly bonus plan linked to a scorecard of measures all within the employee's influence.

Remuneration policy

Our current remuneration policy for directors was approved in 2014 and is therefore due for renewal at the forthcoming AGM. In considering whether the current policy has been effective, the Committee considered the alignment between incentive outcomes and the underlying performance of the business, which this policy has generated. Specifically,

where William Hill's performance has not met the demanding target ranges set by the Committee, whether annual or long-term, incentive payments have not been made in either 2015 or 2016. Nonetheless, in considering how our pay structures should operate for the coming three-year period, we identified several areas in which change would be beneficial in order to recognise good practice and also navigate the challenging business environment in which we operate.

In reviewing our policy, we had several aims:

- to ensure we are able to recruit and motivate business leaders of the right calibre to steer the business in the coming years in what is a particularly competitive sector;
- to provide the flexibility (in both bonus and LTIP) to use metrics that are aligned with the Company's strategic direction; this flexibility is particularly important during a time of change; and
- to ensure that executives build a meaningful stake in the business by receiving a significant portion of remuneration in shares and being required to retain these as they build their ownership stake.

With those aims in mind, we are proposing the following changes:

- more flexibility in the selection of LTIP measures, to be able to respond to evolving business priorities with at least 75% of any future award to be based on financial metrics (for example but not necessarily exclusively, TSR and EPS) with the balance based on relevant Business Performance Metrics; and
- to change the LTIP performance period to three years.

When the current policy was set, we believed that a four-year period was the best approach for our business so that each cycle contained two major football tournaments (one World cup and one European cup). However, we have found that the longer performance period has proved unattractive to new hires and less motivational generally. The Company's business planning cycle is better aligned to a three-year performance period and targets can be set to take account of the impact of biennial football tournaments. We believe this change will remove a point of difference in our

scheme that makes us less competitive. The implementation of this change will require an amendment to our 2014 Performance Share Plan rules and this will be tabled as an additional resolution at the AGM¹. Awards made from 2015 onwards were subject to a one-year holding period post-vesting – we now propose to increase this to a two-year holding period to take into account the shorter vesting period.

- Share ownership is very important to align the interests of directors and shareholders. The Committee wishes to strengthen the current shareholding guideline to require that all vested shares (net of tax) must be held until the share ownership guideline is met. To support this, the deferral period on annual bonus will be reduced to two years (from three). This is a more demanding requirement up until the point that the CEO holds shares equivalent in value to 200% of base salary, and other executive directors 150%. Half of any bonus paid will continue to be deferred into shares.

The Committee believes that all the above changes will improve our policy going forwards. However, it is entirely possible that in the coming year, as the Board reviews strategic direction and confirms the Company's executive leadership, that it may be appropriate to revisit this policy. If this is the case, we will of course consult with shareholders over any proposed changes before submitting a revised policy for approval.

I consulted with leading shareholders, on behalf of the Committee, on the proposed changes to our remuneration policy. Where we received feedback, it was generally supportive, particularly the emphasis on changes to support executives build their shareholding. The consultation also indicated that we would delay making an LTIP award in 2017 until the new policy was approved and we would again consult with leading shareholders on our proposal.

¹ In total there will be four remuneration related resolutions tabled at the forthcoming AGM, covering approval of: the Remuneration Policy; the Annual Remuneration Report; minor changes to the rules of the Performance Share Plan; and the renewal of our deferred bonus plan, the Executive Deferred Share Bonus Plan (previously known as the 2007 Executive Bonus Matching Scheme). There are no material changes to this plan other than to its name to more accurately reflect its purpose and the adoption of a number of best practice amendments.

Directors' Remuneration Report (continued)

Application of policy for 2017

The Committee increased Philip Bowcock's salary when he was appointed Interim CEO for the duration of his interim appointment. Having done so, the Committee will not be reviewing his salary while he remains Interim CEO.

Pay and conditions across the Group will again be matters that the Committee considers. The NLW will increase in April 2017 and because we apply this to all colleagues, this means 4,760 colleagues will receive a 4.1% increase. In addition the Company will operate an employee-wide salary review pot in April with an overall budget of 2% for all other colleagues.

The Group has identified three priority areas as part of its ongoing diversification strategy set out in the CEO Strategy Update (page 11). These are:

- Growing market share in the UK;
- International growth; and
- Delivering the transformation and technology projects.

The Committee has considered the design of the 2017 annual bonus plan whilst recognising that changes were made in 2016. It has decided to keep the present structure of three measures but make a small adjustment to the weightings to take account of the transformation programme. Adjusted operating profit will remain the principle measure and its weighting is unchanged at 60%. The target range is also unchanged at 90% to 110% of target.

In 2016, net revenue had a weighting of 25% but for 2017 this will be reduced to 20% and individual objectives increased from 15% to 20%. The Committee believes this change is necessary to reflect the importance of the transformation programme and executive directors will have specific objectives agreed by the Committee. These will also include customer, colleague, leadership and compliance goals.

The net revenue target range is also unchanged at 95%-105% of target and again no bonus will be payable, under any measure, unless a threshold level of adjusted operating profit is achieved, as in 2016. In setting the performance range by measure, the Committee took into account a range of data points, including the annual plan, market expectations, known regulatory changes and that 2017 is a non-tournament year.

Specific targets ranges will not be disclosed at this time as they are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's report.

In order to fully reflect the emerging strategic priorities of the business and also to include the views of new Board colleagues (who were announced in November 2016) the 2017 LTIP grant will be made following the publication of the interim results in August 2017, rather than between March and May, which is the Company's normal practice.

Listening to feedback

I am very conscious of the ongoing and vocal debate on executive pay. However, in the application of remuneration policy at William Hill over the past two years, there have been no incentive payouts, as the performance thresholds have not been achieved. Therefore, whilst recognising that disappointing performance is something best avoided, the policy has done its job and overall remuneration has significantly reduced.

Decisions on increases to executive pay versus the wider workforce are also front of mind for the Committee. As already mentioned, changes to the Retail pay structure, job roles and the Company's approach to the introduction of the NLW, were matters discussed at the Committee and also the Board. 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 colleague 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. From this year, I will be attending the forum on an annual basis to answer questions raised by employee representatives concerning executive pay.

The Committee welcomes input on our remuneration policies, and I am happy to receive comments or questions on any element of this report, via the Company. If you have any comments or questions on any element of the report, please email me at iwalsh@williamhill.co.uk or care of Ed Airey, Group Reward director, at eairey@williamhill.co.uk.

Finally, I would like to thank our shareholders for their continued support and I hope that you will vote in favour of all remuneration-related resolutions at our AGM on 9 May 2017. I would also like to express my thanks to my colleagues on the Committee for their hard work in 2016 and for the support we have received from the William Hill management team.

Imelda Walsh
Chair, Remuneration Committee

At A Glance

In this section we summarise the key principles that underpin our remuneration policy, the remuneration outcomes for the year ending 27 December 2016, and how we will apply our policy in 2017.

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** – the remuneration policy should be sufficiently flexible to take account of changes in the Group's business environment and in remuneration practice

2016 annual bonus

Executive directors did not receive a bonus in respect of FY 2016. The annual bonus was based on three elements: 60% on adjusted operating profit, 25% on net revenue and 15% on individual objectives.

- Adjusted operating profit – 2016 adjusted operating profit of £261.5m was below the threshold of £284.3m and therefore none of the adjusted operating profit element of bonus was payable.
- Net revenue – 2016 net revenue of £1,603.8m was also below the threshold of £1,623.4m.
- Individual objectives – although Philip, as the Interim CEO and previously as CFO, achieved many of the objectives set, no bonus is payable for 2016 as the Group did not meet the adjusted operating profit threshold. Further details on objectives are provided on page 82.

PSP awards vesting

Outstanding awards previously granted to James Henderson lapsed in full on cessation of his employment.

No awards granted to Philip Bowcock, Interim CEO, were eligible to vest in 2016. The first award granted to him in 2015 will vest, subject to satisfaction of the performance conditions, in 2019.

2016 single figure remuneration for current executive directors

Name of director ¹	Basic salary £	Benefits in kind (BIK) £	BIK arising from performance of duties £	Annual bonuses £	Pension £	PSP £	2016 total £	2015 total £
Philip Bowcock ²	477,655	28,242	3,487	0	96,940	0	606,323	85,599 ³
James Henderson (resigned 21 July 2016) ⁴	307,638	19,109	7,636	0	61,548	0	395,931	914,417

¹ During Philip's period as Interim CEO, the CFO role has been filled on an interim basis but with no resulting appointments made to the Board.

² Philip's 2016 remuneration reflects salary of £420,000 in his role as CFO up to and including 20 July 2016, and salary of £550,000 as Interim CEO thereafter.

³ Philip was appointed to the Board as CFO on 1 November 2015 and so his amounts for 2015 relate to the two month period he was on the Board.

⁴ James' 2016 remuneration reflects period to 21 July 2016, when he stepped down from the Board with immediate effect. Full details are included on page 86.

Approach for 2017

Salary	The Interim CEO's salary was set at £550,000 on appointment.
Benefits and pension	No change proposed. A Company pension allowance of up to 20% will continue to apply.
Annual bonus	No change proposed to potential quantum or the measures used but small change proposed to the weightings. Adjusted operating profit will remain at 60%, net revenue will be reduced to 20% and personal objectives will be increased to 20%. This allows for specific transformation objectives (agreed by the Committee for each executive director) to be included within personal objectives, which will also include customer, colleague, leadership and compliance goals. Further details can be found on page 80. 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 19. The inclusion of specific transformation objectives aligns with the wider programme set out on page 11. The level of payout for threshold performance will remain at 10% of the maximum. If the revised policy is approved, half of any bonus will be deferred into shares for two years.
Long-term incentives	In order to ensure that the permanent CEO and the recently appointed Board members are able to participate in the design and target setting process for the 2017 LTIP, the award will be made later in 2017 after the interim results, which are published in August 2017. We are still considering the right combination of measures and targets for this award, and intend to consult with leading shareholders during the year. Details of these awards will be made at the time of grant and in next year's Annual Report on Remuneration. If the revised policy is approved, performance will be measured over a three-year period. A further two-year holding period will also apply after vesting.

The remainder of the Remuneration Report comprises the Remuneration Policy Report (pages 72 to 79) and the Annual Report on Remuneration (pages 80 to 89).

Directors' Remuneration Report (continued)

Remuneration Policy Report

This part of the DRR, the Remuneration Policy Report (Policy Report), has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Policy Report appears on pages 72 to 79 inclusive and will be subject to a binding shareholder vote at the Annual General Meeting on 9 May 2017. If approved the policy will retrospectively take effect from 28 December 2016, being the start of the Company's financial year for 2017.

How the Remuneration Committee operates to set the remuneration policy

The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code and is a committee of the Board. It determines the Group's policy on the remuneration of the executive directors, the Chairman and other relevant senior management. It works within defined terms of reference, which are available upon request to the Company Secretary or from the Company's corporate website: www.williamhillplc.com.

The Committee's key objectives are to:

- set and agree with the Board a competitive and transparent remuneration framework which is aligned to the Group strategy and is in the interests of both the Company and its shareholders; and
- determine the specific remuneration packages for each of the executive directors and certain other senior managers. The remuneration package includes base salary, incentives, benefits and any compensation payments.

Remuneration policy objectives and principles

The remuneration policy for executive directors and senior management is designed to support the business needs of the Group, to ensure it has the ability to attract and retain senior leaders of a high calibre, and to align the long-term interests of executive directors and senior management with those of our shareholders.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Group and an individual level. There must also be scope to reward for exceptional effort and achievement that delivers value both for the Group and the shareholders. Likewise, failure to achieve individually or at corporate level will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and for our shareholders. When setting the levels of short- and long-term variable remuneration, the degree of stretch in performance conditions and the split between equity and cash within the package, consideration is given to obtaining the appropriate proportion of each so as not to encourage unnecessary risk-taking. As well as financial risk, the Committee also ensures that there is an appropriate focus on environment, safety, governance and wider colleague issues.

The remuneration package is reviewed periodically taking into account all elements of remuneration, i.e. the Committee does not look at any single element in isolation, to ensure it remains competitive. The Committee undertakes the determination of individual remuneration packages for executive directors and senior management annually. Whilst pay benchmarking provides context for setting pay levels, it is not considered in isolation and is not updated annually.

The total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short and longer term. It is also the Committee's policy to ensure that a high proportion of the potential remuneration package is paid in shares, which is designed to ensure that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

Summary of policy changes for 2017

The broad structure of the policy remains largely unchanged from the policy approved by shareholders in 2014. The changes which are being proposed are intended to allow for more flexibility in the choice of performance measures, and increased alignment between variable pay and Company strategy. Key changes are set out below:

- The new policy allows for additional flexibility in the selection of performance measures in the Performance Share Plan (PSP), in order to better respond to evolving business priorities. At least 75% of any future award will be based on financial metrics (for example, TSR and EPS) with the balance based on relevant Business Performance Metrics.
- The PSP performance period has been reduced from four years to three, in line with typical market practice. A three-year performance period is aligned with our business planning cycle, and our experience has been that a longer period has placed us at a competitive disadvantage when recruiting externally. The post-vesting holding period has been lengthened from one to two years, to take into account the shorter vesting period.
- In order to encourage executive directors to hold shares, and increase alignment with shareholders' interests, all shares vesting from PSP and deferred bonus awards must be retained until the share ownership guideline has been met. In support of executives building a direct ownership stake sooner, the deferral period for the annual bonus has been reduced to two years.

The Committee anticipates that it may be necessary to conduct a further review of the remuneration policy during 2017, once a permanent CEO is in place and to take into account the outputs from the Company's ongoing strategic review. Any further changes would be put to shareholders either at the 2018 AGM, or earlier, at a general meeting specially convened for this purpose. The Committee would consult with shareholders on any major changes proposed.

Future policy table

The table below summarises each element of the remuneration policy for the executive directors, explaining how each element operates and how each part links to the corporate strategy.

Element of remuneration package:	Base salary
Purpose and link to strategy	<ul style="list-style-type: none"> – Provides a sound basis on which to recruit and retain key employees of appropriate calibre to deliver the strategic objectives of the Company. – Reflects the market value of the role and the post holder's experience, competency and performance within the Company.
Operation	<ul style="list-style-type: none"> – Paid monthly in cash via payroll. – Normally reviewed by the Committee annually and fixed for 12 months commencing on the first day of the financial year. Any salary increase may be influenced by: <ul style="list-style-type: none"> – the commercial need to do so; – role, experience and performance; – average change in wider workforce pay; – Company profitability and prevailing market conditions; and – periodic benchmarking of similar roles at comparable companies, such as the FTSE 101-150 or who operate within the same broad sector as William Hill.
Opportunity	<ul style="list-style-type: none"> – The general policy is to pay around mid-market levels with annual increases typically in line with the wider workforce. Increases beyond those granted to the workforce may be awarded in certain circumstances, such as where there is a change in the individual's responsibility, or where the salary set at initial appointment was below the level expected once the individual gains further experience and a track record of performance in the role. An above-market positioning may be appropriate in exceptional circumstances to reflect the criticality of the role and the experience and performance of the individual.
Performance metrics	<ul style="list-style-type: none"> – Executive directors participate in the Company's annual performance management process. Individual and Company performance is taken into account when determining appropriate salary increases.
Recovery and withholding	<ul style="list-style-type: none"> – No recovery or withholding applies.
Element of remuneration package:	Benefits
Purpose and link to strategy	<ul style="list-style-type: none"> – Operate competitive, cost-effective benefits to help recruit and retain executive directors and senior management. – As with employee benefits for the wider workforce, certain benefits (e.g. private medical insurance) are provided to minimise disruption (e.g. from illness) to the day-to-day operation of the business.
Operation	<ul style="list-style-type: none"> – Benefits include private medical insurance (covering the executive, spouse and dependent children), a fully expensed car or car allowance, subsidised travel card, permanent health insurance and life assurance benefits. – Cash alternatives may be provided for any or all of these benefits, depending on individual circumstances. – Executive directors participate in the Company's flexible benefits scheme. – Relocation and related benefits may be offered where a director is required to relocate. The benefit must be taken up within 12 months of appointment unless exceptional circumstances prevail. – Executives may also be reimbursed for any reasonable expenses (and any income tax payable thereon) incurred in performance of their duties.
Opportunity	<ul style="list-style-type: none"> – The aim is to provide market-competitive benefits and their value may vary from year to year, depending on the cost to the Company from third-party providers.
Performance metrics	<ul style="list-style-type: none"> – No performance metrics apply.
Recovery and withholding	<ul style="list-style-type: none"> – Relocation and related benefits may be subject to clawback either in full or part if an executive resigns within two years of joining.
Element of remuneration package:	Pension
Purpose and link to strategy	<ul style="list-style-type: none"> – Market competitive, cost-effective retirement benefits are provided to act as a retention mechanism and to recognise long service.
Operation	<ul style="list-style-type: none"> – Company Pension Savings Plan (a defined contribution plan) or cash allowance in lieu of Company pension contributions once statutory limits (Lifetime and Annual Allowance) are reached, or a combination of both.
Opportunity	<ul style="list-style-type: none"> – Executive directors are eligible for a pension contribution or cash in lieu of up to 20% of salary.
Performance metrics	<ul style="list-style-type: none"> – No performance metrics apply.
Recovery and withholding	<ul style="list-style-type: none"> – No recovery or withholding applies.

Directors' Remuneration Report (continued)

Element of remuneration package: Annual Performance Bonus (cash and shares)	
Purpose and link to strategy	<ul style="list-style-type: none"> – Incentivise executive directors and senior management to achieve specific, predetermined goals during a one-year period. – Rewards financial and individual performance linked to the Company's strategy. – Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interest with shareholders.
Operation	<ul style="list-style-type: none"> – Any bonus payment is determined by the Committee after the year-end, based on performance against challenging targets which are reviewed annually. – Half of the bonus is payable in cash with the remaining 50% deferred into shares for two years. – The deferred element may be subject to forfeiture in the event of the executive director's departure prior to vesting. – The value of dividend payments will accrue in shares (or cash, at the discretion of the Committee) on vested deferred bonus shares.
Opportunity	<ul style="list-style-type: none"> – The maximum bonus for any executive director is 175% of salary per annum.
Performance metrics	<ul style="list-style-type: none"> – At least 75% of the bonus will be based on an appropriate mix of financial metrics (generally including adjusted operating profit), and no more than 25% will be based on individual objectives or strategic targets. The Committee is committed to ensuring that all targets set are demanding. – No bonus in respect of individual objectives will be payable unless at least the threshold level of performance is achieved in respect of any profit-related metrics. – The Committee, in its discretion, acting fairly and reasonably, may alter the bonus outcome if it feels that the payout is inconsistent with the Group's overall performance taking account of any factors it considers relevant. The Committee will consult with leading investors before any exercise of its discretion to increase the bonus outcome.
Recovery and withholding	<ul style="list-style-type: none"> – Bonuses may be recovered (or deferred shares withheld) if, within three years of the bonus payment, there has been a material misstatement of results, a calculation error, misleading information or if conduct justifying summary dismissal is discovered.
Element of remuneration package: Long-term incentives: Performance Share Plan (PSP)	
Purpose and link to strategy	<ul style="list-style-type: none"> – To drive performance and retention and align interests of executive directors and shareholders through building a shareholding. – Incentivises participants to profitably grow the business and to achieve superior long-term shareholder returns in line with the Company's strategy. – Retains key executives over the performance period.
Operation	<ul style="list-style-type: none"> – Awards, normally in the form of nil-cost options, are granted annually with vesting dependent on the achievement of stretching performance conditions and the executive director's continued employment. – PSP awards have a three-year performance and vesting period. – The value of dividend payments will accrue in shares (or cash, at the discretion of the Committee) on vested PSP award shares. – A holding period applies for executive directors, which requires PSP awards to be retained for a further period of two years from the end of the performance period (except for the sale of shares needed to pay income tax and national insurance arising on exercise).
Opportunity	<ul style="list-style-type: none"> – The rules of the PSP state that PSP awards do not normally exceed 225% of base salary. This limit may be increased to 300% of base salary in circumstances considered by the Committee to be exceptional. – Quantum is reviewed annually (subject to the above limits) taking into account overall remuneration, the performance of the Company and of the executive director being made the award. Awards in recent years have been 200% of salary for the CEO and 175% of salary for the CFO or other executive director.

