

Successful first half sees double-digit revenue and profit growth

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its interim results for the 26 weeks ended 26 June 2012 (H1 2012 or the period). The comparator period is the 26 weeks ended 28 June 2011 (H1 2011).

	26 weeks ended 26 Jun 2012 (£m)	26 weeks ended 28 Jun 2011 (£m)	Change vs. 2011 (%)
Net revenue	£627.8m	£567.8m	+11%
- Retail net revenue	£417.4m	£398.8m	+5%
- Online net revenue	£198.4m	£152.7m	+30%
Operating profit ⁽¹⁾	£167.8m	£147.7m	+14%
Pre-exceptional profit before tax	£150.3m	£129.5m	+16%
Profit before tax	£143.3m	£126.9m	+13%
Profit after tax	£117.9m	£102.7m	+15%
Earnings per share – basic, adjusted ⁽²⁾⁽³⁾	15.0p	12.8p	+17%
Earnings per share – basic ⁽²⁾	14.1p	12.3p	+15%
Dividend per share	3.4p	2.9p	+17%

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £1.8m (2011: £1.8m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements (see note 17)

(2) Basic EPS is based on an average of 701.8 million shares for 2012 and an average of 698.3 million shares for 2011

(3) Adjusted EPS is stated before exceptional items and £1.8m (2011: £1.8m) Online amortisation relating to trade names, affiliate relationships and non-competition agreements

Key points:

- Group net revenue +11% and Operating profit¹ +14% with innovation and investment driving market share gains by William Hill Online
- Good Retail performance drives +5% net revenue growth in both over-the-counter (OTC) betting and gaming machines, and Operating profit¹ +6%
- Outstanding William Hill Online performance with Sportsbook turnover 33% ahead of H1 2011, overall net revenue +30% and Operating profit¹ +23%
- Mobile Sportsbook turnover up +390%, 28% of total Sportsbook betting in June via mobile
- Basic adjusted earnings per share and dividend +17%
- Nevada licences awarded to William Hill and William Hill US formed through completion of three previously announced US land-based acquisitions
- International expansion continues with award of online licence in Spain, launch of Spanish regulated site (www.williamhill.es) and expansion of Italian regulated site (www.williamhill.it)
- Continued strong cash flow from operations reduces net debt for covenant purposes by £61m to £355m against 27 December 2011

Ralph Topping, Chief Executive of William Hill, commented:

"We have seen a strong performance in our multi-channel UK business in the first half, with a good performance from both OTC and machines in Retail, and with our focus on innovation and investment continuing to deliver outstanding growth at William Hill Online. Mobile remains a top priority and continues to outperform our expectations. The William Hill Sportsbook app, which has been top-ranked since its launch in the Apple App Store in mid-February, has delivered more than 40,000 new customers. Our rapidly growing mobile business increased to 22% of our Online sports betting turnover and 11% of gaming net revenue in the first half.

“We have made good progress in the period on our strategy in expanding internationally, including being awarded an online licence in Spain. It was also very pleasing to be awarded the Nevada licences in June and to complete the acquisition of the three land-based sports betting businesses. Though their contribution to the Group today is small, they represent an important strategic step for William Hill as we look to build our international business.

“With further innovation to come, the Group is in good shape and the Board remains confident of its expectations for the full year.”

Analyst and investor presentation			
Meeting: 9.00 a.m. BST on 27 July 2012 The Lincoln Centre 18 Lincoln's Inn Fields London WC2A 3ED	Live conference call: Tel UK: 0845 634 0041 Tel int'l: +44 (0) 20 8817 9301 Passcode: 7933418	Archive conference call (until 3 August 2012) Tel: +44 (0) 20 7769 6425 Passcode: 7933418#	Video webcast: www.williamhillplc.com Available live and, until 27 July 2013, as an archive

A separate conference call will be held at 11.00 am BST **for debt analysts and investors**. Dial-in details are:

UK telephone: 0845 634 0041
International telephone: +44 (0)20 8817 9301
Passcode: 7933425

Archive of the debt call:
Telephone: +44 (0)20 7769 6425
Passcode: 7933425#

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Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 15,000 people. Founded in 1934, it is now the UK's largest bookmaker with 2,370 licensed betting offices (LBOs) that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. William Hill Online (www.williamhill.com) is one of Europe's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their mobile, by telephone and by text services. William Hill PLC is listed on the London Stock Exchange and generates revenues of over £1.1bn a year.

Cautionary note regarding forward-looking statements

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

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

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

Overview

The Group has delivered a strong performance in its multi-channel UK business in the first half of 2012. Retail saw a good performance from both over-the-counter (OTC) betting and gaming machines, and the focus on innovation and investment is continuing to deliver outstanding growth at William Hill Online. Group net revenue grew 11% to £627.8m (2011: £567.8m) and Operating profit¹ grew by 14% to £167.8m (2011: £147.7m).