Performance metrics	<ul style="list-style-type: none"> – The appropriateness of the performance conditions and the targets to be set are reviewed annually. – At least 75% of the award will be based on financial metrics (examples include but are not limited to TSR or EPS); with the balance on relevant Business Performance Metrics (BPMs). Each performance condition is measured independently. The Committee retains the flexibility to determine the metrics to be used, as well as their relative weightings, for each year's award, taking into account business priorities at that time. – The Committee has discretion to set different performance targets for future awards provided that the new targets are not materially less challenging, given the prevailing circumstances, than those attached to previous awards. – The Committee, in its discretion, acting fairly and reasonably, may alter the PSP vesting outcome if it feels that the payout is inconsistent with the Group's overall performance taking account of any factors it considers relevant. The Committee will consult with leading investors before any exercise of its discretion to increase the PSP vesting outcome.
Recovery and withholding	<ul style="list-style-type: none"> – Withholding applies where there has been a material misstatement, a calculation error or misleading information. Recovery applies if within three years of vesting there has been any such event or if there has been conduct justifying summary dismissal during the performance period.
Element of remuneration package:	All-employee share schemes
Purpose and link to strategy	<ul style="list-style-type: none"> – All employees including executive directors are encouraged to become shareholders through the operation of the HMRC-approved Save-As-You-Earn (SAYE) plan (and/or such other HMRC-approved all-employee share plans as the Company may adopt in the future).
Operation	<ul style="list-style-type: none"> – The SAYE has standard terms under which all UK employees including executive directors, with at least three months' service, can participate.
Performance metrics	<ul style="list-style-type: none"> – No performance metrics apply.
Recovery and withholding	<ul style="list-style-type: none"> – No recovery or withholding applies.
Element of remuneration package:	Share ownership policy
Purpose and link to strategy	<ul style="list-style-type: none"> – To align interests of management and shareholders and promote a long-term approach to performance and risk management.
Operation	<ul style="list-style-type: none"> – The CEO is expected to hold William Hill shares to the value of a minimum of 200% of salary, and other executive directors a minimum of 150% of salary. – Only shares owned outright by the executive director (including any vested PSP awards held under the post-vesting holding period), count towards the satisfaction of the guideline. – The guideline is expected to be achieved within five years of appointment to the Board. – The Committee will review progress annually with an expectation that executive directors will make progress towards the achievement of the shareholding policy guideline each year. – All vested deferred bonus and PSP awards (after sale of shares to cover associated personal tax liabilities) must be retained until the guideline is met.

Notes to the Policy Table performance measures and target setting:

The performance measures that are used for annual bonus and PSP are a subset of the Company's key performance indicators.

Annual bonus

The main emphasis of the bonus is on financial metrics. In previous years, these measures have included adjusted operating profit and net revenue; in future years, the Committee may use either or both of these measures or include others.

Adjusted operating profit measures the underlying profits generated by the business and whether management is converting growth into profits effectively, and is defined as adjusted profit before interest and tax as described in note 3 to the financial statements. Net revenue is the key indicator of the Group's top-line growth, being the revenue retained from the amounts staked after paying out customer winnings and deducting free bets. Both adjusted operating profit and net revenue are reported in the Annual Report and used internally by William Hill to measure performance.

Any non-financial element may include an appropriate mix of individual objectives or strategic targets. Individual targets measure whether management is delivering against stated key business and personal targets, which are linked to the corporate strategy.

PSP

The Committee determines the measures, as well as their relative weightings, at the point of grant for each award. They are selected such that they are reflective of the current financial climate and business priorities at that time, with the majority of awards based on financial performance. In previous years, performance has been measured with reference to relative TSR, EPS and selected BPMs; for future cycles, the Committee may use some or all of these measures or include others.

Full details of the performance conditions and targets applying for each award will be disclosed in the Annual Report on Remuneration. Targets for the BPMs are likely to be too sensitive to disclose in advance for commercial reasons. The Company will, however, fully disclose the original targets and the extent to which they have been achieved on a retrospective basis at the end of the performance period. The Annual Report on Remuneration will also provide a broad update on progress after each year of the performance period.

Targets for both annual bonus and PSP awards are intended to be sufficiently stretching so as to only provide reward for strong financial results or improvement. However, given the potentially significant impact of regulatory changes on the Company and the industry as a whole, it may be necessary to adjust these targets from time to time for the impact of regulatory change, to ensure that they remain appropriately incentivising. Any adjustment made will be described in full in the following Annual Report on Remuneration.

Directors' Remuneration Report (continued)

Incentive plan discretions

The Committee will operate the annual bonus plan, EBMS and PSP (legacy and current plans) according to their respective rules, the policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. Copies of the PSP and EBMS rules are available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment;
- the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan (including the treatment of delisted companies for the purpose of the TSR Comparator Group);
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends)

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors that have been disclosed previously to shareholders, including awards made under the EBMS and PSP.

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 2017 and the benefits value is the P11D values for 2016.

Target

Comprised of fixed pay and the target value of bonus (Interim CEO 85% of salary) and normal policy¹ PSP awards at threshold vesting (Interim CEO 50% of salary).

Maximum

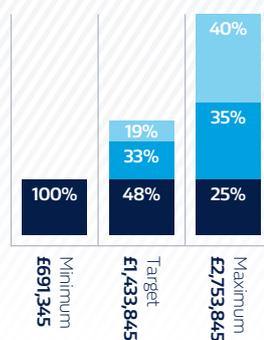
Comprised of fixed pay and the maximum value of bonus (Interim CEO 175% of salary) and normal policy¹ PSP awards (Interim CEO 200% of salary).

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 (£'000)	Base Salary	550.0
	Benefits ²	31.3
	Pension	110.0
Annual Bonus (£'000)	Target	467.5
	Maximum	962.5
PSP (£'000)	Target	275.0
	Maximum	1,100.0

Interim Chief Executive Officer (£)



■ Fixed Pay

■ Annual Bonus

■ LTIP

¹ For PSP awards the chart assumes the current award level of 200% of base salary for the CEO. The rules of the PSP state that PSP awards cannot normally exceed 225% of base salary and, in exceptional circumstances, 300% of base salary – see Policy Table above.

² These are the value of benefits for 2016 which exclude non-recurring items such as relocation expenses and expenses for attendance at certain sporting events.

Executive directors' service contracts

It is the Company's policy that the period of notice for executive directors will not exceed 12 months and, accordingly, the employment contracts of the executive directors are terminable on 12 months' notice by either party.

In the event of an executive director's departure, the Company's policy on termination payments is as follows.

- The Company may pay base salary, employer pension contributions and the cost of benefits (or if the Company so decides an amount equal to 10% of base salary at the termination date) in lieu of notice; this may be paid in monthly instalments or as a lump sum in either whole or part, as appropriate.
- The Company will seek to ensure that no more is paid than is warranted in each individual case and will seek to apply the principles of mitigation to any proposed payment, where it is appropriate to do so.
- Under new contracts (including that for Philip Bowcock), monthly payments in lieu of notice may be reduced by the amount of any base salary or fee that the executive director receives (or is entitled to receive) from any alternative employment or consultancy arrangement during the period for which compensation is paid.
- There is no entitlement to cash bonus paid (or associated deferred shares) following notice of termination (by either the employee or Company) of cessation of employment, and 'bad leavers' will not receive any bonus in such circumstances. However, where the individual is considered a good leaver (in the event of death or termination of employment by reason of ill health, disability, injury, statutory redundancy, agreed retirement, sale of employing Company or business out of the Group or at the discretion of the Committee), the Company's normal policy is that a performance-related bonus will be paid at the normal time according to the normal operation of the award and this will be time pro-rated based on the proportion of the bonus year for which the individual was employed.
- In the event of an executive director's departure, any outstanding share awards will be treated in accordance with the relevant plan rules. The default treatment under the PSP and the EBMS is that any outstanding awards will lapse on cessation of employment.
- In certain prescribed good leaver circumstances such as death, injury, disability and in any other circumstances at the discretion of the Committee, unvested EBMS shares will normally fully vest on leaving and will be released to the participant within one month after the end of the retention period. In exceptional circumstances and at the discretion of the Committee, the leaving executive director may receive the deferred shares prior to the end of the retention period.
- Under the 2014 PSP, an individual who leaves by reason of death, injury, disability, ill-health, statutory redundancy, agreed retirement, sale of the employing company or business out of the Group and in any other circumstances at the discretion of the Committee, will normally receive a pro-rated proportion of outstanding PSP awards which can be exercised up to six months (or such longer period as the Committee permits and up to 12 months in the case of death) after the performance period ends and subject to performance over that period. Exceptionally, the Committee may decide to release the PSP shares, following cessation of employment subject to the Committee's assessment of performance, to be exercised in the six months after the leaving date (or such longer period as the Committee permits and up to 12 months in the case of death) and in exceptional circumstances the Committee may decide to allow a greater number of shares to vest than if the level of vesting was calculated on a pro-rata basis.
- The Remuneration Committee retains discretion to make additional payments in respect of: (i) settling any statutory claims which the Remuneration Committee considers, in its reasonable judgement, arise in respect of the termination (whilst seeking to ensure that there is no reward for failure); and (ii) reasonable legal costs and other expenses reasonably incurred by the Executive in respect of the terms of the termination arrangements and the form of any settlement agreement; provided in all cases that the Committee considers that it would be in the best interests of the Company to do so.

The contracts of the executive directors do not provide for any enhanced payments in the event of a change of control of the Company or for liquidated damages.

Copies of the executive directors' service contracts are available for inspection at the Company's registered office: Greenside House, 50 Station Road, Wood Green, London, N22 7TP.

Directors' Remuneration Report (continued)

Remuneration policy across the Group

The remuneration policy for the executive directors and senior management is designed with regard to the policy for colleagues across the Group as a whole. The Committee is kept updated through the year on general employment conditions, basic salary increase budgets, the level of bonus pools and payouts, and participation in share plans. The Committee is therefore aware of how total remuneration at the executive director level compares to the total remuneration of the general population of employees. Common approaches to remuneration policy which apply across the Group include:

- a consistent approach to 'pay for performance' is applied, with annual bonus schemes being offered to all colleagues;
- offering pension, medical and life assurance benefits for the majority of colleagues;
- ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the Group, as well as financial and individual performance; and
- encouraging broad-based share ownership through the use of all-employee share plans.

Recruitment policy

The Committee's overriding objective is to appoint executive directors with the necessary background, skills and experience to ensure the continuing success of the Company. We recognise that the increasing pace of change and technology development in our industry, as well as the international nature of the William Hill business, will mean that the right individuals may often be highly sought after.

The remuneration package for a new executive director will therefore be set in accordance with the Company's approved remuneration policy as set out on pages 72 to 79 of the DRR, subject to such modifications as are described below. The maximum level of variable remuneration (excluding any buyout arrangements) that may be offered on an annual basis to a new executive director will be in accordance with the individual plan limits, being 175% of salary in the annual bonus plan and 225% of salary or 300% of salary in exceptional circumstances, in the PSP.

In the majority of cases, where an external appointment is made, the individual, on resignation, will forfeit incentive awards connected with their previous employment. The Committee may therefore decide to offer further cash or share-based payments to 'buy out' these existing entitlements by making awards of a broadly equivalent value, in the Committee's view, under either the Company's existing incentive plans or under other arrangements. In determining the appropriate form and amount of any such award, the Committee will consider various factors, including the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

Where an individual is appointed to the Board or substantially changes role and responsibilities whilst already a Board member, different performance measures may be set for the period of time remaining in that performance year in which the change in role and responsibilities takes effect.

For an internal appointment, any variable pay element granted in respect of the prior role may be allowed to pay out according to its terms, adjusted as appropriate to take into account the terms of the executive director appointment. The salary level for a new executive director will be determined with care by the Committee, taking into account the individual's background, skills, experience, the business criticality and nature of the role being offered, the Company's circumstances and taking into account relevant external and internal benchmarks. Above all, the Committee will exercise its own judgement in determining the most appropriate salary for the new appointment.

In certain circumstances, the Committee will have set a starting salary, which is positioned below the relevant market rate and may therefore wish to adjust the executive director's salary, at a level above the average increase in the Company, as the individual gains experience and establishes a strong performance track record in the role. Conversely the salary may need to be positioned above the relevant market rate in order to attract the most appropriate candidate for the role.

Benefits will be provided in accordance with the approved policy. Relocation expenses or allowances, legal fees and other costs relating to the recruitment may be paid as appropriate.

The Committee recognises that our shareholders need to fully understand the remuneration package for a new executive director and is committed to communicating full details and our reasons for agreeing the remuneration at the time of appointment. We will identify any remuneration elements, which are specific to the initial appointment.

Fees for a new Non-executive Director or Chair will be set in accordance with the approved policy.

Chairman and Non-executive Directors

The table below summarises each element of the remuneration policy applicable to the Non-executive Directors.

Purpose and link to strategy	To attract and retain Non-executive Directors of appropriate calibre and experience.
Operation	The Chairman's fee is reviewed annually by the Committee (without the Chairman present). The remuneration policy for the Non-executive Directors, other than the Chairman, is determined by a sub-committee of the Board comprising the Chairman and the executive directors, within the limits set by the Articles of Association. Based on independent surveys of fees paid to Non-executive Directors of similarly sized companies to William Hill, remuneration is set taking account of the commitment and responsibilities of the relevant role.
Opportunity	The Chair receives a single fee to cover all his Board duties. Non-executive Directors receive a fee for carrying out their duties, together with additional fees for those Non-executive Directors who chair the primary Board committees and the Senior Independent Director. Details of current fee levels are set out in the Annual Report on Remuneration.
Performance metrics	No performance metrics apply.
Recovery and withholding	No recovery or withholding applies.

Non-executive Directors do not have service contracts. They are engaged by letters of appointment, which are terminable by either party subject to three months' notice period, and no further compensation in the event of such termination. (The previous remuneration policy incorrectly stated that Non-executive Director appointments are terminable by either party with no notice period. There has been no change in policy and the Remuneration Committee apologises for the inadvertent error which was included in the previous policy.)

The Chairman is also engaged by a letter of appointment, which includes an appropriate notice period. The current letter of appointment for Gareth Davis is terminable by either party subject to six months' notice period and no further compensation in the event of such termination.

Non-executive Directors are appointed for an initial term of three years and would be expected to serve for an additional three-year term, subject to satisfactory performance and annual re-election at the AGM. Non-executive Directors may then be requested to serve for a further three-year term subject to rigorous review at the relevant time and agreement with the director.

Consideration of shareholder views

The Committee engages proactively with the Company's major shareholders. For example, when any material changes are made to the remuneration policy, the Committee Chair will inform major shareholders of these in advance and will offer a meeting to discuss details as required.

Consideration of employment conditions elsewhere in the Group

In setting the remuneration of the executive directors, the Committee takes into account the overall approach to reward for colleagues in the Group. William Hill operates in a number of different environments and has many colleagues who carry out diverse roles across a number of countries. All colleagues, including directors, are paid by reference to the market rate and base salary levels are reviewed regularly. When considering salary increases for executive directors, the Company pays close attention to pay and employment conditions across the wider workforce.

The Group HR Director regularly updates the Committee on pay and conditions applying to colleagues across the Group. During 2016, the Committee received specific updates on the Company's response to ongoing pay developments such as Gender Pay Reporting and the new National Living Wage, which from April 2016 the Company applied to all adults, irrespective of age.

The Committee does not formally consult with colleagues on the executive remuneration policy, although the Committee Chair seeks opportunities to receive input from colleagues during the year and this feedback is discussed by the Committee. The Company also holds regular forums with employee groups and conducts an annual employee engagement survey, the results of which and follow up action plans, are presented to the Board.

Directors' Remuneration Report (continued)

Annual Report on Remuneration

This section details the remuneration of the Executive and Non-executive Directors (including the Chairman) for the financial year ended 27 December 2016. This report and the Chair's annual statement will be subject to a single advisory vote at the AGM on 9 May 2017.

Implementation of Remuneration Policy in 2017

Base salaries

Base salaries for executive directors are normally reviewed annually by the Committee. The Committee takes into account a number of factors when determining increases including the budgeted increase across the workforce, the market value of the role, the individual's experience, competency and performance.

Philip Bowcock's salary was set at his appointment as Interim CEO in July 2016.

His current base salary as at 1 January 2017 is:

	2017	2016	Increase
Philip Bowcock	£550,000	£550,000 ¹	0%

¹ 2016 salary shown is James Henderson's annualised 2016 CEO salary. Philip's annualised salary as Group CFO in 2016 was £420,000.

At the time of publication, the Interim CFO (who is provided on secondment) is not a member of the Board and therefore his remuneration is not included in this section or in the table of payments received in 2016.

Chairman and Non-executive Directors' fees

The Chairman's fee and Non-executive Directors' fees remain unchanged in 2017. The Chairman's fee was last increased on 1 September 2015. The Non-executive Directors' fees were last increased on 1 October 2014.

- Chairman's fee – £300,000
- Non-executive Director's base fee – £55,000

Supplementary fees:

- Senior Independent Director – £15,000
- Audit Committee Chair – £18,000
- Remuneration Committee Chair – £18,000
- Corporate Responsibility Committee Chair – £18,000

Benefits and pension

Benefits and pension will be provided in line with the information in the Policy Table on page 73. The Interim CEO receives 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 levels of bonus for 2017 as a percentage of base salary are as follows:

Executive director	Threshold	Target	Maximum
Philip Bowcock	175%	85%	175%

In 2016, executive directors' annual bonuses were based 60% on adjusted operating profit, 25% on net revenue and 15% on individual objectives.

As with previous years, the Committee has sought to ensure strategic alignment with the priorities outlined earlier in the report in considering the 2017 bonus design whilst recognising the changes that were made in 2016. As such, it has decided to make no changes to quantum and to keep the present structure of 3 measures but make a small adjustment to the weightings to take account of the transformation programme set out on page 11. As you will have read, the transformation will be a key focus for the business this year.

Adjusted operating profit will remain the principle measure and its weighting is unchanged at 60%, with the target range also unchanged at 90% to 110% of target. In 2016, Net Revenue had a weighting of 25% but for 2017 this will be reduced to 20% to allow individual objectives to be increased from 15% to 20% and enable the inclusion of transformation goals. The Net Revenue target range will remain unchanged at 95%-105% of target.

The Committee believes this change is necessary to reflect the importance of the transformation programme and executive directors will have specific objectives agreed by the Committee.

The adjusted operating profit¹, net revenue² and individual objectives³ themselves are deemed to be commercially sensitive and will not be disclosed prospectively. However, as with this year, retrospective disclosure of the targets and performance against them will be provided in next year's report. In setting the performance range by measure, the Committee took into account a range of data points, including the annual plan, market expectations, known regulatory changes and that 2017 is a non-tournament year.