Good staking volumes were seen on the Euro 2012 football tournament, up 61% against Euro 2008. Results from the tournament favoured customers in the reporting period but that reversed in the semi-finals and final, which took place after the period end. In the reporting period, the tournament yielded in total £3.6m gross win at a combined margin of 5.1%. However, the Group's gross win overall on Euro 2012 was £10.2m, including £5.6m in Retail and £4.5m in Online, at a combined gross win margin of 11.3%.

The Group's first half gross win margin benefitted from good outcomes in both the Grand National and during the Cheltenham festival. Football results also proved favourable across the half as a whole, although the second quarter saw some adverse results, particularly during the last week of the Premier League and in Euro 2012 where 58% of favourites won.

William Hill Online continued to build its market position in the UK with net revenue growth significantly ahead of estimated industry growth rates⁴. Net revenue was 30% higher at £198.4m (2011: £152.7m). Operating profit was up 23% to £68.9m (2011: £55.9m).

Sportsbook continues to lead the growth, with stakes up 33% and net revenue up 52%. A series of gaming innovations were introduced in the first half, including the launch of a much improved and leading edge Live Casino offering. This helped Live Casino net revenues grow by 51%.

Mobile technology is a major development focus for William Hill Online. During the period, betting on mobile devices increased to 22% of sports betting stakes and 11% of gaming net revenue. This was helped by the launch of the Sportsbook App in the Apple App Store and of Bingo and Games mobile sites.

We continue to invest in marketing, investing £55.5m in the period, which equates to 28% of William Hill Online net revenues. We are also investing selectively to expand in regulated markets internationally. During the period, William Hill Online launched its Spanish site (www.williamhill.es) following the award of licences in June and expanded the Italian website (www.williamhill.it) through the launch of Sportsbook and Bingo.

In Retail, total amounts wagered grew 1%, despite some weather-related disruption to racing fixtures in February and May. OTC gross win margin was towards the top of the Group's normalised 17-18% trading range at 17.8% (2011: 16.8%). Net revenue grew 5% to £417.4m (2011: £398.8m), with 5% growth in both OTC betting and in gaming machines. As a result, Retail saw 6% growth in Operating profit¹ to £109.8m (2011: £104.0m).

We continue to develop our estate to support further growth and increased the estate by a net four shops in the period. We are also introducing new shop designs from the third quarter to improve the in-shop environment in all new licences and also those units scheduled for refurbishment this year and next. Following the award of a sole-source contract to Inspired Gaming Group (Inspired) in January, we completed on schedule the roll-out of the Storm Plus gaming machines to the 500 shops not previously supplied by Inspired in the second quarter. Self-service betting terminals are nearing the end of their trial phase in around 10% of the estate and video walls have been installed in 35 shops, giving customers a high-end and differentiated viewing experience.

The Group's net cash inflow from operating activities was £168.7m (2011: £128.9m) and net debt for covenant purposes was reduced to £355m (27 December 2011: £416m). The Group continues to invest to grow the business. Cash capital expenditure increased to £30.2m (2011: £24.4m). The Board has declared an interim dividend of 3.4p per share (2011: 2.9p per share), an increase of 17% over the prior year reflecting the 15% increase in basic earnings per share.

The Group has made good progress in the period on its strategy to expand internationally. On 21 June, William Hill became the first European bookmaker to be awarded a licence by the Nevada Gaming Commission. Subsequently, on the first day of the Group's second half (27 June), we completed the

acquisition of three land-based sports betting businesses that operate in Nevada and Delaware for a total cash consideration of \$49m (£31m), together with \$6.4m (£4.1m) of arm's length convertible loans advanced to American Wagering, Inc. (AWI) and Brandywine prior to acquisition. Through these acquisitions, we created our William Hill US operation and will integrate the three businesses over the summer. By combining their strong operational capabilities with the William Hill brand, product range and financial strength, we believe William Hill US will be well-placed competitively and to take advantage of future changes to land-based or online gambling regulation.

In the fourth quarter, the Group will have the opportunity to commence a process to acquire from Playtech its 29% stake in the William Hill Online joint venture through the first of two contractual call options. Our Chairman and Chief Executive continue to meet regularly with their counterparts on the Board of Playtech ahead of this. Discussions have been amicable and continue.

The William Hill business is strongly positioned competitively, as demonstrated by the continued strong growth of the Online business and the good performance of Retail, and financially, with strong cash inflow from operations of £168.7m in the period helping to reduce our net debt for covenant purposes by £61m since the full year to £355m. With further innovations to come from Online and Retail, the Group is in good shape. The Board remains confident of its expectations for the full year and of the Group's ability to continue to grow in the UK and internationally.