The Remuneration Committee is satisfied that the annual bonus plan remains stretching and challenging for management, and acts to support our business priorities and strategic objectives.

Deferral of bonus into shares will apply in accordance with the policy.

Long-term incentives

In order to ensure that the permanent CEO and the recently appointed Board members are able to participate in the design and target setting process for the 2017 LTIP, the award will be made later in 2017 after the interim results, which are published in August 2017. We are still considering the right combination of measures and targets for this award, and intend to consult with leading shareholders during the year. Details of these awards will be made at the time of grant and in next year's Annual Report on Remuneration.

If the revised policy is approved, performance will be measured over a three-year period. A further two-year holding period will apply after vesting.

¹ Adjusted operating profit is defined as adjusted profit before interest and tax. We previously referred to this metric as 'Operating Profit' and have updated its naming to clarify that it is an adjusted measure. 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 Individual objectives will include specific transformation goals linked to each executive director, as well as customer, colleague, leadership and compliance goals.

Remuneration in 2016

Audited information

Single total figure of remuneration for each director

Name of director	Year	Fees/basic salary £	Benefits in kind (BIK) £	BIK arising from performance of duties ¹ £	Annual bonuses £	Pension £	PSP £	Other payments ² £	Total £
Executive directors									
Philip Bowcock (from 1 November 2015) ^{3,4}	2016	477,655	28,242 ⁵	3,487	0	96,940	0	–	606,323
	2015	70,000	1,599	0	0	14,000	–	–	85,599
Non-executive Directors									
Gareth Davis	2016	300,000	–	1,743	–	–	–	–	301,743
	2015	286,667	–	32,554	–	–	–	–	319,221
Roy Gardner ⁶	2016	70,000	–	3,196	–	–	–	–	73,196
	2015	70,000	–	19,698	–	–	–	–	89,698
Ashley Highfield	2016	73,000	–	3,196	–	–	–	–	73,196
	2015	73,000	–	2,793	–	–	–	–	75,793
Georgina Harvey	2016	55,000	–	3,196	–	–	–	–	58,196
	2015	55,000	–	2,793	–	–	–	–	57,793
David Lowden	2016	73,000	–	3,420	–	–	–	–	76,420
	2015	73,000	–	3,040	–	–	–	–	76,040
Imelda Walsh	2016	73,000	–	3,196	–	–	–	–	76,196
	2015	73,000	–	2,793	–	–	–	–	75,793
Former directors									
James Henderson (to 21 July 2016) ⁷	2016	307,638	19,109	7,636	0	61,548	0	–	395,931
	2015	550,000	218,453	23,316	0	110,000	0	12,648	914,417

¹ 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 the 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.

² James Henderson's value reflects the gain on his 2012 SAYE share options. The 2012 SAYE gain is calculated using the share price of 397 pence on 3 August 2015 (the first day of vesting) against the exercise price of 165 pence.

³ Philip's 2016 remuneration 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. His amounts for 2015 reflect the two month period he was on the Board in during the year after his appointment to the Board as CFO on 1 November 2015.

⁴ During his period as Interim CEO, the CFO role has been filled on an interim basis but with no appointment made to the Board.

⁵ Contractual benefits for Philip Bowcock included private healthcare, life assurance, income protection and Company car allowance.

⁶ Sir Roy Gardner's taxable expenses for 2015 include £9,298 for transitional secretarial and administrative assistance relating to his duties for the Company. This arrangement ceased in 2015.

⁷ James' remuneration in 2016 reflects the period until 21 July 2016, the date he stepped down from the Board with immediate effect. Full details of James' exit arrangements are included on page 86. Contractual benefits for James Henderson included private healthcare, life assurance, income protection and Company car.

Directors' Remuneration Report (continued)

2016 annual bonus

The bonus was split between financial metrics, which had a weighting of 85% and individual objectives, which had a weighting of 15%. The table below shows how these metrics are aligned with our strategic KPIs.

The 85% weighting on financial metrics included 60% on adjusted operating profit and 25% on net revenue.

Both the adjusted operating profit and net revenue elements of the 2016 were below threshold levels so neither of these elements became payable. Adjusted operating profit of £261.5m was below the threshold target of £284.3m and net revenue of £1,603.8m was below the threshold target of £1,623.4m.

Performance	2016 Adjusted Operating Profit Targets ¹	2016 Actual Adjusted Operating Profit	Performance	2016 Net Revenue Targets ²	2016 Actual Net Revenue
Threshold	£284.3m		Threshold	£1,623.4m	
Target	£315.9m	£261.5m	Target	£1,708.8m	£1,603.8m
Maximum	£347.5m		Maximum	£1,794.2m	

¹ Group KPI, which measures success in delivering top-line growth while controlling costs

² Group KPI to assess top-line growth

The remaining 15% weighting was based on individual objectives, which for Philip were split between his time as CFO and Interim CEO.

In respect of his time as Group CFO, these consisted of:

- taking a lead and supporting on key strategic priorities;
- maintaining an effective risk culture and control environment with a high level of regulatory compliance; and
- improving the strength of the Finance function.

In respect of his time as Interim CEO, this consisted of:

- Continuing the turnaround of Online;
- Delivering the technology roadmap;
- Driving increased efficiencies across the Group; and
- Refocussing the growth and expansion of the business.

Although Philip, as the interim CEO and in his previous role of CFO, achieved many of the objectives set, no bonus is payable in respect of 2016 performance as the Group did not meet the adjusted operating profit threshold.

Long-term incentives vesting in relation to performance ending in 2016

Due to the change from a three-year to a four-year performance period in 2014, no executive director held any long-term incentive awards, which were eligible to vest in 2016.

PSP and EBMS awards granted in 2016

	Scheme	Basis of award granted	Shares awarded	Face value of award ¹	Maximum vesting	Percentage vesting for threshold performance	Vesting period
Philip Bowcock	PSP 2016	175% of salary	243,701	£735,000	100%	25%	Performance measured over the four financial years ending 31 December 2019. Awards will vest to participants on the fourth anniversary of grant subject to continued employment
James Henderson ²	PSP 2016	200% of salary	364,722	£1,100,000	100%	25%	

¹ The awards granted to James Henderson and Philip Bowcock have face values based on a share price of 301.6p being the share price on the date of grant, 17 May 2016.

² Under the PSP rules, James Henderson's award lapsed upon ceasing employment.

The PSP awards are in the form of nil-cost options and are subject to three performance conditions – relative TSR, EPS growth and Business Performance Measures (BPMs) – each measured over four years commencing on 30 December 2015.

Measure	Link to strategy	Details of performance condition
Relative total shareholder return (50%)	This supports our objective to create superior value for shareholders.	The Company's TSR is measured over the period 30 December 2015 to 31 December 2019 against the returns of a group of 16 travel and leisure companies ¹ . If TSR is: – Below median, none of this element will vest; – At median, 25% vests; – At upper quartile or better, 100% vests For performance between median and upper quartile, vesting is on a straight line basis.
Earnings per Share (25%)	A Group KPI – the key indicator of the Group's growth after allowing for all costs including interest and tax.	Based on aggregate EPS over the four-year performance period. If aggregate EPS is: – Less than 106 pence, none of this element will vest; – 106 pence, 25% vests; – 126 pence, 100% vests For performance between 106 and 126 pence, vesting is on a straight-line basis. These targets imply a compound annual growth rate range of 3-10%, which the Committee believes is challenging in light of the Group's earnings projections over the four-year period.
Business Performance Measures (25%)	Our strategy is to increase the diversification of the Group's revenues by growing our digital and non-UK revenues (see page 18). The three measures selected reflect the Company's focus on capitalising on the structural shift to mobile gaming and on international expansion by exploiting its core capabilities in a second growth territory.	Three BPMs apply – Mobile Sportsbook net revenue growth, Mobile Gaming net revenue growth and Australia Digital net revenue growth – each with an equal weighting. For each measure, a sliding scale of four-year growth target was set using the 2015 actual net revenues result as the base figure: – Mobile Sportsbook £176.5m – Mobile Gaming £118.0m – Australia Digital \$150.0m None of the award relating to each measure will vest if performance is below threshold, 25% will vest at threshold with full vesting for maximum performance or better. Awards vest on a straight line basis between threshold and maximum. Maximum performance was set so as to significantly exceed the Company's internal expectations at the time. The Committee considers that the targets applying to each BPM are demanding but too sensitive to disclose in advance for commercial reasons.

¹ 2016 TSR group: 888, Betsson, Enterprise Inns, Greene King, GVC, International Game Technology, JD Wetherspoon, Ladbrokes Coral (amended from Ladbrokes following the completion of the merger with Coral on 1st November 2016), Marston's, Mitchells & Butlers, OPAP, Paddy Power Betfair, Playtech, Rank, The Restaurant Group, Unibet.

In 2015, as the threshold level of adjusted operating profit target was not met, and therefore no bonus was payable, as a consequence no EBMS awards were made in 2016.

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 29 December 2015	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 27 December 2016	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
	SAYE 2016	–	6,818	–	–	6,818	Aug 2019	Feb 2020
	Total	231,788	250,519	–	–	482,307		
James Henderson (former director)	PSP 2013	70,531	–	(70,531)	–	–	Apr 2016	Apr 2023
	PSP 2014	161,440	–	(161,440)	–	–	Mar 2018	May 2024
	PSP 2015	286,533	–	(286,533)	–	–	Mar 2019	Mar 2025
	PSP 2016	–	364,722	(364,722)	–	–	May 2020	May 2026
	EBMS 2013	22,673	–	–	24,401 ¹	–	Apr 2016	May 2016
	EBMS 2015	77,754	–	–	–	77,754	Mar 2018	Apr 2018
	SAYE 2014	3,296	–	(3,296)	–	–	Aug 2017	Feb 2018
	SAYE 2015	2,970	–	(2,970)	–	–	Aug 2018	Feb 2019
Total	625,197	364,722	889,492	24,401	77,754			

Notes:

2013 PSP awards are subject to two performance conditions, with half subject to a relative TSR measure and half subject to an aggregate adjusted EPS measure, both measured over three financial years. Relative TSR measures the Company's TSR performance against a comparator group of gaming and leisure companies. For a ranking below median, none of this element will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above the upper quartile.

2014 PSP awards are based half on a relative TSR measure, one quarter is based on EPS compound annual growth as measured on a point to point basis by comparing the EPS for 2017 against 2013. None of this element will vest if growth is less than 4% p.a. and 100% will vest for 8% p.a. or better. The remaining quarter is based on BPMs. Performance for all metrics is measured over four financial years.

2015 PSP awards are based half on a relative TSR measure, one quarter is based on EPS compound annual growth as measured on a point to point basis by comparing the EPS for 2017 against 2013. None of this element will vest if growth is less than 2% p.a. and 100% will vest for 6% p.a. or better. The remaining quarter is based on BPMs. Performance for all metrics is measured over four financial years.

The Committee has the power, under the approved remuneration policy, to adjust the PSP vesting outcome if it considers this is inconsistent with the Group's overall performance, see page 75 for more detail.

EBMS awards are deferred bonus shares, which will vest after three years, subject to continued employment only.

¹ This number includes dividend shares.

Update on Business Performance Measures for 2014, 2015 and 2016 PSP 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 in all three areas since 2013.

Net Revenues	Mobile Sportsbook	Mobile gaming	Australia digital
2013	£95.9m	£40.0m	\$156.1m ¹
2014	£141.9m	£86.8m	\$169.1m
2015	£176.5m	£118.0m	\$150.0m
2016	£190.2m	£144.8m	\$175.0m

¹ Annualised to reflect William Hill's ownership of Sportingbet and tomwaterhouse.com during part of 2013.

The graphic below provides an indication of vesting performance (based on performance to 27 December 2016) against the target range.

2014 award (based on three years' performance out of four)

	Threshold	Target	Maximum
Mobile Sportsbook (2013 base year – £95.9m)			▲
Mobile Gaming (2013 base year – £40.0m)			▲
Australia Digital (2013 base year – \$156.1m)	▲		

2015 award (based on two 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 one year's 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

Further details on the BPMs are shown as part of the Key Performance Indicators section of the Annual Report on page 18. Actual vesting levels will be dependent on performance over the full four-year performance period.

Directors' Remuneration Report (continued)

Table of directors' share interests

The share interests of each person who was a director of the Company during the year up to 27 December 2016 (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 share ownership policy ¹
	29.12.15	27.12.16	Unvested	Vested	Unvested	Vested	Unvested	Vested		
Executive directors										
Philip Bowcock	0	0	475,489	–	–	–	6,818	–	482,307	0%
Non-executive Directors										
Gareth Davis	146,488	146,488	–	–	–	–	–	–	146,488	–
Roy Gardner	10,000	12,600	–	–	–	–	–	–	12,600	–
David Lowden	12,222	12,222	–	–	–	–	–	–	12,222	–
Ashley Highfield	8,520	8,520	–	–	–	–	–	–	8,520	–
Georgina Harvey	12,221	12,221	–	–	–	–	–	–	12,221	–
Imelda Walsh	12,222	12,222	–	–	–	–	–	–	12,222	–
Former directors										
James Henderson	101,992	101,992	–	–	77,754 ²	–	–	–	179,746³	–

¹ Calculated as legally owned shares held on 27 December 2016 multiplied by the average of the three month share price to 27 December 2016 (296p) divided by 2017 base salary. The share ownership policy is summarised on page 75.

² James Henderson's 77,754 unvested EBMS awards relate to the grant made on 9 March 2015 to reflect performance in 2014 both before and after his appointment as CEO on 4 July 2014.

³ James Henderson ceased to be a director on 21 July 2016. His closing value is based on the number of shares he held at the time he stepped down from the Board.

During the period 27 December 2016 to 26 February 2017, there have been no changes in the directors' share interests.

Remuneration package for the Interim Chief Executive Officer

Philip Bowcock was appointed Interim CEO with effect from 21 July 2016. His remuneration at this point was increased such that it was in line with that offered to the previous CEO:

- Base salary £550,000.
- Bonus opportunity of 175% of salary, measured pro-rata for time in-post as Interim CEO.
- No change to percentage cash allowance in lieu of Company pension contributions and no change to other benefits.

Prior to his appointment as Interim CEO, Philip had already been granted an LTIP award of 175% of salary based on his salary as CFO.

Payments for loss of office

The former CEO, James Henderson, stepped down from the Board with immediate effect on 21 July 2016. The Committee followed established good practice in respect of his termination arrangements and in line with the provisions of our directors' Remuneration Policy. We fully disclosed the agreed terms at the time of the announcement.

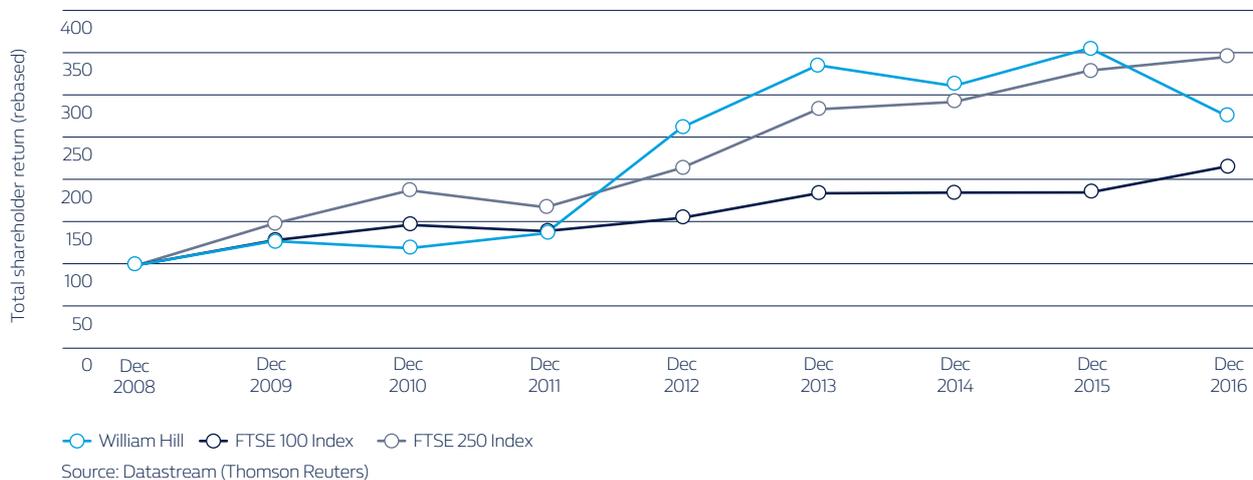
Under the terms of James' contract, he was entitled to 12 months' notice, or payments in lieu. James remained an employee for a period of four weeks for transition purposes and thereafter for the remainder of his notice period will receive base salary, pension contributions and the cost of benefits in monthly instalments, subject to mitigation where alternative employment or consultancy is undertaken. In accordance with the Policy, there was no entitlement to bonus following notice of termination.

In 2015, James was awarded 77,754 deferred bonus shares under the EBMS, based on performance over the 2014 financial year. These shares are due to vest in 2018, and are not subject to further performance conditions. The Committee agreed that this award will not lapse on cessation, and will be released in March 2018 under its normal vesting cycle. The Committee took this decision having noted that the award was based on performance previously delivered and in part prior to his appointment to the Board and as CEO.

In accordance with the PSP plan rules, James Henderson was not treated as a good leaver and his outstanding share awards under this plan have lapsed in full.

Total shareholder return chart and Chief Executive earnings history

The chart below shows the Company's TSR performance compared with that of the performance of the FTSE 100 and FTSE 250 Indices. As a member of both indices in recent times, the Committee believes both indices are appropriate comparisons for William Hill.



This graph shows the value, by 27 December 2016, 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 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 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 ¹	2014 JH ²	2015 JH	2016 JH ³	2016 PB ⁴
Ralph Topping/James Henderson/Philip Bowcock										
Single figure remuneration (£'000)	£1,055	£1,650	£3,403 ⁵	£1,914	£4,673	£2,277	£1,369	£914	£396	£606
Annual Bonus Outcome (% Maximum)	90%	100%	94%	100%	0%	86%	88%	0%	0%	0%
LTIP Vesting Outcome (% Maximum)	0% ⁶	0% ⁷	49% ⁸	n/a	100% ⁹	95% ¹⁰	95% ¹⁰	0% ¹¹	n/a	n/a

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 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.

⁶ 2007 EBMS Matching Award.

⁷ 2008 EBMS Matching Award.

⁸ 2009 EBMS Matching Award.

⁹ 2010 and 2011 PSP Awards.

¹⁰ 2012 PSP Award.

¹¹ 2013 PSP Award.



Directors' Remuneration Report (continued)

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 2015 and 2016. Part-time and hourly paid colleagues in either 2015 or 2016 have been excluded from the comparison figure as a more meaningful analysis can be achieved by comparing changes in remuneration for relevant full time and salaried staff.

	Base Salary			Taxable Benefits ^{3,4}			Bonus		
	2016	2015	% Change	2016 ⁴	2015	% Change	2016 ⁵	2015	% Change
CEO ¹	£550,000	£550,000	0%	£31,345	£25,923	21%	£0	£0	0%
Salaried Employees ²	£23,080	£23,850	-3%	£1,442	£1,488	-3%	£680	£170	300%

¹ 2016 CEO's figure calculated as c. 7 months' salary and benefits for James Henderson plus c. 5 months' salary, benefits and bonus for Philip Bowcock.

² Base salary for salaried employees is lower in 2016 due to the changes made to the structure of the Retail business (as described on page 27) and associated salaries. Excluding this impacted population, the normalised increase is 3.1% which encompasses the new National Living Wage in April 2016, which was implemented for all (instead of just those aged 25 and over as required), along with other salary increases but excludes promotional increases.