Summary of financial results

	H1 2012 £m	H1 2011 £m	% change
- Retail net revenue	£417.4m	£398.8m	+5%
- Online net revenue	£198.4m	£152.7m	+30%
- Telephone net revenue	£8.4m	£12.5m	-33%
- Other net revenue	£3.6m	£3.8m	-5%
Group net revenue	£627.8m	£567.8m	+11%
- Retail Operating profit	£109.8m	£104.0m	+6%
- Online Operating profit	£68.9m	£55.9m	+23%
- Telephone Operating profit	£0.7m	£0.2m	+250%
- Other Operating profit	£0.2m	£0.4m	-50%
- Corporate expenses (including associate income)	£(11.8)m	£(12.8)m	-8%
Operating profit⁽¹⁾	£167.8m	£147.7m	+14%
Amortisation ⁽²⁾	£(1.8)m	£(1.8)m	-
Profit before interest, tax and exceptional items	£166.0m	£145.9m	+14%
Exceptional items	£(7.0)m	£(2.6)m	+169%
Net interest cost	£(15.7)m	£(16.4)m	-4%
Profit before tax	£143.3m	£126.9m	13%

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £1.8m (2011: £1.8m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements (see note 17)

(2) Online amortisation relating to trade names, affiliate relationships and non-competition agreements

William Hill Online

William Hill Online delivered another outstanding performance in the first half of 2012. Net revenue was 30% higher and Operating profit¹ was 23% higher, reflecting the benefits from investment in marketing and the expansion of operational capabilities, particularly in catering for increasing mobile usage by customers.

Sportsbook amounts wagered increased 33% and have now grown by 220% in the last three years. Staking levels in Sportsbook now equate to 83% of the OTC stakes seen in Retail. This growth

comprised 37% growth in pre-match stakes and 27% in in-play stakes. Underlying in-play growth rates are stronger than the headlines suggest as the period last year saw high staking/low margin high roller activity. Despite the weak Euro 2012 results in the period (gross win margin of 2.8%), the overall Sportsbook gross win margin in the period advanced by one percentage point to 7.8% (2011: 6.8%) with year-on-year gross win margin growth in both the first and second quarters on the back of generally good results. In-play margin improved to 4.9% (2011: 4.2%) while pre-match margin increased to 9.8% (2011: 8.8%). Staking on the Euro 2012 tournament overall was 236% higher than for Euro 2008. Sportsbook net revenue grew 52% to £80.3m benefitting from the overall staking growth and the improvement in margins.

During the period, we enhanced our basketball, tennis and football systems to deliver substantial increases in the number of matches covered annually and implemented models for a number of minor sports, such as volleyball, beach volleyball, table tennis, badminton and squash, to increase the range of betting opportunities in these sports ahead of the Olympics.

Gaming net revenue increased 18% in total to £118.1m (2011: £99.7m). The strongest growth was in Playtech Casino, up 28%, and Vegas Casino, up 20%. Within the Vegas Casino number, net revenue from the exclusive and innovative new Live Casino offering increased by 181% to £10.1m. Bingo net revenue was 7% higher. Poker net revenue declined 7% but, as highlighted at the time of our first quarter results, this reflects a reshaping of this business and we have substantially improved the profitability of the poker product.

Following the launch of the William Hill website in the regulated Italian market in July 2011, we have extended the product range by adding Bingo in February and Sportsbook in May 2012. In June, we were awarded a Spanish licence and launched a site offering sports betting and Casino games. This followed the payment of £4.6m in disputed back-taxes to the Spanish tax authorities, which has been treated as an exceptional item given its non-recurring nature and materiality.

Online costs were 31% higher, primarily as a result of a step-up in marketing investment as well as increased operational costs, particularly in IT, bank charges and content costs. Marketing investment was equivalent to 28% of net revenue.

Operating profit¹ was 23% higher at £68.9m (2011: £55.9m). The non-controlling interest for Playtech was £18.7m (2011: £16.5m).

Retail

Our highly cash-generative Retail business is continuing to deliver a good performance. Retail amounts wagered grew 1% year-on-year. OTC amounts wagered were 1% lower than in 2011. There were 9% fewer horse race fixtures than in 2011 following weather-related cancellations in February (snow) and May (waterlogging), the impact of which more than offset the benefit of increased staking on the Euro 2012 tournament.

OTC gross win margin was towards the top of the expected 17-18% range at 17.8% (2011: 16.8%). This reflected a higher than normal 19.4% margin in the first quarter (Q1 2011: 18.1%), with a second quarter at 16.4% (Q2 2011: 15.6%). With this stronger year-on-year margin performance, OTC net revenue was 5% higher.

Gaming machine net revenue is continuing to grow steadily, up 5% in the period, with gross win per machine per week of £924 (2011: £902). As a result, total Retail net revenue was up 5%.

Costs increased in line with the Group's expectations at 4%. With the benefit of Retail's operating leverage, its top line improvement and good cost control drove a 6% increase in Operating profit¹ to £109.8m (2011: £104.0m).

We increased the estate by a net four shops, opening ten new licences and closing six during the period. A further nine shops were re-sited.

Telephone

Amounts wagered in the Telephone channel were 13% lower, impacted by racing fixture cancellations and by the termination of certain high roller activity at the end of 2011. The gross win margin was 150 basis points lower than in 2011 at 6.0%. Gross win was almost £4m lower at £8.9m. Offsetting these

year-on-year declines, the Group released c£3.4m of accruals relating to taxes and other costs of sale, of which c£2m relates to the prior year, following the completion of a review by HMRC. Other costs were held broadly flat, and the channel made a modest Operating profit¹ of £0.7m (2011: Operating profit¹ of £0.2m).