³ Taxable benefits excludes relocation costs and taxable expenses.

⁴ 2015 CEO Taxable Benefits includes 6 months of increased car benefit from July 2015. 2016 value includes the full year value.

⁵ Bonus for salaried employees includes the implementation of a new 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 2016 compared to 2015.

	2016	2015	% Change
Profit after tax	£164.5m	£189.9m	-13%
Shareholder distributions ¹	£204.0m	£108.4m	88%
Employee remuneration costs	£348.9m	£321.4m	9%

Shareholder distributions includes share buyback of £95.0m. Excluding this would result in a percentage change from 2015 of 0.6%

Auditable sections of the Annual Report on Remuneration

The auditable sections of the Annual Report on Remuneration are shown from page 81 (starting with the single total figure of remuneration for each director) up to page 86 (including the section titled Payments for loss of office).

Membership of the Remuneration Committee

The members of the Committee during 2016 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)
Gareth Davis
David Lowden
Georgina Harvey
Sir Roy Gardner

The Group's Company Secretary, Luke Thomas, acts as Secretary to the Committee.

Committee activity during the year

The following table sets out the major issues covered by the Committee over the course of the year:

January 2016

- Consideration of annual bonus design for 2016
- Proposal on changes to pension provision for high earners
- Approval of operation of all employee share schemes in 2016
- Committee effectiveness evaluation

February 2016

- Approve 2015 Directors' Remuneration Report
- Bonus outcomes in respect of 2015
- Confirmation that 2013 PSP awards had lapsed, as the threshold level of performance had not been achieved
- Release of 2012 EBMS awards and approval of any matching shares for participants below Board level
- Review of executive shareholdings against the guidelines
- Approval of 2016 annual bonus design
- Approval of 2016 PSP design

May 2016

- Approval of 2016 PSP awards
- Outline of approach to 2017 Remuneration Policy Review

July 2016

- Ad hoc meeting – Exit terms for the outgoing CEO and remuneration for Interim CEO

July 2016

- Exit terms for the outgoing CEO and remuneration for Interim CEO
- Incentives update at half year
- 2017 Remuneration Policy Review Update

October 2016

- Impact of potential Corporate Events on Incentive Plans
- 2017 Remuneration Policy Review Update
- Update on approach to all-employee 2017 salary review

November 2016

- Ad hoc meeting – Corporate Events update

December 2016

- 2017 Remuneration Policy Review Proposals
- Update on external legislative, regulatory and other developments
- Incentives update

Advice to the Committee

During 2016, 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. From 2017, the Committee Chair will be attending the forum on an annual basis to answer questions raised by employee 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 2016, 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 remuneration review and a range of other issues relating to executive pay, in particular the corporate activity mentioned earlier. Additional activities in 2016 included advice in respect of the exit arrangements for James Henderson, the review of the remuneration policy, advice in relation to various corporate activity in 2016. Fees for this advice were £136,000*.

* VAT of 20% was paid on the adviser fees shown above which William Hill does not reclaim.

Statement of shareholder voting at 2016 AGM

At the 2016 AGM, a resolution was proposed for shareholders to approve the 2015 Annual Report on Remuneration. The following votes were received:

2015 Annual Report of Directors' Remuneration		
	Total number of votes	% of votes cast
For	605,309,330	99.34%
Against	4,022,538	0.66%
Total	609,331,868	100.0%
Withheld	731,210	–

A majority (over 50%) of the votes cast was required for the resolution to be passed, and the 2015 Annual Report on Remuneration was duly approved by shareholders. The Committee considers that the level of support received at the 2016 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 24 February 2017 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 27 December 2016. The following also form part of this report:

- pages 46 and 47, which show the names of all persons who were directors of the Company during the period. In addition, on 14 November 2016 the Company announced the appointment of John O'Reilly and Robin Terrell as directors with effect from 2 January 2017, and also the appointment of Mark Brooker as a director with effect from 3 April 2017;
- during the period James Henderson served as a director of the Company. Mr Henderson resigned from the Board with effect from 21 July 2016;
- the reports on corporate governance set out on pages 48 to 89;
- 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 36 and 39.

Details of committee memberships for each director are set out on pages 46 and 47. Details of the directors' interests are set out on page 86 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 Committee report on pages 60 to 63.

The Statement of Directors' Responsibilities appears on page 93.

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 27 December 2016 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 profit on ordinary activities after taxation for the period was £164.5m (2015: £189.9m). The directors recommend a final dividend of 8.4p per share to be paid on 8 June 2017 to ordinary shareholders on the Register of Members on 28 April 2017 which, if approved, together with the interim dividend of 4.1p per share paid on 2 December 2016, makes a total of 12.5p per share for the period.

Profit Guidance issued during year

This statement fulfils the Group's obligations under the Listing Rules (LR 9.2.18(2)).

On 23 March 2016, the Group announced a trading update for the period to 20 March 2016, in which the following profit guidance for the year ended 27 December 2016 was included:

"In the year to date, two main factors have combined to deliver a weaker than expected Online performance.

"The broader William Hill Group continues to trade well and is overall in line with our internal expectations. Though Retail recorded a loss on Cheltenham, it has benefited from favourable UK football results and the US had a strong Super Bowl result in February. Momentum is continuing to build in Australia following the changes made in 2015, with further growth in wagering, new accounts and actives.

"Overall, taking these factors together, we now expect the Group's operating profit for 2016 to be in the range of £260-280m, subject to normalised gross win margins in the rest of the year. The Group also confirms that it is in advanced discussions with a partner which would see it invest in OpenBet. These discussions may, or may not, lead to a transaction. Notwithstanding the changes outlined above, the Board remains committed to the share buyback programme previously announced."

The Group's financial results for the full year ended 27 December 2016 are available on page 3, and are discussed throughout the remainder of the Strategic Report. Those disclosures confirm that the adjusted operating profit for the year was £261.5m, within the parameters of the profit guidance originally issued on 23 March 2016.

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 24 February 2017, 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 29,550,267 ordinary shares in treasury. There were therefore 857,745,005 ordinary shares in issue as at 24 February 2017 (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. 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

During the financial year ended 27 December 2016, the Company commenced a share repurchase programme under which it acquired 29,573,675 of its own ordinary shares of 10p each, with an aggregate nominal value of £2,957,368, to be held in treasury. The programme was executed in conjunction with the Company's corporate brokers Barclays Capital Securities Limited and Citigroup Global Markets Limited.

The Company did not previously hold any of its own shares in treasury, and had not purchased any of its own shares since 2008. The programme was executed in accordance with a strategy outlined to investors with the announcement of the 2015 full year results in February 2016.

The purchased shares, which were acquired for an aggregate consideration of £93,660,027 excluding dealing costs, represented 3.45 per cent of the issued share capital as at 27 December 2016. None of the acquired shares have been subsequently disposed of, and it is the current intention of the directors that the entire acquired shareholding will either continue to be held in treasury, or will be used to satisfy existing awards under the Group's share and incentive schemes.

Substantial shareholdings

As at 27 December 2016, 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)	15.00%
Capital Group Companies, Inc (D)	10.88%
HSBC Holdings plc (D and I)	7.542%
Morgan Stanley (D)	7.05%
Oppenheimer Funds, Inc (I)	6.81%
BlackRock, Inc (I)	5.52%
Artemis Investment Management LLP (D and I)	4.98%
UBS Asset Management (I)	4.72%
ING Groep N.V. (D)	4.66%

In the period 27 December 2016 to 24 February 2017, the following changes were disclosed to the Company in accordance with Article 19 of the Market Abuse Regulation:

Name of holder	Percentage shareholding
Morgan Stanley (D)	6.59%
Blackrock Inc (I)	5.92%
Oppenheimer Funds, Inc (I)	4.71%

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 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 assessed by shareholders at www.williamhillplc.com.

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 the Group magazine 'Will2win'. An employee engagement survey 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 respect of the UK, the Company operates a 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 in 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 globally may participate in local share saving schemes, which for operational, tax or legislative reasons may differ in operation compared to the UK.

Directors' Report (continued)

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.

Political donations

There were no political donations made or political expenditure incurred during the period in respect of EU political parties, candidates or organisations (2015: 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 believes 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 \$55,200 was incurred in 2016 (2015: \$nil) 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 (AGM), 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 27 December 2016, 2,942,077 new ordinary shares of the Company were issued following the exercise of options or vesting of awards under various share schemes, and in connection with the acquisition of Grand Parade Limited. This comprised the following issues of new ordinary shares:

- 658,630 shares under the employee Sharesave Scheme, at prices between 140p and 312p per share;
- 1,671,875 shares under the Employee Bonus Matching Scheme;
- 103,395 shares under the William Hill Online Long Term Incentive Plan, of which 88,624 shares were released to plan participants;
- 13,129 shares under the other retention plans, of which 10,148 shares were released to plan participants;
- No shares were issued under the Performance Share Plan in the year; and
- 495,048 shares as partial consideration for the acquisition of Grand Parade Limited in August.

Except where indicated above, the exercise or vesting price was £nil.

Annual General Meeting

The AGM will be held at 11.00 a.m. on 9 May 2017 at Cavendish Conference Centre, 22 Duchess Mews, London W1G 9DT. 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' Remuneration Report
Directors' interests	Report

By order of the Board

Luke Thomas
Company Secretary, William Hill PLC
24 February 2017

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 judgements 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 is 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, 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, which includes the management 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
- In addition, each of the directors considers that 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 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
Interim CEO
24 February 2017

Independent Auditor's report to the members of William Hill PLC

Opinion on financial statements of William Hill PLC

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 27 December 2016 and of the Group's and the Parent Company's profit 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;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity;
- 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Summary of our audit approach

Key risks

Consistent with last year, the key risks that we identified were:

- impairment of goodwill and non-current assets;
- completeness and accuracy of revenue recognition in Retail and Online;
- unrecorded retirements in capitalised software; and
- valuation of provisions for uncertain tax positions.

Materiality

The materiality that we used in the current year was £10.5 million which was determined on the basis of less than 5% of adjusted profit before tax of £214.0 million.

Scoping

We focused our Group audit scope on audit work at three locations: UK, Gibraltar and Australia.

These locations represent the principal business segments and accounts for over 97% of the Group's revenue, over 95% of operating profit and 96% of the Group's net assets.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the Statement of Group Accounting Policies in the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement on page 59 regarding the appropriateness of the going concern basis of accounting and the directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 45.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 40 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;
- the disclosures on pages 41-44 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the Statement of Group Accounting Policies 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 ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the directors' explanation on page 45 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. There were no significant changes to the scope of our audit in the current year, or to the key risks identified.

Independent Auditor's report to the members of William Hill PLC (continued)

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Impairment of goodwill and non-current assets

Risk description	<p>The Group has goodwill of £1,209.5m and intangible assets with indefinite lives of £484.3m which is tested annually for impairment against value in use of the Group's cash-generating units – Retail, Online, Stadia, US and Australia.</p> <p>The annual impairment test is a complex process requiring significant management judgement and is based on key assumptions about future profitability and cash flows, selecting appropriate discount and long-term growth rates, which are disclosed in key sources of estimation uncertainty, in note 12 of the Group financial statements, and is a significant matter considered by the Audit Committee on page 63.</p> <p>Our risk is focused on the sensitivity to those key assumptions used in the Group's impairment review, and the ultimate recoverability of goodwill, and non-current assets and the related disclosures.</p>
How the scope of our audit responded to the risk	<p>Our work focused on evaluating the design and implementation of key controls in this area and challenging the following key assumptions used by management in conducting their impairment review:</p> <ul style="list-style-type: none"> – agreement of cash flow assumptions to Board-approved forecasts; – validating the reasonableness of the cash flow forecasts by comparing value in use to the Group's market value; – assessing management's historical budgeting accuracy; – challenge of short-term growth rates used in the Group's and component's forecasts by reference to current performance and plans; – consideration of the appropriateness of long-term growth rates by comparison to independent growth expectations for each country of operation; and – using our internal valuation specialists to independently calculate appropriate discount rates for comparison with those used by management. <p>We carried out sensitivity analysis on management's model to challenge the key assumptions outlined above, as well as reflecting severe, but reasonably possible alternative future scenarios.</p> <p>From the result of our procedures, we did not identify any impairment of goodwill and non-current assets for the Group's cash-generating units.</p>

Completeness and accuracy of revenue recognition in Retail and Online

Risk description	<p>The Group has a number of income streams, the most significant being revenue recognised in the Group's Retail (£893.9m) and Online (£544.8m) divisions. 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 104.</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.</p> <p>Due to the complexity of the environment, there is a risk that revenue errors go undetected or are not detected on a timely basis.</p>
How the scope of our audit responded to the risk	<p>Together with our IT audit specialists we 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 83% of revenue recognised. For the remainder, which comprised more complex bets, we recalculated a sample of bets.</p> <p>Our work was concluded satisfactorily.</p>

Unrecorded retirements in capitalised software

Risk description	<p>As disclosed in note 12 to the financial statements, £55.6m of computer software additions has been capitalised in 2016 as the Group continues to invest in its technology. The net book value of computer software assets at the balance sheet date was £98.2m.</p> <p>This continued investment in software development gives rise to a risk that existing assets are made obsolete by new technology and should be retired before expiry of their useful economic lives. In addition, there is a risk that capital projects do not deliver the benefits intended, and should be impaired.</p>
How the scope of our audit responded to the risk	<p>We evaluated the design and implementation and tested the operating effectiveness of internal controls over impairment and the capitalisation of costs.</p> <p>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 to determine whether new assets created replaced existing assets and indicated a risk of impairment or revised useful life for those existing assets.</p> <p>Our work was concluded satisfactorily.</p>

Risks that provisions for uncertain tax positions are not valued correctly

Risk description	The way in which William Hill organises its operations in different jurisdictions requires management to make judgements and estimates in relation to interpretation of local tax laws and potential tax provisions and exposures. A description of key sources of estimation uncertainty used in relation to taxation is included in the Statement of Group Accounting Policies, and is a significant matter considered by the Audit Committee as set out on page 63.
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. Our work was concluded satisfactorily.

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.

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 materiality	£10.5m (2015: £12.0m)
Basis for determining materiality	Our Group materiality is below 5% (2015: below 5%) of adjusted profit before interest and tax, disclosed in note 3 to the Group financial statements.
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. Materiality equates to 6% of profit before tax (2015: 6%) and below 1% (2015: 1%) of equity.

Following us reassessing the levels at which we would report to the Audit Committee, we discussed and agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.5m (2015: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at three locations:

- UK;
- Gibraltar; and
- Australia.

These locations represent the principal business units and account for over 97% (2015: over 97%) of the Group's revenue, over 95% of operating profit (2015: over 96%) and over 96% (2015: over 97%) 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 £5.3m to £7.9m (2015: £6.0m to £7.8m). 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 include all component audit teams in our team briefing and discuss 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 both Australia and 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the directors' Report.

Independent Auditor's report to the members of William Hill PLC (continued)

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 arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

We confirm that we have not identified any such inconsistencies or misleading statements.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Franek FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 February 2017

Consolidated Income Statement

for the 52 weeks ended 27 December 2016

	Notes	52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
		Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m	Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m
Continuing operations							
Revenue	1,2	1,603.8	–	1,603.8	1,590.9	–	1,590.9
Cost of sales	2	(382.2)	–	(382.2)	(377.9)	–	(377.9)
Gross profit	2	1,221.6	–	1,221.6	1,213.0	–	1,213.0
Other operating income	1	14.8	–	14.8	8.9	–	8.9
Other operating expenses	3	(976.4)	(35.9)	(1,012.3)	(933.2)	(67.1)	(1,000.3)
Share of results of associates	4	1.5	–	1.5	2.7	–	2.7
Profit before interest and tax	2,5	261.5	(35.9)	225.6	291.4	(67.1)	224.3
Investment income	1,3,7	1.7	3.2	4.9	14	–	14
Finance costs	8	(49.2)	–	(49.2)	(41.0)	–	(41.0)
Profit before tax	2	214.0	(32.7)	181.3	251.8	(67.1)	184.7
Tax	3,9	(19.8)	3.0	(16.8)	(34.3)	39.5	5.2
Profit for the period (attributable to equity holders of the parent)		194.2	(29.7)	164.5	217.5	(27.6)	189.9
Earnings per share (pence)							
Basic	11	22.3		18.9	24.7		21.6
Diluted	11	22.2		18.8	24.6		21.5

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

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 27 December 2016

	Notes	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Profit for the period		164.5	189.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme	32	(17.8)	(14.9)
Tax on remeasurements in defined benefit pension scheme	26	2.3	1.7
		(15.5)	(13.2)
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain on cash flow hedges	25	(0.1)	0.3
Exchange differences on translation of foreign operations		63.3	(21.8)
Changes in fair value of available-for-sale financial assets	16	(4.4)	–
		58.8	(21.5)
Other comprehensive income/(loss) for the period		43.3	(34.7)
Total comprehensive income for the period (attributable to equity holders of the parent)		207.8	155.2

Consolidated Statement of Changes in Equity

for the 52 weeks ended 27 December 2016

	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 29 December 2015	88.4	686.6	6.8	(26.1)	(4.1)	(126.8)	591.0	1,215.8
Profit for the financial period	–	–	–	–	–	–	164.5	164.5
Other comprehensive income for the period	–	–	–	–	–	63.2	(19.9)	43.3
Total comprehensive income for the period	–	–	–	–	–	63.2	144.6	207.8
Purchase and issue of own shares (note 28)	–	–	–	–	(95.0)	–	(0.4)	(95.4)
Transfer of own shares to recipients (note 28)	–	–	–	–	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 (note 31)	–	–	–	–	–	–	6.1	6.1
Tax charge in respect of share remuneration (note 26)	–	–	–	–	–	–	(2.6)	(2.6)
Dividends paid (note 10)	–	–	–	–	–	–	(109.0)	(109.0)
At 27 December 2016	88.7	689.3	6.8	(26.1)	(98.5)	(63.6)	628.9	1,225.5
	Attributable to equity holders of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
At 31 December 2014	87.7	683.2	6.8	(26.1)	(1.1)	(105.3)	515.1	1,160.3
Profit for the financial period	–	–	–	–	–	–	189.9	189.9
Other comprehensive loss for the period	–	–	–	–	–	(21.5)	(13.2)	(34.7)
Total comprehensive income for the period	–	–	–	–	–	(21.5)	176.7	155.2
Purchase and issue of own shares	–	–	–	–	(3.7)	–	0.7	(3.0)
Transfer of own shares to recipients	–	–	–	–	0.7	–	(0.7)	–
Other shares issued during the period	0.7	3.4	–	–	–	–	(0.5)	3.6
Credit recognised in respect of share remuneration (note 31)	–	–	–	–	–	–	7.2	7.2
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.9	0.9
Dividends paid (note 10)	–	–	–	–	–	–	(108.4)	(108.4)
At 29 December 2015	88.4	686.6	6.8	(26.1)	(4.1)	(126.8)	591.0	1,215.8