US acquisitions

On 21 June, the Group and five of its senior personnel were unanimously granted non-restricted gaming licences by the Nevada Gaming Commission at a meeting held in Las Vegas. A non-restricted licence is the highest tier of licence in Nevada.

On 27 June, following the close of the period, we completed the previously announced acquisitions of American Wagering, Inc. (AWI) (OTC:BB: BETM), Brandywine Bookmaking LLC (Brandywine) and the racing and sportsbook assets of Sierra Development Company, trading as Cal Neva for consideration of approximately \$49m (£31m) in total. This amount included \$4m (£2.5m) for the settlement of debt and preference shares. In addition to this consideration, the Group advanced \$6.4m (£4.1m) in arm's-length convertible loans to AWI and Brandywine prior to acquisition.

The acquisitions were funded in cash and are expected to be marginally earnings enhancing (before exceptional transaction and integration costs and the amortisation of intangible assets associated with these acquisitions) in 2013.

The combined business currently operates in 164 locations in Nevada, both in casino-based Sports Books and in bar locations. It is also the exclusive risk manager for the State of Delaware's sports lottery and the risk manager for the Marriott hotel in St Kitts, provides hardware and software to most of the major Nevada Sports Books and has the leading mobile wagering application available in the US today. In 2011, the combined business's pro forma handle (or stakes) was \$360m and win (or gross win) was \$22m.

Integration of the three businesses is ongoing. Rebranding of the sports books to the William Hill brand will take place in the coming weeks. The competitiveness of William Hill US and its attractiveness as a partner is expected to be enhanced by combining the operational strength of the existing management teams with William Hill's brand, greater financial strength and extensive product offering. This will ensure it is well-placed to capitalise on any regulatory changes, whether land-based or online.

Financial review

Pre-exceptional income statement

The Group's net revenue grew 11% to £627.8m in the first half of 2012 versus £567.8m in 2011. William Hill Online saw growth of 30% and Retail of 5%, with c5% growth in net revenue from both OTC betting and gaming machines.

Pre-exceptional cost of sales, at £84.7m, was 5% higher than that seen in the prior year (2011: £80.4m). This line includes taxes, levies and royalties relating to the operation of a betting and gaming company. Cost of sales in William Hill Online grew 53% to £17.8m, reflecting the increase in taxes payable in licenced markets and the impact from growth in mobile net revenue. Online cost of sales benefitted from the release of £2m of tax accruals no longer deemed necessary following developments in regulation in overseas markets, of which c£1m relates to the prior year. The Telephone segment benefitted from a £3.4m credit arising from the release of accruals for taxes and other cost of sales following discussions with HMRC.

Pre-exceptional net operating expenses were £378.6m in H1 2012, up 10% from £342.9m in H1 2011. As previously indicated, pre-exceptional Retail net operating expenses grew by 4%. Pre-exceptional Online operating expenses grew by 30%, with increases in marketing as well as in other operating costs. This growth reflects the continued growth of the Online operation in Gibraltar, Sofia, Tel Aviv and in other international locations, such as Spain and Italy, following licensing in those markets. Other operating income was £1.8m, down slightly on the prior year (2011: £2.5m).

The Group saw a £1.5m contribution from its associate SIS during the period (2011: £1.4m).

Operating profit¹ grew 14% from £147.7m in the first half of 2011 to £167.8m in the first half of 2012, reflecting Operating profit¹ growth in all three channels. This is before amortisation of £1.8m (2011: £1.8m) relating to acquired William Hill Online trade names, affiliate relationships and non-competition agreements. After amortisation, pre-exceptional Group profit before interest and tax (PBIT) was £166.0m, a 14% increase on the comparator period (2011: £145.9m).

Pre-exceptional net finance costs were £15.7m, a 4% reduction on the prior year (2011: £16.4m). This reduction arose as a result of the lower levels of net debt held over the period as compared to the same period in 2011. Pre-exceptional pre-tax profit for the year was £150.3m, up 16% on the comparator period (2011: £129.5m).

Exceptional items

There were three exceptional items in the first half of 2012. The Group saw £2.0m of exceptional transaction costs linked to the three US land-based acquisitions in Nevada. The Group now expects to incur c£6m (\$9.5m) of exceptional costs in regards to these transactions and up to a further £1.3m (\$2m) dependent upon negotiations regarding settlement of an onerous contract. From inception to the end of the first half, the Group had incurred £3.7m (\$6m) of exceptional costs relating to this transaction. The Group also incurred £4.6m arising from a self-assessment payment made to the Spanish tax authorities prior to the granting of a Spanish online gambling licence. Finally, there was a small loss of £0.4m on the Group's hedging instruments, which roll off at the end of 2012. In total, the Group incurred £7.0m of exceptional items in the first half of 2012 (2011: £2.6m).