Consolidated Statement of Financial Position

as at 27 December 2016

	Notes	27 December 2016 £m	29 December 2015 £m
Non-current assets			
Intangible assets	12	1,805.3	1,732.3
Property, plant and equipment	13	212.5	210.6
Interests in associates	15	30.8	33.6
Investments	16	5.4	0.1
Deferred tax assets	26	2.8	4.2
Retirement benefit asset	32	15.5	23.0
Loans receivable	16	43.9	–
Derivative financial instruments	16, 25	34.8	–
		2,151.0	2,003.8
Current assets			
Inventories	18	–	0.1
Trade and other receivables	19	72.7	56.2
Cash and cash equivalents	19	215.5	282.1
Investment property held for sale	20	3.5	4.4
Derivative financial instruments	25	–	0.1
		291.7	342.9
Total assets		2,442.7	2,346.7
Current liabilities			
Trade and other payables	21	(370.4)	(325.8)
Corporation tax liabilities		(25.7)	(24.5)
Borrowings	22	–	(299.1)
Derivative financial instruments	25	(14.0)	(13.8)
		(410.1)	(663.2)
Non-current liabilities			
Borrowings	22	(718.6)	(369.5)
Deferred tax liabilities	26	(88.5)	(98.2)
		(807.1)	(467.7)
Total liabilities		(1,217.2)	(1,130.9)
Net assets		1,225.5	1,215.8
Equity			
Called-up share capital	27	88.7	88.4
Share premium account		689.3	686.6
Capital redemption reserve		6.8	6.8
Merger reserve		(26.1)	(26.1)
Own shares held	28	(98.5)	(4.1)
Hedging and translation reserves		(63.6)	(126.8)
Retained earnings		628.9	591.0
Total equity attributable to equity holders of the parent		1,225.5	1,215.8

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 24 February 2017 and are signed on its behalf by:

P Bowcock
Director

Consolidated Cash Flow Statement

for the 52 weeks ended 27 December 2016

	Notes	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Net cash from operating activities	29	265.9	300.9
Investing activities			
Dividends from associates	15	4.3	0.4
Interest received on cash and cash equivalents	7	1.7	1.4
Proceeds on disposal of property, plant and equipment		1.2	1.1
Proceeds on disposal of investment property		0.8	–
Net cash flows relating to loans receivable		1.4	–
Acquisition of redeemable convertible preference shares in NYX Gaming Group Limited (including associated costs)	16	(81.7)	–
Acquisition of ordinary shares and warrants in NYX Gaming Group Limited	16	(10.3)	–
Acquisition of Grand Parade Limited (net of cash acquired)	17	(12.0)	–
Acquisition of NeoGames S.a.r.l		–	(17.4)
Purchases of property, plant and equipment		(32.5)	(22.5)
Expenditure on intangible assets		(57.9)	(45.0)
Net cash used in investing activities		(185.0)	(82.0)
Financing activities			
Proceeds on issue of shares under share schemes		1.3	3.6
Purchase of own shares		(94.4)	(3.0)
Dividends paid	10	(109.0)	(108.4)
Repayment of £300m Guaranteed notes	22	(300.0)	(50.0)
Issue of £350m Guaranteed notes due 2023		350.0	–
Finance fees paid on £350m Guaranteed notes		(2.5)	–
Net cash used in financing activities		(154.6)	(157.8)
Net (decrease)/increase in cash and cash equivalents in the period		(73.7)	61.1
Changes in foreign exchange rates		7.1	(1.1)
Cash and cash equivalents at start of period		282.1	222.1
Cash and cash equivalents at end of period	19	215.5	282.1

Statement of Group Accounting Policies

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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 45 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, there have been no new IFRSs, amendments to IFRSs or IFRS Interpretations Committee (IFRIC) interpretations that have been adopted by the Group.

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' will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The potential impacts of the new standard that may impact the Group are:

- Classification and measurement: New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments; and
- Hedge accounting: The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

The Group is reviewing the requirements of the new standard to fully determine its impact.

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. Early assessment of the requirements of the new standard suggest it will not have a material impact upon the Group's reported performance and the Group will continue to assess the full impact to ensure it is ready to implement the new standard in advance of its effective date.

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 may have a material impact upon the Group's reported performance, Statement of Financial Position and operating cash flows.

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 151 to 156.

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.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income and income from software development, which are recognised on an accruals basis.

Going concern

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in notes 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 40 to 45, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group issued £350m of corporate bonds in May 2016 the proceeds from which were used to redeem £300m of corporate bonds which matured in November 2016. The new bonds are due for redemption in 2023. 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 investments (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 Statement of Group Accounting Policies included on pages 151 to 156, 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.

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 recommendations from the UK Government are expected in the spring. These could include changes to the regulation of gaming machines and a severely adverse outcome would significantly increase the risk of a material impairment of assets in the Retail division.

The Australian Government is currently undertaking a review of the key regulations governing online wagering, including the Interactive Gambling Act. The scope of the review includes, amongst other things, both television advertising and credit betting (although this is likely to be addressed by State Governments rather than the Federal Government). Adverse outcomes in either of these areas could significantly impact the cash flows of the business such that an impairment of goodwill in the Australia division may be necessary.

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, salary growth and mortality assumptions. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. A full triennial actuarial valuation is being carried out by a qualified independent actuary and this may lead to significant changes in the assumptions used. 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.

Statement of Group Accounting Policies (continued)

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Taxation

Due to the multinational nature of the Group and the complexity of tax legislation in various jurisdictions in which the Group operates, the directors must apply judgement in estimating the likely outcome of certain tax matters whose final outcome may not be determined for a number of years and which may differ from the current estimation. In forming that judgement, the directors make assumptions regarding the interpretation and application of tax laws to the circumstances of those specific items.

These estimates are updated 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 estimates or from final resolution may be material and will be charged or credited to the Income Statement in the period of re-estimation or resolution.

Within the Group's current tax liability of £25.7m (29 December 2015: £24.5m) are amounts of £21.4m (29 December 2015: £23.8m) that relate to uncertain tax positions. 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 a best estimate of the 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.

The Group does not expect the total level of provision to materially change as a result of the resolution of any items within the next financial year. However, the Group's future tax charge could be affected by several factors such as tax reform, including any arising from the implementation of the OECD's BEPS actions, future corporate acquisitions and disposals, any restructuring of our business or as a consequence of state aid investigations.

Valuations and useful economic lives of assets

In assessing the fair value of assets and liabilities acquired in business combinations, the directors use their judgement in selecting suitable valuation methods and inputs and in estimating the useful economic lives (UELs) of assets. The range of inputs considered in these valuations varies according to the item being valued and typically includes discount rates and the forecast future performance of the business being acquired, both of which involve a degree of estimation.

UELs are reviewed on a periodic basis and changes are recognised prospectively through an adjustment to the asset's amortisation charge in the Income Statement. A change in UEL of an asset, including the allocation of a definite life to an asset which previously had an indefinite life, may result in a materially different amortisation charge in that and subsequent years.

Notes to the Group financial statements

1. Revenue

An analysis of the Group's revenue is as follows:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Rendering of services disclosed as revenue in the Consolidated Income Statement	1,603.8	1,590.9
Other operating income	14.8	8.9
Interest on cash and cash equivalents (note 7)	1.7	1.4
Investment income on redeemable convertible preference shares (notes 3 and 7)	3.2	–
Total revenue as defined in IAS 18	1,623.5	1,601.2

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing 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 Online² segment comprises all online and telephone activity outside of Australia, including sports betting, casino, poker sites and other gaming products along with telephone betting services. The US segment comprises all activity undertaken in the USA. The Australia segment comprises online and telephone sports betting in Australia. Other activities include on-course betting and greyhound stadia operations. There are no inter-segmental sales within the Group.

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 27 December 2016 is as follows:

	Retail £m	Online ² £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Revenue	893.9	544.8	43.7	113.8	7.6	–	1,603.8
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)	(287.1)	(24.1)	(60.4)	(6.7)	(29.1)	(881.4)
Share of results of associates	–	–	–	–	–	1.5	1.5
Adjusted operating profit/(loss)¹	162.0	100.5	14.3	15.4	(0.1)	(30.6)	261.5
Operating exceptional items and adjustments	0.4	(1.2)	(2.1)	(0.7)	–	(32.3)	(35.9)
Profit/(loss) before interest and tax	162.4	99.3	12.2	14.7	(0.1)	(62.9)	225.6
Investment income						4.9	4.9
Finance costs						(49.2)	(49.2)
Profit before tax							181.3

¹ Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3.

² Previously, the Group reported results from telephone betting outside of Australia as a separate segment. The results from that business are now included within the Online segment. Results for prior periods are re-presented accordingly. There is no change to the reported totals for any period.

Notes to the Group financial statements (continued)

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2. Segment information (continued)

At 27 December 2016	Retail £m	Online ² £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of financial position information							
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 asset as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 52 weeks ended 29 December 2015:

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

¹ Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3.

² Previously, the Group reported results from telephone betting outside of Australia as a separate segment. The results from that business are now included within the Online segment. Results for prior periods are re-presented accordingly. There is no change to the reported totals for any period.

2. Segment information (continued)

At 29 December 2015	Retail £m	Online ² £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of financial position information							
Total segment assets	1,393.7	399.1	45.1	293.0	11.4	200.2	2,342.5
Total segment liabilities	(91.6)	(172.2)	(14.8)	(25.5)	(0.4)	(703.7)	(1,008.2)
Included within total assets:							
Goodwill	680.7	183.9	20.1	254.0	7.1	–	1,145.8
Other intangibles with indefinite lives	484.3	–	–	–	–	–	484.3
Interests in associates	–	–	–	–	–	33.6	33.6
Capital additions	16.4	37.6	0.8	8.7	–	2.8	66.3

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 channel other than on an arbitrary basis. The above analysis excludes corporation tax and deferred tax-related balances.

Capital additions in the above table are stated on an accruals basis.

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

	Revenues		Non-current assets	
	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m	27 December 2016 £m	29 December 2015 £m
United Kingdom	1,317.2	1,344.7	1,515.4	1,444.5
Rest of the World	286.6	246.2	635.6	559.3
	1,603.8	1,590.9	2,151.0	2,003.8

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) 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 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 68 to 89);
- 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.

Notes to the Group financial statements (continued)

3. Exceptional items and adjustments (continued)

The directors note, for readers' benefit, some presentational and disclosure changes from prior years that we believe improve clarity:

- the key profitability metric of 'adjusted operating profit' was previously termed 'Operating profit'. We believe that the change emphasises the non-statutory nature of this measure more clearly;
- the Consolidated Income Statement previously showed a column for 'Before exceptional items'. We believe that it is more useful to present an 'Adjusted' column instead, since this now allows adjusted operating profit to be visible in the primary financial statements alongside statutory performance; and
- the layout of this note, which replaces the 'exceptional items' note in prior years, consolidates disclosures of all reconciling items between Adjusted and statutory results, rather than solely exceptional items.

None of these changes reflects a change in definition or measurement of any metric and, therefore, the presentation is reflected in the comparative disclosures without any restatement of values.

Exceptional items

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

Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. They comprise the 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).

Exceptional items and adjustments are as follows:

	Exceptional items £m	Adjustments £m	52 weeks ended 27 December 2016 £m	Exceptional items £m	Adjustments £m	52 weeks ended 29 December 2015 £m
Operating						
Corporate transaction costs	(9.8)	–	(9.8)	–	–	–
Restructuring costs	(10.2)	–	(10.2)	–	–	–
Portfolio shop closures ¹	0.4	–	0.4	1.8	–	1.8
VAT repayment	–	–	–	(0.2)	–	(0.2)
Amortisation of acquired intangibles	–	(6.4)	(6.4)	(60.6)	(81)	(68.7)
Fair value movements on derivative financial instruments	–	(9.9)	(9.9)	–	–	–
	(19.6)	(16.3)	(35.9)	(59.0)	(81)	(67.1)
Non-operating						
Investment income on redeemable convertible preference shares	–	3.2	3.2	–	–	–
	–	3.2	3.2	–	–	–
Total exceptional items and adjustments before tax						
	(19.6)	(13.1)	(32.7)	(59.0)	(81)	(67.1)
Tax on exceptional items and adjustments	2.5	0.5	3.0	179	2.2	20.1
Exceptional tax items	–	–	–	19.4	–	19.4
Total exceptional items and adjustments	(17.1)	(12.6)	(29.7)	(21.7)	(5.9)	(27.6)

¹ As a result of HM Treasury's announcement in March 2014 of an increase in Machine Games Duty, the Group closed a portfolio of 108 shops during 2014 and provided for onerous leases and other expenses. The Group has exited a number of these leases in the period and the difference between provisions held and any final settlement is credited or charged to exceptional items, consistently with the original provisions.

Corporate transaction costs

During 2016, the Group incurred material costs relating to M&A activity, reflecting two proposed corporate transactions. These costs are presented as exceptional, since they are material in size, one-off in nature and would otherwise distort an understanding of our underlying cost base.

3. Exceptional items and adjustments (continued)

Restructuring costs

The Group commenced substantial corporate restructurings in 2016, encompassing cost optimisation and business model initiatives. These initiatives, whose costs include fees for external advisers 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.

4. Share of results of associates

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Share of results after taxation in associated undertakings	1.5	2.7

The above represents the Group's share of the results of Satellite 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. Profit before interest and tax

Profit before interest and tax has been arrived at after charging/(crediting):

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Net foreign exchange losses/(gains)	1.2	(0.1)
Gain on disposal of property, plant and equipment and investment properties	(4.7)	(0.1)
Staff costs (note 6)	348.9	321.4
Depreciation of property, plant and equipment (note 13)	31.6	32.2
Amortisation of intangible assets (note 12)	55.0	110.0

Fees payable to Deloitte LLP and their associates are shown below:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Audit fees		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.3
The audit of the Company's subsidiaries, pursuant to legislation	0.2	0.2
	0.5	0.5
Non-audit fees		
Other assurance services	0.9	0.1
Tax advisory services	–	0.3
	0.9	0.4
Total fees payable to Deloitte LLP	1.4	0.9

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 year and are presented net of VAT and other sales taxes.

Notes to the Group financial statements (continued)

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6. Staff costs

The average monthly number of persons employed, including directors, during the period was 16,286 (52 weeks ended 29 December 2015: 15,747), all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia. Their aggregate remuneration comprised:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Wages and salaries	305.3	277.4
Social security costs	23.3	22.9
Share-based remuneration (inclusive of provisions for social security)	6.4	7.9
Other pension net costs (note 32)	13.9	13.2
	348.9	321.4
Remeasurement loss in defined benefit scheme (note 32)	17.8	14.9
Total staff costs	366.7	336.3

The £17.8m relating to remeasurement losses (52 weeks ended 29 December 2015: £14.9m) 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 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Interest on cash and cash equivalents	1.7	1.4
Investment income on redeemable convertible preference shares (note 3)	3.2	–
	4.9	1.4

8. Finance costs

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	47.6	39.7
Amortisation of finance costs	2.6	2.5
Interest payable	50.2	42.2
Interest on net pension scheme assets or liabilities (note 32)	(1.0)	(1.2)
	49.2	41.0

9. Tax on profit on ordinary activities

The tax charge/(credit) comprises:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Current tax:		
UK corporation tax	23.4	26.7
Overseas tax	17.2	14.5
Adjustment in respect of prior periods	(14.4)	(21.4)
Total current tax charge	26.2	19.8
Deferred tax:		
Origination and reversal of temporary differences	(2.8)	(15.3)
Impact from changes in statutory tax rates	(6.1)	(12.2)
Adjustment in respect of prior periods	(0.5)	2.5
Total deferred tax credit	(9.4)	(25.0)
Total tax on profit on ordinary activities	16.8	(5.2)

The effective tax rate in respect of adjusted results was 9.3% (52 weeks ended 29 December 2015: 13.6%). The effective tax rate in respect of total results was 9.3% (52 weeks ended 29 December 2015: minus 2.8%). The current period's charge was lower than the UK statutory rate of 20% mainly due to lower effective tax rates on overseas profits, adjustments in respect of prior periods and the deferred tax credit arising on the enacted fall in the rate of UK corporation tax.

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
Profit before tax	214.0	(32.7)	181.3	251.8	(67.1)	184.7
Tax on Group profit at standard UK corporation tax rate of 20% (2015: 20.25%)	42.8	(6.5)	36.3	51.0	(13.6)	37.4
Impact of changes in statutory tax rates	(6.1)	–	(6.1)	(12.2)	–	(12.2)
Different tax rates in overseas territories	(13.9)	–	(13.9)	(17.4)	(6.5)	(23.9)
Accrual of liabilities for uncertain tax positions	10.4	–	10.4	8.1	–	8.1
Tax on share of results of associates	(0.2)	–	(0.2)	(0.5)	–	(0.5)
Adjustment in respect of prior periods	(14.9)	–	(14.9)	0.5	(19.4)	(18.9)
Non-deductible expenditure	1.7	3.5	5.2	4.8	–	4.8
Total tax charge/(credit)	19.8	(3.0)	16.8	34.3	(39.5)	(5.2)

The reconciliation uses the UK statutory tax rate as the majority of the Group's profits are subject to tax in the UK.

Non-deductible expenditure includes exceptional costs that are non-revenue related and other non-deductible capital payments that have been charged to the Income Statement. 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 for the change in statutory tax rates reflects the enacted fall in the UK rate of corporation tax to 17% in 2020, from the previously enacted rate of 18%, and results from the fall in the deferred tax liability on the book value of UK LBO licences. The tax credit in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities.

The effective tax rate in 2017 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.

Notes to the Group financial statements (continued)

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10. Dividends proposed and paid

	52 weeks ended 27 December 2016 Per share	52 weeks ended 29 December 2015 Per share	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Equity shares:				
– current period interim dividend paid	4.1p	4.1p	35.6	36.2
– prior period final dividend paid	8.4p	8.2p	73.4	72.2
	12.5p	12.3p	109.0	108.4
Proposed final dividend	8.4p	8.4p	72.1	74.4

The proposed final dividend of 8.4p will, subject to shareholder approval, be paid on 8 June 2017 to all shareholders on the register on 28 April 2017. 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 858 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. Earnings per share

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

	52 weeks ended 27 December 2016			52 weeks ended 29 December 2015		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period (£m)	164.5	–	164.5	189.9	–	189.9
Adjusted profit after tax for the financial period (£m)	194.2	–	194.2	217.5	–	217.5
Weighted average number of shares (million)	871.8	3.0	874.8	880.9	4.3	885.2
Earnings per share (pence)	18.9	(0.1)	18.8	21.6	(0.1)	21.5
Earnings per share – adjusted (pence)	22.3	(0.1)	22.2	24.7	(0.1)	24.6

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

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 14.4 million in the 52 weeks ended 27 December 2016 (52 weeks ended 29 December 2015: 0.9 million).

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 30 December 2014	1,207.0	484.3	162.2	8.6	194.8	2,056.9
Additions	–	–	–	–	47.9	47.9
Effect of foreign exchange rates	(19.6)	–	(8.6)	(0.3)	(1.5)	(30.0)
At 29 December 2015	1,187.4	484.3	153.6	8.3	241.2	2,074.8
Additions via business combination (note 17)	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
Accumulated amortisation:						
At 30 December 2014	41.6	–	79.1	5.0	114.9	240.6
Charge for the period	–	–	68.3	2.3	39.4	110.0
Effect of foreign exchange rates	–	–	(7.0)	(0.2)	(0.9)	(8.1)
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
Net book value:						
At 27 December 2016	1,209.5	484.3	13.3	–	98.2	1,805.3
At 29 December 2015	1,145.8	484.3	13.2	1.2	87.8	1,732.3

The amortisation period for the Group's computer software is between three and five years.

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.

Acquired technology platforms include bookmaking-related software platforms and systems recognised at fair value in business combinations.

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.

(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. The Brand assets were fully amortised in the current period.

(iii) Grand Parade assets

In 2016, the Group acquired Grand Parade Limited (note 17). 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 105. The most recent test was conducted at 27 December 2016. 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.