Taxation

The Group incurred £26.0m of tax on pre-exceptional profit at an effective tax rate of 17.3%, compared to £24.7m at an effective rate of 19.1% in H1 2011. Versus the statutory rate of 24.5%, the Group's lower tax rate arose from deferred tax movements caused by rate changes enacted at the Balance Sheet date, as well as the changing mix of profits between Retail and William Hill Online.

Tax on exceptional items was a credit of £0.6m (2011: £0.5m credit), resulting in total tax for the Group for the first half of 2012 of £25.4m (2011: £24.2m).

The Government announced in March an additional reduction of one percentage point to the corporation tax rate in 2012, on top of the 1% previously announced. This will take the statutory corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013 following a further 1% reduction in 2013. As a result, the Group has revised its effective tax rate guidance for 2012 from 20% to 17%, reflecting an increased deferred tax credit as well as the statutory tax rate reduction. The effective cash tax rate for the year is expected to reduce from 22% to around 21%. For 2013, the effective tax rate is expected to be around 18% and the cash tax rate around 20%.

Earnings per share

The Group made £117.9m of profit after tax (2011: £102.7m), of which £18.7m related to minority interests (2011: £16.5m) and £99.2m (2011: £86.2m) was attributable to equity holders of William Hill PLC.

Basic adjusted earnings per share was 15.0p, a 17% increase on the prior year (2011: 12.8p). Whilst this was predominantly driven by the growth in pre-exceptional Operating profit¹, the lower year-on-year absolute interest costs and the reduction in effective tax rates also contributed. Basic earnings per share grew by 15% from 12.3p in 2011 to 14.1p in 2012.

Cash flow and balance sheet

The Group continued to generate substantial levels of net cash inflow from operating activities, with £168.7m of cash inflow (2011: £128.9m), of which £32.1m arose from favourable working capital inflows. The Group invested £30.2m in cash capital expenditure in the period (2011: £24.4m) and its expectation for the full year is now for cash capital to be in the range £60-70m. Looking at the second

half in isolation, the Group expects that its working capital movements will be negative, in the range £15-20m.

As at 26 June 2012, drawn debt was £480m (27 December 2011: £470m) and net debt for covenant purposes decreased to £355m (27 December 2011: £416m; 27 June 2011: £499m). This reflects a net debt over EBITDA ratio of just over one times and is reflective of the good period of cash generation just seen. Shortly after the period end, \$49m (£31.2m) was invested in the acquisition of three sports betting businesses in Nevada.

Following an increase in the liability discount rate as corporate bond yields grow and a fall in inflation expectations, the 'accounting basis' pension scheme deficit has reduced substantially in the first half of 2012, falling from £34.1m at the start of the year to £19.2m at the Balance Sheet date. Separately, the Group reached agreement with the pension scheme trustees in 2011 in regards to a funding plan to eliminate the 'actuarial basis' pension scheme deficit over an eight-year period.

Fiscal and regulatory update

UK taxation and regulation

The UK Government announced in March 2012 that Machine Games Duty will be levied at a rate of 20% of gaming machine gross profit from 1 February 2013. At this point, it will replace VAT, which is currently levied on machines revenue, and Amusement Machine Licence Duty. This change in the tax regime would have cost the Group an additional c£12.5m based on 2011 performance.

In the same Budget, the UK Government confirmed its intention to apply a 'point of consumption' (POC) tax to the remote gambling industry. It indicated that it currently expects to apply a 15% gross profits tax as from December 2014. However, the exact timing and rate will be reviewed and, following a consultation on the design of the tax that closed on 28 June, there will be further engagement on aspects such as business and competition impact. The Group's view remains that there is no demonstrable need for the proposed POC regulation based on consumer protection, which is the Government's justification, and that rigorous enforcement would be required to avoid market distortion.

International regulation

In the US, discussions about routes to regulate land-based sports betting and online gaming continue in a number of states. Land-based sports betting is restricted to four states: Nevada, Delaware, Oregon and Montana. In Delaware, it is permitted in three casinos and William Hill US is the exclusive risk manager for the Delaware Sports Lottery, which it operates in partnership with Scientific Games. In June, the state approved a bill to expand sports betting to at least 28 more locations this year and significantly more in 2013.

Ongoing regulatory developments in other markets are being closely monitored.

Dividend

The Board has approved an interim dividend of 3.4p per share (2011: 2.9p per share). The dividend is payable on 7 December 2012, the ex-dividend date is 24 October 2012 and the record date is 26 October 2012. The Group estimates that approximately 705.6 million shares will qualify for the interim dividend.

Principal risks and uncertainties

The key risks areas for 2012, which have not changed since we published our 2011 Annual Report, are as follows:

- UK and overseas taxation and duties;
- regulation in online gambling;
- the economic climate;
- recruitment and retention of key employees;
- key supplier relationships;
- UK and international growth opportunities; and
- business continuity and disaster recovery preparedness.

For a discussion of these risks and how we are addressing them, please refer to our 2011 Annual Report and Accounts, which is available in the investor relations section of the corporate website at www.williamhillplc.com.

Directors' responsibility statement

We confirm to the best of our that, this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- that the Group financial statements 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;
- an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

By order of the Board,

R.J. Topping
Chief Executive
27 July 2012

N. Cooper
Group Finance Director
27 July 2012

Reference notes

- (1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £1.8m (2011: £1.8m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements (see note 17)
- (2) Basic EPS is based on an average of 701.8 million shares for 2012 and an average of 698.3 million shares for 2011
- (3) Adjusted EPS is stated before exceptional items and £1.8m (2011: £1.8m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
- (4) H2 Gambling Capital

William Hill PLC
Interim Consolidated Income Statement (unaudited)

for the 26 weeks ended 26 June 2012

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	26 weeks ended 26 June 2012 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	26 weeks ended 28 June 2011 Total £m	52 weeks ended 27 December 2011 Total £m
Continuing Operations								
Amounts wagered	2	9,350.5	-	9,350.5	8,981.6	-	8,981.6	17,911.4
Revenue	2	627.8	-	627.8	567.8	-	567.8	1,136.7
Cost of sales	2,3	(84.7)	(4.6)	(89.3)	(80.4)	-	(80.4)	(163.6)
Gross profit	2	543.1	(4.6)	538.5	487.4	-	487.4	973.1
Other operating income		1.8	-	1.8	2.5	-	2.5	4.4
Other operating expenses	2,3	(380.4)	(2.0)	(382.4)	(345.4)	(0.8)	(346.2)	(758.0)
Share of results of associates and joint ventures		1.5	-	1.5	1.4	-	1.4	2.4
Profit before interest and tax	2	166.0	(6.6)	159.4	145.9	(0.8)	145.1	221.9
Investment income	2,4	6.7	-	6.7	7.6	-	7.6	15.0
Finance costs	3,5	(22.4)	(0.4)	(22.8)	(24.0)	(1.8)	(25.8)	(49.5)
Profit before tax	2	150.3	(7.0)	143.3	129.5	(2.6)	126.9	187.4
Tax	3,6	(26.0)	0.6	(25.4)	(24.7)	0.5	(24.2)	(40.9)
Profit for the period		124.3	(6.4)	117.9	104.8	(2.1)	102.7	146.5
Attributable to:								
Equity holders of the parent		104.4	(5.2)	99.2	88.3	(2.1)	86.2	115.2
Non-controlling interest		19.9	(1.2)	18.7	16.5	-	16.5	31.3
		124.3	(6.4)	117.9	104.8	(2.1)	102.7	146.5
Earnings per share (pence)								
Basic	8			14.1			12.3	16.5
Diluted	8			13.9			12.2	16.3

William Hill PLC
Interim Consolidated Statement of Comprehensive Income (unaudited)

for the 26 weeks ended 26 June 2012

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Profit for the period	117.9	102.7	146.5
Loss on cash flow hedges	-	(0.1)	-
Actuarial gains/(losses) on defined benefit pension scheme	11.3	15.0	(10.1)
Exchange differences on translation of foreign operations	0.2	(0.6)	0.1
Tax on items taken to statement of comprehensive income	(3.4)	(4.7)	0.9
Other comprehensive income/(loss) for the period	8.1	9.6	(9.1)
Total comprehensive income for the period	126.0	112.3	137.4
Attributable to:			
Equity holders of the parent	107.3	95.8	106.1
Non-controlling interest	18.7	16.5	31.3
	126.0	112.3	137.4

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

for the 26 weeks ended 26 June 2012

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total £m	Non- controlling interests £m	Total Equity £m
At 28 December 2011	70.3	318.3	6.8	(26.1)	(11.7)	0.6	529.6	887.8	11.8	899.6
Retained profit for the financial period	-	-	-	-	-	-	99.2	99.2	18.7	117.9
Other comprehensive income for the period	-	-	-	-	-	0.2	7.9	8.1	-	8.1
Total comprehensive income for the period	-	-	-	-	-	0.2	107.1	107.3	18.7	126.0
Transfer of own shares to recipients	-	-	-	-	9.0	-	(9.0)	-	-	-
Shares issued in the period	0.1	3.1	-	-	-	-	(3.2)	-	-	-
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.3	3.3	-	3.3
Tax credit in respect of share remuneration	-	-	-	-	-	-	2.1	2.1	-	2.1
Dividends paid (note 7)	-	-	-	-	-	-	(47.1)	(47.1)	-	(47.1)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(19.9)	(19.9)
At 26 June 2012	70.4	321.4	6.8	(26.1)	(2.7)	0.8	582.8	953.4	10.6	964.0
At 29 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7
Retained profit for the financial period	-	-	-	-	-	-	86.2	86.2	16.5	102.7
Other comprehensive income/(loss) for the period	-	-	-	-	-	(0.7)	10.3	9.6	-	9.6
Total comprehensive income/(loss) for the period	-	-	-	-	-	(0.7)	96.5	95.8	16.5	112.3
Transfer of own shares to recipients	-	-	-	-	4.6	-	(4.5)	0.1	-	0.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.4	3.4	-	3.4
Tax charge in respect of share remuneration	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends paid (note 7)	-	-	-	-	-	-	(40.6)	(40.6)	-	(40.6)
Acquisition of non-controlling interests (note 11)	-	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(15.3)	(15.3)
At 28 June 2011	70.2	317.3	6.8	(26.1)	(14.0)	(0.2)	538.9	892.9	12.7	905.6