Notes to the Group financial statements (continued)

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12. Intangible assets (continued)

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. These are high-level 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. These are estimated by management on the basis of typical debt and equity costs for listed gaming and betting companies, with samples chosen where applicable from comparable markets or territories as the CGU. 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, expected 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	9.0	2.6
Online	8.1	2.6
Stadia	9.0	2.6
US	12.4	3.0
Australia	12.1	2.6

No impairment was identified in any of the CGUs tested.

The Retail CGU is defined as the Retail segment, which we describe in note 2. The CGU holds goodwill of £680.7m and other intangibles with indefinite lives of £484.3m.

The Online CGU is defined as the Online segment, which we describe in note 2, and holds goodwill of £192.8m, including goodwill of £8.9m recognised from the acquisition of Grand Parade Limited (note 17).

The Stadia CGU is defined as the combined assets and operations of the two greyhound stadia operated by the business, which are included within the Other segment as described in note 2. Goodwill allocated to this CGU is £7.1m.

The US CGU is defined as the US segment, which we describe in note 2. Goodwill at the balance sheet date was valued at £24.4m.

The Australia CGU is defined as the Australia segment as described in note 2. This CGU includes goodwill of £304.5m at the balance sheet date.

Sensitivity of impairment reviews

For CGUs reviewed at 27 December 2016, no impairment would occur under any reasonably possible changes in assumptions upon which the recoverable amount was estimated.

13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 30 December 2014	386.5	120.5	507.0
Additions	11.8	6.6	18.4
Disposals	(8.2)	–	(8.2)
Effect of foreign exchange rates	–	(0.3)	(0.3)
At 29 December 2015	390.1	126.8	516.9
Additions via business combination (note 17)	–	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

Accumulated depreciation:			
At 30 December 2014	191.7	89.9	281.6
Charge for the period	24.3	7.9	32.2
Disposals	(7.1)	(0.1)	(7.2)
Effect of foreign exchange rates	–	(0.3)	(0.3)
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

Net book value:			
At 27 December 2016	169.5	43.0	212.5
At 29 December 2015	181.2	29.4	210.6

The net book value of land and buildings comprises:

	27 December 2016 £m	29 December 2015 £m
Freehold	33.7	36.0
Long leasehold improvements	8.6	9.2
Short leasehold improvements	127.2	136.0
	169.5	181.2

Of the total net book value of land and buildings, £3.8m (29 December 2015: £4.1m) 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 £4.9m, representing freehold land (29 December 2015: £5.0m).

There are no assets within property, plant and equipment held under finance leases at 27 December 2016 or 29 December 2015.

At 27 December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.4m (29 December 2015: £7.8m).

Notes to the Group financial statements (continued)

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14. Subsidiaries

The principal subsidiaries of the Company, their country of incorporation, the ownership of their share capital and the nature of their trade are listed below:

	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
Directly owned:			
William Hill Holdings Limited	Great Britain	100%	Holding company
Held through intermediate companies:			
William Hill Investments Limited	Great Britain	100%	Holding company
Will Hill Limited	Great Britain	100%	Holding company
William Hill Organization Limited	Great Britain	100%	Retail betting and gaming machines
Willstan Limited	Northern Ireland	100%	Retail betting and gaming machines
B.J.O'Connor (Jersey) Limited	Jersey	100%	Retail betting and gaming machines
Willstan (IOM) Limited	Isle Of Man	100%	Retail betting and gaming machines
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
American Wagering, Inc.	USA	100%	Holding company
William Hill Nevada I	USA	100%	Retail and mobile betting
Brandywine Bookmaking, LLC	USA	100%	Retail betting
William Hill Nevada II	USA	100%	Retail betting
Computerized Bookmaking Systems, Inc.	USA	100%	Bookmaking software sales
William Hill Australia Trading Pty Limited	Australia	100%	Online and telephone betting
066 441 067 Pty Limited	Australia	100%	Online and telephone betting
Tom Waterhouse NT Pty Limited	Australia	100%	Online and telephone betting
WHG Trading Limited	Gibraltar	100%	Online betting and gaming
WHG (International) Limited	Gibraltar	100%	Online betting and gaming
WHG Spain PLC	Gibraltar	100%	Online betting and gaming
William Hill (Malta) Limited	Malta	100%	Online betting and gaming
WHG Services (Bulgaria) Limited EOOD	Bulgaria	100%	Customer services
Cellpoint Investments Limited	Cyprus	100%	Holding company
Grand Parade Limited	Great Britain	100%	Software development
Grand Parade sp. z o.o	Poland	100%	Software development
Ad-gency Limited	Israel	100%	Marketing services

The other subsidiaries and associates of the Company, all held through intermediate companies, their country of incorporation and the ownership of their share capital are listed below. The percentage holding represents the proportion of all classes of issued share capital owned by the Company. All these companies are either dormant, non-trading, associates or not considered to be a principal subsidiary within the Group:

Name of subsidiary	Country of incorporation	% holding	Name of subsidiary	Country of incorporation	% holding
A.J.Schofield Limited	Great Britain	100%	Bill Taylor of Huyton Limited	Great Britain	100%
Arena Racing Limited	Great Britain	100%	Bookhost Limited	Great Britain	100%
Arthur Roye (Turf Accountants) Limited	Great Britain	100%	Bradlow Limited	Great Britain	100%
Arthur Wilson Limited	Great Britain	100%	Brooke Bookmakers Limited	Great Britain	100%
AWI Gaming, Inc.	USA	100%	BW Sub Co.	USA	100%
AWI Manufacturing, Inc.	USA	100%	Camec (Provincial) Limited	Great Britain	100%
B.B.O'Connor (Lottery) Limited	Jersey	100%	Camec (Scotland) Limited	Great Britain	100%
B.J.O'Connor Holdings Limited	Jersey	100%	Camec (Southern) Limited	Great Britain	100%
Baseflame Limited	Great Britain	100%	Camec (Western) Limited	Great Britain	100%
142 876 079 Pty Limited	Australia	100%	Camec Limited	Great Britain	100%
Betwilliamhill.com Limited	Antigua and Barbuda	100%	William Hill Australia Wagering Pty Limited	Australia	100%

14. Subsidiaries (continued)

Name of subsidiary	Country of incorporation	% holding	Name of subsidiary	Country of incorporation	% holding
Century Enterprises Limited	Great Britain	100%	Selwyn Demmy (Racing) Limited	Great Britain	100%
City Tote Limited	Great Britain	100%	Sherman Racing (Western) Limited	Great Britain	100%
Clevely House Limited	Guernsey	100%	Sportingbet Australia Finance LLP	Great Britain	100%
Concession Bookmakers Limited	Great Britain	100%	Sportingbet Australia Holdings Pty Limited	Australia	100%
Daniel McLaren Limited	Great Britain	100%	149 603 494 Pty Limited	Australia	100%
Dawcar Limited	Great Britain	100%	Sportingbet Intragroup Financing (Guernsey) Limited	Guernsey	100%
Deluxe Online Limited	Great Britain	100%	083 513 811 Pty Limited	Australia	100%
Demmy Investments Limited	Great Britain	100%	Spread your Wings Spain PLC	Malta	100%
Deviceguide Limited	Great Britain	100%	St James Place Limited	Guernsey	100%
Dilea Secretarial Limited	Cyprus	100%	T H Jennings (Harlow Pools) Limited	Great Britain	100%
Douglas Tyler Limited	Great Britain	100%	The Sporting Club and Investment Company of Ireland Limited	Ireland	100%
Eclipse Bookmakers Limited	Great Britain	100%	Trackcycle Limited	Great Britain	100%
Evenmedia Limited	Great Britain	100%	Transdown Limited	Great Britain	100%
Eventip Limited	Great Britain	100%	Vickers Bookmakers Limited	Great Britain	100%
Fred Parkinson Management Limited	Great Britain	100%	Vynplex Limited	Great Britain	100%
103 962 527 Pty Limited	Australia	100%	WHG Customer Services Philippines, Inc.	Philippines	100%
Gearnnet Limited	Great Britain	100%	WHG IP Licensing Limited	Gibraltar	100%
Goodfigure Limited	Great Britain	100%	WHG Italia S.R.L.	Italy	100%
Groatbray Limited	Great Britain	100%	WHG Online Marketing Spain S.A.	Spain	100%
Gus Carter (Cash) Limited	Great Britain	100%	WHG Services (Philippines) Ltd	Gibraltar	100%
Gus Carter Limited	Great Britain	100%	WHG Services Estonia OU	Estonia	100%
Ivy Lodge Limited	Guernsey	100%	WHG Services Limited	Great Britain	100%
Ixora Company Limited	Antigua and Barbuda	100%	WHG-IP Partnership	Gibraltar	100%
James Lane (Bookmaker) Limited	Great Britain	100%	William Hill (Alba) Limited	Great Britain	100%
James Lane Group Limited	Great Britain	100%	William Hill (Alderney) Limited	Great Britain	100%
James Lane (Turf Accountants) Limited	Great Britain	100%	William Hill (Bookmakers) Limited	Great Britain	100%
John Parry (Turf Accountants) Limited	Great Britain	100%	William Hill (Caledonian) Limited	Great Britain	100%
L.A. Attreed Limited	Great Britain	100%	William Hill (Course) Limited	Great Britain	100%
Laystall Limited	Great Britain	100%	William Hill DFSB Inc.	USA	100%
Les Rosiers Limited	Guernsey	100%	William Hill (Edgeware Road) Limited	Great Britain	100%
Matsbest Limited	Great Britain	100%	William Hill (Effects) Limited	Great Britain	100%
Matsdom Limited	Great Britain	100%	William Hill (Essex) Limited	Great Britain	100%
Matsgood Limited	Great Britain	100%	William Hill (Football) Limited	Great Britain	100%
Nalim Limited	Great Britain	100%	William Hill (Goods) Limited	Great Britain	100%
Ogier Employee Benefit Trustee Limited (As Trustee of the William Hill Holdings 2001 Employee Benefit Trust)	Jersey	100%	William Hill (Grampian) Limited	Great Britain	100%
Pandashield Limited	Great Britain	100%	William Hill (IOM) No.3 Limited	Isle of Man	100%
Pat Whelan (Turf Accountant) Limited	Great Britain	100%	William Hill (London) Limited	Great Britain	100%
Phonethread Limited	Great Britain	100%	William Hill (Midlands) Limited	Great Britain	100%
Premier Bookmakers Limited	Great Britain	100%	William Hill (North Eastern) Limited	Great Britain	100%
Regency Bookmakers (Midlands) Limited	Great Britain	100%	William Hill (North Western) Limited	Great Britain	100%
Regionmodel Limited	Great Britain	100%	William Hill (Northern) Limited	Great Britain	100%
SB Services (NZ) Limited	New Zealand	100%	William Hill (Products) Limited	Great Britain	100%
SBA Services Pty Ltd	Australia	100%	William Hill (Resources) Limited	Great Britain	100%
			William Hill (Scotland) Limited	Great Britain	100%
			William Hill (Southern) Limited	Great Britain	100%
			William Hill (Stock) Limited	Great Britain	100%

Notes to the Group financial statements (continued)

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14. Subsidiaries (continued)

Name of subsidiary	Country of incorporation	% holding	Name of subsidiary	Country of incorporation	% holding
William Hill (Strathclyde) Limited	Great Britain	100%	William Hill Steeplechase Limited	Gibraltar	100%
William Hill (Supplies) Limited	Great Britain	100%	William Hill Trustee Limited	Great Britain	100%
William Hill (Wares) Limited	Great Britain	100%	William Hill US Holdco, Inc.	USA	100%
William Hill (Western) Limited	Great Britain	100%	William Hill Victoria LP	Australia	100%
William Hill Australia Holdings Pty Limited	Australia	100%	Willstan Properties Limited	Great Britain	100%
William Hill Australia Pty Limited	Australia	100%	Willstan Racing (Ireland) Limited	Ireland	100%
William Hill Bookmakers (Ireland) Limited	Ireland	100%	Willstan Racing Holdings Limited	Great Britain	100%
William Hill Call Centre Limited	Ireland	100%	Willstan Racing Limited	Great Britain	100%
William Hill Credit Limited	Great Britain	100%	Windsors (Sporting Investments) Limited	Great Britain	100%
William Hill Employee Shares Trustee Limited	Great Britain	100%	Winning Post Racing Limited	Great Britain	100%
William Hill Finance Limited	Great Britain	100%	William Hill Internet Ventures Limited	Antigua and Barbuda	100%
William Hill Index (London) Limited	Great Britain	100%	Satellite Information Services (Holdings) Limited	Great Britain	19.5%
William Hill International Limited	Antigua and Barbuda	100%	NeoGames S.a.r.l	Luxembourg	30.9%
William Hill Italia S.R.L	Italy	100%	49s Limited	Great Britain	33%
William Hill Leisure Limited	Great Britain	100%	The William Hill Foundation	Great Britain	100%
William Hill Offshore Limited	Ireland	100%	Lucky Choice Limited	Great Britain	33%

The proportion of voting rights held is the same as the proportion of shares held.

The registered addresses of the key operating locations of the Group are as follows:

Australia: Level 30, 2 Park Street, Sydney NSW 2000, Australia

Gibraltar: 6/1 Waterport Place, Gibraltar

Great Britain: Greenside House, 50 Station Road, Wood Green, London, N22 7TP

USA: 6325 S. Rainbow Blvd, Suite 100, Las Vegas NV 89118, United States

The Group also has registered dormant, non-trading and other entities in other jurisdictions, the details of which are available on request from the Company Secretary.

15. Interests in associates

The Group holds interests in four associated undertakings at an aggregate value of £30.8m (29 December 2015: £33.6m).

The Group uses the equity method of accounting for associates and joint ventures. The following table shows the aggregate movement in the Group's interests in associates.

	£m
At 29 December 2015	33.6
Share of results before interest and taxation	2.0
Share of interest	–
Share of taxation	(0.9)
Dividend received	(3.9)
At 27 December 2016	30.8

SIS

At 27 December 2016, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (29 December 2015: 19.5%) of the ordinary share capital of Satellite Information Services (Holdings) Limited ('SIS'), a company incorporated in Great Britain. The Group is able to exert significant influence over SIS by way of its 19.5% holding and its seat on the Board of directors.

The SIS group of companies provides real time, pre-event information and results, as well as live coverage of horse racing, 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 2016 and management accounts thereafter.

15. Interests in associates (continued)

The following financial information relates to SIS as at and for the 52 weeks ended 27 December 2016:

	27 December 2016 £m	29 December 2015 £m
Total assets	145.6	155.2
Total liabilities	(59.2)	(64.4)
Total revenue	223.9	230.0
Total profit after tax	16.4	20.9

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 27 December 2016.

NeoGames is a leading iLottery software and service provider to lotteries worldwide, including in Europe and the USA. The results recognised are based on management accounts from acquisition date to 27 December 2016.

The following financial information relates to NeoGames as at and for the 52 weeks ended 27 December 2016:

	27 December 2016 £m	29 December 2015 £m
Total assets	9.9	13.9
Total liabilities	(20.6)	(16.5)
Total revenue	6.1	2.4
Total loss after tax	7.1	10.8

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

On 4 April 2016, the Group entered into a long-term commercial agreement with NYX Gaming Group Limited ('NYX') and invested £80.0m into redeemable convertible preference shares issued by NYX. Although the £80.0m investment has been made into preference shares by legal form, in substance these are akin to convertible notes and have therefore been accounted for as such ('Convertible Notes').

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

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

Convertible Notes

These are convertible into NYX ordinary shares or redeemable in cash, with an implied interest coupon of 6% payable in kind at the term of ten years. This investment, along with £1.7m of associated transaction costs, is judged to be a loan with an embedded derivative which has been accounted for separately.

Convertible element

The convertible element, which is categorised as fair value through profit or loss, was recognised at an initial fair value of £44.1m within non-current derivative financial instruments. The valuation was performed using a Black-Scholes Monte Carlo model framework and this will be re-performed at future reporting dates, with movements recognised in the Consolidated Income Statement. The fair value at 27 December 2016 was £34.5m, leading to a loss in the period of £9.6m recognised as an adjustment, as defined by note 3, within operating expenses.

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16. Investments (continued)

Loan element

The loan element, which is categorised as a loans and receivables financial asset, was accounted for at an initial value of £37.5m within loans receivable in non-current assets. This represents the remaining transaction price paid, including transaction costs, after deducting the fair value of the convertible element. This will be accounted for on an amortised cost basis at an effective interest rate of 13.6%. The interest accrued in the period was £3.2m which has been classified as investment income in the Consolidated Income Statement as an adjustment, as defined by note 3. The carrying amount of the loan at 27 December 2016 was £40.7m and the directors consider this to approximate its fair value.

Ordinary shares

The ordinary shares are held as an available-for-sale financial asset and therefore they are revalued to fair value at each period end with any movements recognised in other comprehensive income. At 27 December 2016 the ordinary shares investment was reflected in the accounts as an asset of £5.3m, based on a share price of CAD \$1.29 per share, within investments. This led to a loss for the period of £4.4m.

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 Consolidated Income Statement. At 27 December 2016 the warrants were valued at £0.3m and held within non-current derivative financial instruments. This led to a loss in the period of £0.3m recognised as an adjustment, as defined by note 3, within operating expenses.

Loan

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

A summary of the carrying value of the financial assets acquired within the investment in NYX, separated by category (as defined by IAS 39) and by caption on the Consolidated Statement of Financial Position is analysed as follows (this is an extract of the table of the financial instruments across the Group shown in note 24):

	27 December 2016 £m
Fair Value through the Income Statement	
Non-current derivative financial instruments (Convertible element of Convertible Notes)	34.5
Non-current derivative financial instruments (Warrants)	0.3
Total non-current derivative financial instruments	34.8
Loans and receivables	
Loans receivable (Loan element of Convertible Notes)	40.7
Loans receivable (Loan)	3.2
Total loans and receivables	43.9
Available-for-sale	
Investments (ordinary shares)	5.3
Total financial assets	84.0

In addition to the investment in ordinary shares in NYX, the Group also holds other investments in unquoted shares of £0.1m (29 December 2015: £0.1m).

17. Business combination

On 2 August 2016, the Group acquired 100% of Grand Parade Limited ('Grand Parade'), a betting and gaming digital solutions company for £13.6m in cash and shares, excluding £0.4m of associated transaction costs incurred.

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

Under the terms of the acquisition and as partial consideration, William Hill issued 495,048 new ordinary shares of 10p each to Grand Parade (the Consideration Shares). The shares rank pari passu with the existing ordinary shares of the Company.

Goodwill recognised on acquisition represents the value of the assembled workforce with specific knowledge and technical skills. It also represents the prospective future revenue growth prospects from having access to more development resource.

17. Business combination (continued)

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Acquired technology platforms	1.6
Brands and customer relationships	2.8
Property, plant and equipment	0.2
Cash at bank	0.1
Receivables	1.6
Payables	(0.8)
Deferred tax provisions	(0.8)
Total net assets acquired	4.7
Goodwill	8.9
Total consideration	13.6

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Cash consideration paid	12.1
Net cash acquired	(0.1)
Net acquisition cash flows	12.0

The fair value of the trade and other receivables comprised contractually receivable sums of £1.6m.

The acquired operations have been included within the Corporate operating segment, consistent with the central IT costs of the Group. Their contribution to the period's result was revenues of £2.2m, classified as other operating income, and a £0.8m loss before tax. Had they been acquired on 30 December 2015, they would have contributed £6.7m of revenue and £0.5m of loss before tax during the 52 weeks to 27 December 2016.