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)
for the 26 weeks ended 26 June 2012

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total £m	Non- controlling interests £m	Total Equity £m
At 29 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7
Retained profit for the financial period	-	-	-	-	-	-	115.2	115.2	31.3	146.5
Other comprehensive income/(loss) for the period	-	-	-	-	-	0.1	(9.2)	(9.1)	-	(9.1)
Total comprehensive income for the period	-	-	-	-	-	0.1	106.0	106.1	31.3	137.4
Transfer of own shares to recipients	-	-	-	-	6.9	-	(6.8)	0.1	-	0.1
Shares issued during the period	0.1	1.0	-	-	-	-	-	1.1	-	1.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	5.5	5.5	-	5.5
Tax credit in respect of share remuneration	-	-	-	-	-	-	1.5	1.5	-	1.5
Dividends paid (note 7)	-	-	-	-	-	-	(60.9)	(60.9)	-	(60.9)
Acquisition of non-controlling interest	-	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(31.0)	(31.0)
At 27 December 2011	70.3	318.3	6.8	(26.1)	(11.7)	0.6	529.6	887.8	11.8	899.6

William Hill PLC
Interim Consolidated Statement of Financial Position (unaudited)

as at 26 June 2012

	Notes	26 June 2012 £m	28 June 2011 £m	27 December 2011 £m
Non-current assets				
Intangible assets		1,401.1	1,440.4	1,398.4
Property, plant and equipment		213.5	202.6	215.2
Interest in associates		11.4	11.3	10.9
Investments	9	-	3.4	4.1
Deferred tax asset		11.2	10.6	15.1
		1,637.2	1,668.3	1,643.7
Current assets				
Inventories		0.2	0.3	0.2
Trade and other receivables		38.1	32.5	50.1
Cash and cash equivalents		197.3	110.4	114.3
Derivative financial instruments		-	-	-
		235.6	143.2	164.6
Total assets		1,872.8	1,811.5	1,808.3
Current liabilities				
Trade and other payables		(195.5)	(139.7)	(185.4)
Current tax liabilities		(62.5)	(62.7)	(56.3)
Borrowings	10	(0.1)	(0.1)	(0.1)
Derivative financial instruments		(12.7)	(16.7)	(16.0)
		(270.8)	(219.2)	(257.8)
Non-current liabilities				
Borrowings	10	(471.5)	(504.5)	(460.5)
Retirement benefit obligations	13	(19.2)	(15.6)	(34.1)
Amounts owed to non-controlling interest	11	(7.8)	(7.8)	(7.8)
Derivative financial instruments		-	(5.2)	(1.7)
Deferred tax liabilities		(139.5)	(153.6)	(146.8)
		(638.0)	(686.7)	(650.9)
Total liabilities		(908.8)	(905.9)	(908.7)
Net assets		964.0	905.6	899.6
Equity				
Called-up share capital		70.4	70.2	70.3
Share premium account		321.4	317.3	318.3
Capital redemption reserve		6.8	6.8	6.8
Merger reserve		(26.1)	(26.1)	(26.1)
Own shares held		(2.7)	(14.0)	(11.7)
Hedging and translation reserves		0.8	(0.2)	0.6
Retained earnings		582.8	538.9	529.6
Equity attributable to equity holders of the parent		953.4	892.9	887.8
Non-controlling interest	11	10.6	12.7	11.8
Total equity		964.0	905.6	899.6

William Hill PLC
Interim Consolidated Cash Flow Statement (unaudited)

for the 26 weeks ended 26 June 2012

	Notes	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Net cash from operating activities	12	168.7	128.9	241.7
Investing activities				
Dividend from associate		1.0	-	1.4
Interest received		0.2	0.2	0.5
Proceeds on disposal of property, plant and equipment		0.2	0.5	1.6
Purchases of property, plant and equipment		(19.2)	(16.4)	(40.9)
Expenditure on computer software		(11.0)	(8.0)	(14.6)
Loans (to US Businesses)		-	(3.4)	(4.1)
Net cash used in investing activities		(28.8)	(27.1)	(56.1)
Financing activities				
SAYE share option redemptions		-	0.1	0.1
Dividends paid	7	(47.1)	(40.6)	(60.9)
Distributions paid to non-controlling interests	11	(19.9)	(15.3)	(31.0)
Repayments of borrowings		(65.0)	(45.0)	(90.0)
Amounts drawn down		75.0	-	-
Proceeds on issue of shares		0.1	-	1.1
Net cash used in financing activities		(56.9)	(100.8)	(180.7)
Net increase in cash and cash equivalents in the period		83.0	1.0	4.9
Cash and cash equivalents at start of period		114.3	109.4	109.4
Cash and cash equivalents at end of period		197.3	110.4	114.3

William Hill PLC

Notes to the Group Financial Statements

for the 26 weeks ended 26 June 2012

1. Basis of accounting

General Information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The condensed consolidated financial information for the 26 weeks ended 26 June 2012, which has been approved by a committee of the Board of Directors on 27 July 2012, has been prepared on the basis of the accounting policies set out in the Group's 2011 Annual Report and Accounts on pages 71 to 72, which can be found on the Group's website www.williamhillplc.co.uk. This condensed consolidated financial information for the 26 weeks ended 26 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial information for the 26 weeks ended 26 June 2012 should be read in conjunction with the annual financial statements for the 52 weeks ended 27 December 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented.