18. Inventories

	27 December 2016 £m	29 December 2015 £m
Raw materials, consumables and bar stocks	–	0.1

19. Other current assets

Trade and other receivables

Trade and other receivables comprise:

	27 December 2016 £m	29 December 2015 £m
Trade receivables	20.4	5.3
Other receivables	10.8	9.8
Prepayments	41.5	41.1
	72.7	56.2

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 £4.2m as at 27 December 2016 (29 December 2015: £4.3m).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the Group financial statements (continued)

19. Other current assets (continued)

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. In total the Group has £215.5m in cash and cash equivalents (29 December 2015: £282.1m). The carrying amount of these assets approximates their fair value.

Cash and cash equivalents include:

	27 December 2016 £m	29 December 2015 £m
Cash and cash equivalents total	215.5	282.1
Less:		
Client funds held in Online ¹	(72.2)	(66.7)
Client funds held in Australia ¹	(17.3)	(14.4)
Restricted funds held in US ²	(12.2)	(8.7)
Restricted deposits in respect of Spanish and Italian regulatory requirements	(2.8)	(2.1)
Cash (excluding customer balances and restricted cash) ³	111.0	190.2

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 27 December 2016. These assets are presented within current assets. The properties were also classified as held for sale at 29 December 2015 along with another which was sold during the period for £0.8m.

The properties are held at a fair value of £3.5m (29 December 2015: £4.4m), based upon estimates of current market prices advised by independent estate agents at 27 December 2016. Fair value movements during the period of £0.1m have been charged to profit (52 weeks ended 29 December 2015: £0.3m).

During the period, rental income on these properties amounted to £0.1m (52 weeks ending 29 December 2015: £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:

	27 December 2016 £m	29 December 2015 £m
Trade payables	129.6	107.8
Other payables	7.3	7.1
Taxation and social security	98.2	94.7
Accruals and provisions	135.3	116.2
	370.4	325.8

The average credit period taken for trade purchases is 13 days (period ended 29 December 2015: nine days).

The directors consider that the carrying amount of trade payables approximates their fair value.

Included in trade payables is an amount of £94.6m (29 December 2015: £84.6m) 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 £4.9m (29 December 2015: £8.3m) in respect of vacant property, being LBOs that have ceased to trade.

22. Borrowings

	27 December 2016 £m	29 December 2015 £m
Borrowings at amortised cost		
Bank loans	–	–
Less: expenses relating to bank loans	(2.1)	(3.0)
£300m 7.125% Guaranteed Notes due 2016	–	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	–	(0.3)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	–	(0.6)
£375m 4.25% Guaranteed Notes due 2020	375.0	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	(2.0)	(2.5)
£350m 4.875% Guaranteed Notes due 2023	350.0	–
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	(2.3)	–
Total Borrowings	718.6	668.6
Less: amount shown as due for settlement in 12 months	–	(299.1)
Amount shown as due for settlement after 12 months	718.6	369.5
The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	–	300.0
In the second year	–	–
In the third to fifth years inclusive	375.0	375.0
After more than five years	350.0	–
	725.0	675.0

Bank facilities

At 27 December 2016, 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 (29 December 2015: £nil).
2. An overdraft facility of £5m, of which £nil was drawn down at the period-end (29 December 2015: £nil).

£540m Revolving Credit Facility

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

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the loan agreement (see note 23 for more information on this). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

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

Overdraft facility

At 27 December 2016, the Group had an overdraft facility with National Westminster Bank plc of £5m (29 December 2015: £5m). The balance on this facility at 27 December 2016 was £nil (29 December 2015: £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 Consolidated Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

Notes to the Group financial statements (continued)

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22. Borrowings (continued)

Weighted average interest rates

The weighted average interest rates paid, including commitment fees, were as follows:

	52 weeks ended 27 December 2016 %	52 weeks ended 29 December 2015 %
2023 bond	4.9%	–
2020 bond	4.3%	4.3%
2016 bond	7.1%	7.1%
Bank loans	n/a	3.9%

The weighted average interest rate paid for the bank loans has only been calculated over the portion of the year where a bank facility was utilised. 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 £389.6m (29 December 2015: £382.2m).

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 £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 40. 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
27 December 2016					
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 ¹	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
29 December 2015					
2020 bond including interest	15.9	15.9	413.7	–	445.5
2016 bond including interest	318.4	–	–	–	318.4
Bank loans including interest ¹	2.7	2.7	3.8	–	9.2
Other financial liabilities	247.9	–	–	–	247.9
Total	584.9	18.6	417.5	–	1,021.0

¹ Bank loan interest includes commitment fees payable on the undrawn portion of the RCF.

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:

	27 December 2016 £m	29 December 2015 £m
Nominal value of bank loans	–	–
Nominal value of corporate bonds	725.0	675.0
Counter indemnity obligations under bank guarantees	4.1	3.4
Cash (excluding customer balances and other restricted cash) (note 19)	(111.0)	(190.2)
Net debt for covenant purposes	618.1	488.2
EBITDA for covenant purposes (see table below)	347.8	372.1
Net debt to EBITDA ratio	1.8	1.3

EBITDA for covenant purposes is adjusted profit before depreciation, amortisation, interest, tax and share-based payments and is calculated as follows:

	27 December 2016 £m	29 December 2015 £m
Adjusted profit before interest and tax	261.5	291.4
Depreciation	31.6	32.2
Amortisation of intangible assets	48.6	41.3
Share-based payments	6.1	7.2
EBITDA for covenant purposes	347.8	372.1

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 27 December 2016, the Group had no derivative contracts for currency hedging purposes.

During the period, the Group entered into a long-term commercial agreement with NYX Gaming Group Limited ('NYX') and invested £80.0m into redeemable convertible preference shares issued by NYX (note 16). These are convertible into ordinary shares or redeemable in cash with an implied interest coupon of 6% payable in kind at the term of ten years. The directors have assessed that there is not a material credit risk with NYX being unable to settle the cash at the end of the term.

Notes to the Group financial statements (continued)

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23. Financial risk management (continued)

Interest rate risk

Interest rate risk arises primarily 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 27 December 2016, all of the Group's borrowings were at fixed rates.

Based on the current level of borrowings, 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	2.3	(1.7)
Increase/(decrease) in equity reserves	2.3	(1.7)

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 27 December 2016 %	52 weeks ended 29 December 2015 %
Sterling	82.3	84.5
Australian dollar	7.2	6.2
Euro	5.7	5.2
US dollar	3.8	3.2
Other currencies	1.0	0.9
Total	100.0	100.0

Pensions risk

The Group operates defined benefit and defined contribution pension schemes for its employees. Pensions risk arises in respect of the defined benefit scheme where the cost of funding retirement benefits ultimately falls upon the Group. The last triennial actuarial valuation as at 30 September 2013 showed a funding deficit on the defined benefit scheme of £47.4m. The Group has agreed to make deficit repair contributions of £9.4m per annum until May 2019. In addition it contributes £1.9m per annum towards the cost of insured death benefits and other administrative expenses of running the scheme. An updated triennial actuarial valuation as at 30 September 2016 is currently being undertaken.

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.

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:

	27 December 2016 £m	29 December 2015 £m
Fair Value through the Income Statement		
Held for trading (forward currency contracts)	–	0.1
Non-current derivative financial instruments (note 16)	34.8	–
Loans and receivables		
Cash and cash equivalents (note 19)	215.5	282.1
Trade and other receivables	31.2	15.1
Loans receivable (note 16)	43.9	–
Available for sale		
Investments (note 16)	5.4	–
Total financial assets	330.8	297.3
Non-financial assets	2,111.9	2,049.4
Total assets	2,442.7	2,346.7
Fair Value through the Income Statement		
Held for trading (ante post bets)	(14.0)	(13.8)
Liabilities at amortised cost		
Borrowings (note 22)	(718.6)	(668.6)
Trade and other payables	(260.8)	(234.1)
Total financial liabilities	(993.4)	(916.5)
Non-financial liabilities	(223.8)	(214.4)
Total liabilities	(1,217.2)	(1,130.9)
Net assets	1,225.5	1,215.8

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:

	27 December 2016				29 December 2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets/(liabilities) held at fair value								
NYX – ordinary shares (note 16)	5.3	–	–	5.3	–	–	–	–
NYX – Convertible element of Convertible Notes (note 16)	–	–	34.5	34.5	–	–	–	–
NYX – Warrants (note 16)	–	–	0.3	0.3	–	–	–	–
Ante post bet liabilities	–	–	(14.0)	(14.0)	–	–	(13.8)	(13.8)
Forward currency contracts	–	–	–	–	–	0.1	–	0.1
Total	5.3	–	20.8	26.1	–	0.1	(13.8)	(13.7)

Notes to the Group financial statements (continued)

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24. Financial instruments (continued)

Ordinary shares

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

Convertible element of Convertible Notes

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

	27 December 2016
Share price	CAD \$1.29
Expected dividend yield	0.0%
Risk free interest rate	2.0%
Expected volatility	87.3%

A sensitivity analysis has been performed on the key unobserved inputs in the model as illustrated in the table that follows.

The illustrations consider the single change shown, with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case).

Assumption	Changes in assumption	Impact on fair value
Expected dividend yield	Increase by 1%	Decrease of £3.6m
Expected volatility	Increase by 1%	Increase of £0.2m
Default intensity	Increase by 1.3%	Increase of £0.1m

Warrants

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

	27 December 2016
Share price	CAD \$1.29
Exercise price	CAD \$3.50
Expected dividend yield	0.0%
Risk free interest rate	2.0%
Expected volatility	87.3%
Time to expiration	844 days

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

Ante post bet 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.

Forward currency contracts

Forward currency contracts were classified as level 2 in the hierarchy, as their value was determined using inputs that were observable, either directly or indirectly. Changes in their fair value were recorded in the Income Statement, except in cases where the hedging arrangement qualifies for hedge accounting. As at 27 December 2016, the Group had no forward contracts outstanding.

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 30 December 2015	–	–	(13.8)
Purchases (note 16)	44.1	0.6	–
Total gains or losses:			
in profit or loss	(9.6)	(0.3)	(0.1)
in other comprehensive income	–	–	–
Net settlements	–	–	(0.1)
Transfers out of level 3	–	–	–
At 27 December 2016	34.5	0.3	(14.0)

25. Derivative financial instruments

Details of the Group's derivative financial instruments are given below.

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 £14.0m (29 December 2015: £13.8m) and are classified as current liabilities.

Forward contracts

The Group held no forward currency contracts at period end (29 December 2015: asset of £0.1m).

NYX investment

Convertible element of Convertible Notes

On 4 April 2016, the Group invested £80.0m into redeemable convertible preference shares issued by NYX (note 16). Although the £80.0m investment has been made into preference shares by legal form, in substance these are akin to convertible notes and have therefore been accounted as a loan with an embedded derivative which has been accounted for separately.

The embedded derivative ('Convertible element of Convertible Notes') was recognised at an initial fair value at acquisition of £44.1m. At 27 December 2016, this has been revalued using a Black-Scholes Monte Carlo model framework in accordance with the Group's accounting policy for derivative financial instruments with a fair value of £34.5m, which is classified as a non-current asset.

Warrants

On 20 April 2016, an investment of CAD \$18.8m (£10.3m) was made into ordinary equity of NYX (note 16). This investment included the purchase of 1.7m warrants, which were valued at £0.6m at acquisition. The warrants each entitle the acquisition of one ordinary share at a price of CAD \$3.50 for a period of three years. In accordance with the Group's accounting policy for derivative financial instruments, the warrants have been revalued to fair value of £0.3m at 27 December 2016 and are classified as non-current assets.

26. Deferred tax

The following are the deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current period:

	At 29 December 2015 £m	Acquired in business combinations £m	Amount charged to reserves £m	Amount credited/ (charged) to income £m	Amount credited to Other Comprehensive Income £m	At 27 December 2016 £m
Fixed asset timing differences	(4.0)	–	–	14	–	(2.6)
Held over gains	(2.8)	–	–	1.6	–	(1.2)
Retirement benefit obligations	(4.1)	–	–	(0.9)	2.3	(2.7)
Licences and other intangibles	(87.3)	(0.8)	–	6.1	–	(82.0)
Other timing differences	0.8	–	–	0.5	–	1.3
Share remuneration	3.4	–	(2.6)	(0.3)	–	0.5
Tax losses	–	–	–	1.0	–	1.0
	(94.0)	(0.8)	(2.6)	94	2.3	(85.7)

The enacted future rate of UK corporation tax of 17% (52 weeks ended 29 December 2015: 18%), the Gibraltar statutory income tax rate of 10% (52 weeks ended 29 December 2015: 10%) and the Australian corporation tax rate of 30% (52 weeks ended 29 December 2015: 30%) have been used to calculate the amount of deferred tax. The 17% future rate of UK corporation tax was enacted in September 2016.

The Group has recognised £2.8m of deferred tax assets, including £1.0m 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 following is the analysis of the deferred tax balances for financial reporting purposes:

	27 December 2016 £m	29 December 2015 £m
Deferred tax liabilities	(88.5)	(98.2)
Deferred tax assets	2.8	4.2
	(85.7)	(94.0)

Notes to the Group financial statements (continued)

27. Called-up share capital

	27 December 2016		29 December 2015	
	Number of shares	£m	Number of shares	£m
Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:				
At start of period	884,309,807	88.4	876,907,386	87.7
Shares issued	2,942,077	0.3	7,402,421	0.7
At end of period	887,251,884	88.7	884,309,807	88.4

The Company has one class of ordinary shares, which carry no right to fixed income.

28. Own shares

	£m
At 30 December 2015	(4.1)
Purchase and issue of own shares	(95.0)
Transfer of own shares to recipients	0.6
At 27 December 2016	(98.5)

Own shares held comprise:

	27 December 2016			29 December 2015		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust (EBT)	1,065,915	0.1	3.5	1,089,463	0.1	4.1
Treasury shares	29,573,675	3.0	95.0	–	–	–
	30,639,590	3.1	98.5	1,089,463	0.1	4.1

The shares held either in treasury or in the William Hill Holdings EBT were purchased at a weighted average price of £3.22 (29 December 2015: £3.79).

Further to the shareholders' resolutions of the Company passed at the Annual General Meetings held on 7 May 2015 and 11 May 2016, the Group purchased 29,573,675 shares with a nominal value of £3.0m, representing 3.3% of the Company's called-up share capital, for a consideration of £95.0m. Transaction costs of £0.4m were incurred on the purchases. The reason for the purchase was to reduce surplus cash balances and return cash to shareholders. The shares are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 11 May 2016, to purchase up to a maximum of 88,456,984 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 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 Annual General Meeting of the Company or on 30 June 2017.

29. Notes to the cash flow statement

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Profit before interest and tax	225.6	224.3
Adjustments for:		
Share of results of associates	(1.5)	(2.7)
Depreciation of property, plant and equipment	31.6	32.2
Amortisation of intangibles	55.0	110.0
Gain on disposal of property, plant and equipment	(4.7)	(0.1)
Gains on early settlement of vacant property leases	(0.4)	(1.8)
Cost charged in respect of share remuneration	6.1	7.2
Defined benefit pension cost less cash contributions	(9.3)	(9.2)
Fair value movements on investment property	0.1	0.3
Fair value movements on ante post bet liabilities	(0.1)	2.8
Fair value movements on other derivative financial instruments	9.9	–
Operating cash flows before movements in working capital:	312.3	363.0
(Increase)/decrease in receivables	(13.7)	0.6
Increase in payables	37.0	16.7
Cash generated by operations	335.6	380.3
Income taxes paid	(24.6)	(39.4)
Interest paid	(45.1)	(40.0)
Net cash from operating activities	265.9	300.9

30. Operating lease arrangements

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Minimum lease payments under operating leases recognised as an expense in the period:		
plant and machinery	0.7	0.8
other (including land and buildings)	64.0	62.2
	64.7	63.0

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:

	27 December 2016 £m	29 December 2015 £m
Within one year	55.6	53.4
In the second to fifth years inclusive	175.2	174.4
After five years	177.8	190.0
	408.6	417.8

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), William Hill Online Long Term Incentive Plan (William Hill Online LTIP), Executive Bonus Matching Scheme (EBMS), Restricted Share Plan (RSP) and Retention Awards (RA), encompassing awards made in the years from 2013 to 2016; and
- Save As You Earn (SAYE) share option schemes encompassing grants made in the years from 2011 to 2016.

Details of these schemes are provided on pages 68 to 89 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 27 December 2016 £m	52 weeks ended 29 December 2015 £m
PSP, William Hill Online LTIP, EBMS, RSP and RA	4.6	5.8
SAYE schemes	1.5	14
	6.1	72

PSP, William Hill Online LTIP, 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 William Hill Online LTIP provided conditional awards that were dependent on adjusted operating profit achieved in Online; this plan has now been closed. The RSP and RA are deferred grants of shares contingent upon continued employment.

The PSP, EBMS, RSP, RA and William Hill Online LTIP are conditional awards of shares and the recipients do not have to pay an exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £3.72 (52 weeks ended 29 December 2015: £3.78). The awards outstanding at 27 December 2016 had a remaining weighted average contractual life of 5.2 years (29 December 2015: 4.5 years).

Options under these schemes are as follows:

	27 December 2016 Number	29 December 2015 Number
Outstanding at beginning of the period	9,035,534	11,460,160
Granted during the period	3,416,021	4,683,068
Forfeited during the period	(3,098,969)	(2,022,416)
Exercised during the period	(1,671,875)	(5,085,278)
Outstanding at the end of the period	7,680,711	9,035,534
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 2011, 2012, 2013, 2014, 2015 and 2016 SAYE schemes were £1.40, £1.65, £3.12, £2.73, £3.03 and £2.64 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £3.28 (52 weeks ended 29 December 2015: £3.87). The options outstanding at 27 December 2016 had a remaining weighted average contractual life of 2.1 years (29 December 2015: 2.4 years).

31. Share-based payments (continued)

Options under these schemes are as follows:

	27 December 2016		29 December 2015	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	7,959,040	2.79	8,681,272	2.38
Granted during the period	4,001,813	2.64	3,089,078	3.03
Forfeited during the period	(2,761,904)	2.86	(1,436,713)	2.69
Exercised during the period	(707,154)	2.09	(2,374,597)	1.65
Outstanding at the end of the period	8,491,795	2.76	7,959,040	2.79
Exercisable at the end of the period	701,801	3.02	175,667	1.64

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, William Hill Online LTIP, RA	
	27 December 2016	29 December 2015	27 December 2016	29 December 2015
Weighted average share price at date of grant	£3.30	£3.67	£3.13	£3.77
Weighted average exercise price	£2.64	£3.03	£nil	£nil
Expected volatility	25%	25%	25%	25%
Expected life	3-5 years	2-5 years	1-4 years	2-4 years
Risk free interest rate	0.5%	0.9%	0.5%	0.9%
Expected dividend yield	3.5%	3.5%	3.5%	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 27 December 2016 (52 weeks ended 29 December 2015: 25%).

The weighted average fair value of the awards granted under the PSP, EBMS, William Hill Online LTIP, RSP and RA schemes at the date of grant was £3.13 per option (29 December 2015: £3.64). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.69 per option (52 weeks ended 29 December 2015: £0.76).

Notes to the Group financial statements (continued)

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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 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Defined contribution schemes (charged to profit before interest and tax)	11.9	11.1
Defined benefit scheme (charged to profit before interest and tax)	2.0	2.1
Defined benefit scheme (credited to finance costs)	(1.0)	(1.2)
Defined benefit scheme (charged to other comprehensive income)	17.8	14.9
	30.7	26.9

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 27 December 2016, contributions of £1.1m (29 December 2015: £0.1m) 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 2013 and updated to 27 December 2016 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 expects to make deficit repair contributions of £9.4m to the scheme during 2017 plus a £1.9m contribution towards the cost of life assurance and costs of running the scheme. An updated triennial actuarial valuation is currently underway.

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 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). Since these approaches differ, it is possible for the IAS 19 basis to reflect a surplus despite the funding valuation presenting a deficit, with corresponding deficit repair contributions.

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. We have also concluded, given that advice, that the proposed changes to IFRIC 14 would not have any effect upon our accounting treatment.

Disclosure of principal assumptions

The financial assumptions used by the actuary in determining the present value of the defined benefit scheme's liabilities were:

	27 December 2016	29 December 2015
Rate of increase of salaries	3.30%	3.10%
Rate of increase of pensions in payment	3.10%	3.10%
Rate of increase for deferred benefits	2.30%	2.10%
Discount rate	2.70%	3.80%
Rate of RPI inflation	3.30%	3.10%
Rate of CPI inflation	2.30%	2.10%

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:

	27 December 2016 years	29 December 2015 years
Life expectancy at age 65		
Male retiring now	22.5	22.4
Male retiring in 25 years' time	24.7	24.6
Female retiring now	25.3	25.2
Female retiring in 25 years' time	27.6	27.5

The assets in the scheme are set out in the table below. Assets with quoted prices in an active market are identified separately.

	27 December 2016 £m	29 December 2015 £m
Equities (quoted)	37.5	27.5
Corporate bonds (quoted)	103.1	97.3
Property (unquoted)	5.0	7.1
Gilts and cash (quoted)	280.5	201.4
Gilts and cash (unquoted)	4.4	32.2
Total market value of assets	430.5	365.5
Present value of scheme liabilities	(415.0)	(342.5)
Surplus in scheme	15.5	23.0

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 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Current service cost	1.0	1.1
Administration expenses	1.0	1.0
Total operating charge	2.0	2.1

Analysis of the amounts recognised in the Consolidated Statement of Comprehensive Income:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Actual return less expected return on pension scheme assets	(56.7)	13.0
Actuarial loss arising from changes in financial assumptions	74.5	1.9
Actuarial remeasurements	17.8	14.9

Notes to the Group financial statements (continued)

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32. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the current period were as follows:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
At beginning of period	342.5	340.5
Movement in period:		
Service cost	1.0	1.1
Interest cost	12.8	12.7
Remeasurements – changes in financial assumptions	74.5	1.9
Benefits paid	(14.8)	(12.6)
Insurance premium for risk benefits	(1.0)	(1.1)
At end of period	415.0	342.5

Movements in the present value of fair value of scheme assets in the current period were as follows:

	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
At beginning of period	365.5	368.0
Movement in period:		
Interest income on assets	13.8	13.9
Remeasurements – return on plan assets (excluding interest income)	56.7	(13.0)
Contributions from the sponsoring companies	11.3	11.3
Administration expenses charged to profit before interest and tax	(1.0)	(1.0)
Benefits paid	(14.8)	(12.6)
Insurance premium for risk benefits	(1.0)	(1.1)
At end of period	430.5	365.5

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 £20.7m
Discount rate	Increase by 0.25% p.a.	Decrease of £19.3m
Rate of increase in inflation	Decrease by 0.25% p.a.	Decrease of £12.8m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £13.3m
Life expectancy	Members assumed to live one year longer	Increase of £14.0m

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 £430.5m and £415.0m respectively were held on the Group's Consolidated Statement of Financial Position at 27 December 2016 (29 December 2015: £365.5m and £342.5m 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 a deficit recovery plan with the Trustees aimed at eliminating the deficit over the period to 2019, as described in note 23.

The weighted average duration of the scheme's defined benefit obligation as at 27 December 2016 is 20 years (29 December 2015: 20 years).

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 £50.5m (52 weeks ended 29 December 2015: £49.9m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 27 December 2016, the amount receivable from Satellite Information Services Limited by the Group was £nil (29 December 2015: £nil).

The Group made no purchases from its associated undertaking, NeoGames. At 27 December 2016 and 29 December 2015, 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)

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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 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Short-term employee benefits (including salaries)	1.5	2.5
Post-employment benefits (employer's contribution)	0.2	0.2
Share-based payments (IFRS 2 charges)	0.2	0.2
	1.9	2.9

The disclosures above include c£26,000 received by directors in respect of dividends on the Company's ordinary shares (period to 29 December 2015: c£84,000).

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

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

The value and timing of possible obligations in this regard are subject to a high degree of uncertainty and cannot be reliably measured. Accordingly, no amounts are provided. There has been no material change to the degree of uncertainty in the period.

Parent Company Statement of Financial Position

as at 27 December 2016

	Notes	27 December 2016 £m	29 December 2015 £m
Non-current assets: Investments	4	38.2	38.2
Current assets: Trade and other receivables	5	3,194.7	3,059.3
Total assets		3,232.9	3,097.5
Current liabilities			
Trade and other payables	6	(708.6)	(547.9)
Borrowings	7	–	(299.1)
		(708.6)	(847.0)
Non-current liabilities: Borrowings	7	(718.6)	(369.5)
Total liabilities		(1,427.2)	(1,216.5)
Net assets		1,805.7	1,881.0
Equity			
Called-up share capital	8	88.7	88.4
Share premium account	9	689.3	686.6
Capital redemption reserve		6.8	6.8
Own shares held	10	(98.5)	(4.1)
Retained earnings		1,119.4	1,103.3
Total equity		1,805.7	1,881.0

The Parent Company financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 24 February 2017 and are signed on its behalf by:

P Bowcock
Director

Parent Company Statement of Changes in Equity

for the 52 weeks ended 27 December 2016

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 29 December 2015	88.4	686.6	6.8	(4.1)	1,103.3	1,881.0
Profit for the financial period	–	–	–	–	126.3	126.3
Total comprehensive income for the period	–	–	–	–	126.3	126.3
Purchase and issue of own shares (note 10)	–	–	–	(95.0)	(0.4)	(95.4)
Transfer of own shares to recipients (note 10)	–	–	–	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)
At 27 December 2016	88.7	689.3	6.8	(98.5)	1,119.4	1,805.7
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
At 31 December 2014	87.7	683.2	6.8	(1.1)	1,076.8	1,853.4
Profit for the financial period	–	–	–	–	135.4	135.4
Total comprehensive income for the period	–	–	–	–	135.4	135.4
Purchase and issue of own shares	–	–	–	(3.7)	0.7	(3.0)
Transfer of own shares to recipients	–	–	–	0.7	(0.7)	–
Other shares issued during the period	0.7	3.4	–	–	(0.5)	3.6
Dividends paid (note 3)	–	–	–	–	(108.4)	(108.4)
At 29 December 2015	88.4	686.6	6.8	(4.1)	1,103.3	1,881.0

Parent Company Statement of Accounting Policies

for the 52 weeks ended 27 December 2016

Significant accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, in the period ended 27 December 2016, the Company has changed its accounting framework from UK GAAP to FRS 101 during the period and has, in doing so, applied the requirements of IFRS 1.6.33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The prior year financial statements were re-presented for adoption of FRS 101 in the current year. There were no adjustments to Total Comprehensive Income or Equity on re-presentation. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. As the Company is a qualifying entity it has also applied the exemption from the requirement of IFRS 1 to present an opening Statement of Financial Position.

The principal accounting policies adopted are set out below.

Investments

Fixed 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 27 December 2016

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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 40 to 45, the Group and the Company are confident of their ability to continue to access sources of funding in the medium term. The Company issued £350m of corporate bonds in May 2016 the proceeds from which were used to redeem £300m of corporate bonds which matured in November 2016. The new bonds are due for redemption in 2023. 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 68 to 89 which are described as having been audited.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. William Hill PLC recorded a profit for the 52 weeks ended 27 December 2016 of £126.3m (52 weeks ended 29 December 2015: £135.4m).

The auditor's remuneration for audit and other services is disclosed in note 5 to the Group financial statements.

3. Dividends proposed and paid

	52 weeks ended 27 December 2016 Per share	52 weeks ended 29 December 2015 Per share	52 weeks ended 27 December 2016 £m	52 weeks ended 29 December 2015 £m
Equity shares:				
– current period interim dividend paid	4.1p	41p	35.6	36.2
– prior period final dividend paid	8.4p	8.2p	73.4	72.2
	12.5p	12.3p	109.0	108.4
Proposed final dividend	8.4p	8.4p	72.1	74.4

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 27 December 2016 and 29 December 2015	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

	27 December 2016 £m	29 December 2015 £m
Amounts owed by Group undertakings	3,194.7	3,054.7
Loans receivable	–	4.6
	3,194.7	3,059.3

6. Trade and other payables

	27 December 2016 £m	29 December 2015 £m
Amounts owed to Group undertakings	700.7	543.6
Accruals and deferred income	7.9	4.3
	708.6	547.9

Notes to the Parent Company financial statements (continued)

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7. Borrowings

	27 December 2016 £m	29 December 2015 £m
Borrowings at amortised cost		
Bank loans	–	–
Less: expenses relating to bank loans	(2.1)	(3.0)
£300m 7.125% Guaranteed Notes due 2016	–	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	–	(0.3)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	–	(0.6)
£375m 4.25% Guaranteed Notes due 2020	375.0	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	(2.0)	(2.5)
£350m 4.875% Guaranteed Notes due 2023	350.0	–
Less: expenses relating to £350m 4.875% Guaranteed Notes due 2023	(2.3)	–
Total Borrowings	718.6	668.6
Less: amount shown as due for settlement in 12 months	–	(299.1)
Amount shown as due for settlement after 12 months	718.6	369.5
The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	–	300.0
In the second year	–	–
In the third to fifth years inclusive	375.0	375.0
After more than five years	350.0	–
	725.0	675.0

Bank facilities

At 27 December 2016, 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 (29 December 2015: £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 balance sheet 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 balance sheet 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

	27 December 2016		29 December 2015	
	Number of shares	£m	Number of shares	£m
Called-up, authorised, allotted and fully paid – ordinary shares of 10p each:				
At start of period	884,309,807	88.4	876,907,386	87.7
Shares issued in the period	2,942,077	0.3	7402,421	0.7
At end of period	887,251,884	88.7	884,309,807	88.4

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)	757,341	Nil	Between 2018 and 2024
Performance Share Plan (2015)	920,430	Nil	Between 2019 and 2025
Performance Share Plan (2016)	2,174,635	Nil	Between 2020 and 2026
Executive Bonus Matching Scheme (2014)	46,512	Nil	May 2017
Executive Bonus Matching Scheme (2015)	2,187,544	Nil	March 2018
Executive Bonus Matching Scheme (2016)	181,407	Nil	March 2019
Retention awards	997,584	Nil	Between 2017 and 2020
Restricted Share Plans	415,258	Nil	Between 2017 and 2020
SAYE 2011	40,083	£1.40	Between 2014 and 2017
SAYE 2012	268,044	£1.65	Between 2015 and 2018
SAYE 2013	829,270	£3.12	Between 2015 and 2019
SAYE 2014	2,332,667	£2.73	Between 2016 and 2020
SAYE 2015	1,757,509	£3.03	Between 2017 and 2021
SAYE 2016	3,264,222	£2.64	Between 2019 and 2022

Note 31 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

9. Share premium

	27 December 2016 £m	29 December 2015 £m
At start of period	686.6	683.2
Shares issued in the period	2.7	3.4
At end of period	689.3	686.6

10. Own shares

	£m
At 30 December 2015	(4.1)
Purchase and issue of own shares	(95.0)
Transfer of own shares to recipients	0.6
At 27 December 2016	(98.5)

Notes to the Parent Company financial statements (continued)

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10. Own shares (continued)

Own shares held comprise:

	27 December 2016			29 December 2015		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings Employee Benefit Trust (EBT)	1,065,915	0.1	3.5	1,089,463	0.1	4.1
Treasury shares	29,573,675	3.0	95.0	–	–	–
	30,639,590	3.1	98.5	1,089,463	0.1	4.1

The shares held either in treasury or in the William Hill Holdings EBT were purchased at a weighted average price of £3.22 (29 December 2015: £3.79).

Further to the shareholders' resolutions of the Company passed at the Annual General Meetings held on 7 May 2015 and 11 May 2016, the Company purchased 29,573,675 shares with a nominal value of £3.0m, representing 3.3% of the Company's called-up share capital, for a consideration of £95.0m. Transaction costs of £0.4m were incurred on the purchases. The reason for the purchase was to reduce surplus cash balances and return cash to shareholders. The shares are all held in treasury with no shares cancelled in the period. The Company has the authority, under the shareholders' resolution passed on 11 May 2016, to purchase up to a maximum of 88,456,984 shares of the Company. The minimum price (exclusive of all expenses) which may be paid for an ordinary share is 10p (being the nominal value of the ordinary share). The maximum price (exclusive of all expenses) which may be paid for an ordinary share is an amount equal to the higher of:

- 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 Annual General Meeting of the Company or on 30 June 2017.

11. Financial commitments

The Company had no capital commitments at 27 December 2016 (29 December 2015: £nil).

The Company had no commitments under non-cancellable operating leases at 27 December 2016 (29 December 2015: £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

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Summarised results:					
Revenue	1,603.8	1,590.9	1,609.3	1,486.5	1,276.9
Profit before interest and tax	225.6	224.3	281.8	303.0	311.1
Profit before tax	181.3	184.7	233.9	257.0	277.7
Profit for the financial period	164.5	189.9	206.3	226.5	231.0
Summarised statements of financial position:					
Assets employed:					
Non-current assets	2,151.0	2,003.8	2,098.4	2,141.2	1,685.2
Current assets	291.7	342.9	282.2	272.7	190.0
Current liabilities	(410.1)	(663.2)	(369.8)	(328.6)	(273.3)
Non-current liabilities	(807.1)	(467.7)	(850.5)	(1,062.0)	(564.9)
Net assets	1,225.5	1,215.8	1,160.3	1,023.3	1,037.0
Financed by:					
Equity attributable to equity holders of the parent	1,225.5	1,215.8	1,160.3	1,023.3	1,022.4
Minority interest	–	–	–	–	14.6
Total equity	1,225.5	1,215.8	1,160.3	1,023.3	1,037.0
Key statistics:					
Adjusted operating profit ¹	261.5	291.4	372.2	335.0	330.6
Adjusted basic earnings per share ²	22.3p	24.7p	29.9p	28.8p	27.2p
Diluted earnings per share ²	18.8p	21.5p	23.4p	24.7p	24.7p
Dividends per share (paid) ³	12.5p	12.3p	11.9p	10.9p	9.4p
Share price – high	£4.16	£4.32	£4.12	£4.95	£3.58
Share price – low	£2.36	£3.12	£3.15	£3.39	£1.95

¹ Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the Group financial statements.

² Earnings per share in prior periods have been restated to reflect the rights issue in 2013 in accordance with IAS 33 Earnings Per Share. Adjusted measures are described in note 3 to the Group financial statements.

³ Dividends per share have been presented on a paid basis, except as restated in prior years to reflect the impact of the rights issue in 2013.

Abbreviations and glossary

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ABI

Association of British Insurers

Adjusted operating profit

Profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. 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

Company

William Hill PLC, the ultimate holding Company of the William Hill Group

CR

Corporate Responsibility

DCMS

Department for Culture, Media and 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)

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

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 Indicators

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

SIS

Satellite Information Services (Holdings) Limited or its subsidiary 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

William Hill Online

William Hill Online was a joint venture between William Hill and Playtech set up in 2008. Following the acquisition of Playtech's stake in April 2013, it is fully owned by the William Hill Group and is referred to as 'Online' in this Annual Report

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 45 and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

Basis of accounting

The Group financial statements have been prepared in accordance with IFRSs as issued by the IASB. 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, there have been no new IFRSs, amendments to IFRSs or IFRS Interpretations Committee (IFRIC) interpretations that have been adopted by the Group.

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:

IAS 1 (amended)	Presentation of Financial Statements
IFRS 2 (amended)	Classification and measurement of share-based payment transactions
IAS 7 (amended)	Statement of Cash Flows
IFRS 9 (revised)	Financial instruments
IFRS 10 (amended)	Consolidated financial statements
IFRS 11 (amended)	Joint arrangements
IAS 12 (amended)	Income taxes
IFRS 12 (amended)	Disclosure of Interests in other entities
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenue from contracts with customers
IAS 16 (amended)	Property, plant and equipment
IFRS 16	Leases
IFRIC 22	Foreign currency transactions and advance consideration
IAS 27 (amended)	Separate financial statements
IAS 28 (amended)	Investments in associates and joint ventures
IAS 38 (amended)	Intangible assets
IAS 40 (amended)	Investment property
Annual Improvements 2012-2014 cycle	
Annual Improvements 2014-2016 cycle	

IFRS 9 'Financial instruments' will supersede IAS 39 in its entirety, and is effective for accounting periods commencing on or after 1 January 2018. The potential impacts of the new standard that may impact the Group are:

- classification and measurement: New classification and measurement criteria require financial instruments to be classified into one of three categories being amortised cost, fair value through other comprehensive income or fair value. Classification will be determined by the business model and contractual cash flow characteristics of the instruments; and
- hedge accounting: The general hedge accounting mechanisms of IAS 39 have been retained, however greater flexibility has been introduced over the instruments eligible for hedge accounting and effectiveness testing has been more closely aligned with the underlying risk management practices of the entity.

The Group is reviewing the requirements of the new standard to fully determine its impact.

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. Early assessment of the requirements of the new standard suggest it will not have a material impact upon the Group's reported performance and the Group will continue to assess the full impact to ensure it is ready to implement the new standard in advance of its effective date.

Statement of Group Accounting Policies (continued)

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 may 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 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) made up to 27 December 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the 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 and joint ventures

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.

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more venturers under a contractual agreement.

The results and assets and liabilities of associates and joint ventures are incorporated in the Group financial statements using the equity method of accounting. Interests in associates and joint ventures are carried in the Consolidated 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 and joint ventures 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 or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant entity, unless immaterial. 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.

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.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software licensing income and income from software development, which are recognised on an accruals basis.

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.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

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 Consolidated 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 and joint ventures 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.

Statement of Group Accounting Policies (continued)

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 tangible fixed assets, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the period end date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Impairment of tangible and intangible assets

At each period end date, the Group reviews the carrying amounts of its goodwill, tangible 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.

Inventories

Inventories represent goods for resale within the greyhound stadia and the US operations. They are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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.

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.

Statement of Group Accounting Policies (continued)

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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 their 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'.

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 investments (see notes 16 and 24).

Shareholder information

William Hill PLC listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price on www.williamhillplc.com.

To find the shop closest to you, go to our shop locator on www.williamhillplc.com.

Financial calendar

2016 Final Results	24 February 2017
2016 Final Dividend Record Date	28 April 2017
2017 Annual General Meeting	9 May 2017
2016 Final Dividend Payment Date	8 June 2017
2017 Half Year Results	4 August 2017

Registrar

The registrar of the Company is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (www.computershare.com). Telephone 0370 703 6251. Please contact Computershare for advice regarding any change of name or address, transfer of shares or loss of share certificate. Computershare will also be able to respond to queries on the number of shares you hold and the payment details for dividends.

You may give instructions for your dividend to be used to purchase additional William Hill shares and full details of the Dividend Reinvestment Plan (DRIP) can be found in the Investor Relations section of our corporate website (www.williamhillplc.com) under shareholder centre. A DRIP Election Form and Terms and Conditions can be obtained from Computershare Investor Services PLC, in writing, by telephoning the number above or online at www.investorcentre.co.uk, in the Downloadable Forms section.

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