The condensed consolidated financial information for the 26 weeks ended 26 June 2012 is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but has been reviewed by the auditors and their report is set out at the end of this financial information. The results for the 52 week period ended 27 December 2011 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts, which have been filed with the Registrar of Companies. The auditors have reported on those accounts. Their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

Adoption of new and revised standards

There have been a number of new and amended standards and interpretations effective in the period, including IAS 24 Related Party Disclosures (Revised), IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) and the Improvements to IFRS (issued 2010), none of which have had a significant impact on the results or financial position of the Group.

Basis of accounting

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

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

Basis of consolidation

The financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 26 June 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the interim consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Business combinations and investments

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Going concern

The Group meets its day to day working capital requirements through its cash resources on hand supplemented by £300m of 7.125% Guaranteed Notes due 2016 and available bank facilities of £550m, which expire in 2015. Whilst current economic conditions create uncertainty over the level of demand for the Group's products, the Group's forecasts and projections show that the Group should be able to operate within the level of its borrowing facilities.

Therefore, after making these enquiries, 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 interim financial information.

Seasonality

The Group's overall profitability is primarily sensitive to sporting results, largely in terms of outcome but also in terms of the timing and presence of significant events that attract a large amount of stakes. For example, the current period includes part of a major football tournament, the European Championships, where the comparative period does not. In addition, adverse weather conditions can disrupt the sporting calendar and limit betting opportunities. However, as the gaming element of revenue relating to FOBT machines and William Hill Online increases, then this sensitivity is reduced.

2. Segment information

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

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all activity undertaken on-line including an online sportsbook, online casino, online poker sites, mobile betting and other gaming products. The Telephone segment comprises the Group's telephone betting services including telephone bet capture positions at its call centres. Other activities include on-course betting and greyhound stadia operations.

Business segment information for the 26 weeks ended 26 June 2012:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	7,972.7	1,218.0	148.2	11.6	-	9,350.5
Payout	(7,555.3)	(1,019.6)	(139.8)	(8.0)	-	(8,722.7)
Revenue	417.4	198.4	8.4	3.6	-	627.8
GPT, duty, levies and other cost of sales ⁽²⁾	(68.9)	(17.8)	2.4	(0.4)	-	(84.7)
Gross profit	348.5	180.6	10.8	3.2	-	543.1
Depreciation	(12.1)	(0.3)	-	(0.1)	(1.7)	(14.2)
Amortisation ⁽¹⁾	(1.2)	(7.0)	(0.1)	-	-	(8.3)
Other administrative expenses	(225.4)	(106.2)	(10.0)	(2.9)	(11.6)	(356.1)
Share of result of associate	-	-	-	-	1.5	1.5
Exceptional operating items	-	(4.6)	-	-	(2.0)	(6.6)
Segment profit/(loss) before interest and tax	109.8	62.5	0.7	0.2	(13.8)	159.4
Non-operating exceptional items					(0.4)	(0.4)
Investment income					6.7	6.7
Finance costs					(22.4)	(22.4)
Profit before tax						143.3

(1) Included within amortisation for the Online segment is £1.8m on intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets. This amount is added back to arrive at the Group's non-statutory operating profit measure of £167.8m. A reconciliation of this is provided in note 17.

(2) The telephone segment 'GPT, duty, levies and other cost of sales' includes a £3.4m release of accruals previously charged to operating profit relating to taxes and other costs of sale, following the completion of a review by HMRC.

Business segment information for the 26 weeks ended 28 June 2011:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	7,871.9	926.8	169.7	13.2	-	8,981.6
Payout	(7,473.1)	(774.1)	(157.2)	(9.4)	-	(8,413.8)
Revenue	398.8	152.7	12.5	3.8	-	567.8
GPT, duty, levies and other cost of sales	(66.1)	(11.6)	(2.2)	(0.5)	-	(80.4)
Gross profit	332.7	141.1	10.3	3.3	-	487.4
Depreciation	(11.6)	(0.3)	-	(0.1)	(1.4)	(13.4)
Amortisation ⁽¹⁾	(1.3)	(5.7)	(0.1)	-	-	(7.1)

Other administrative expenses	(215.8)	(81.0)	(10.0)	(2.8)	(12.8)	(322.4)
Share of result of associate, joint ventures, and impairment charges	-	-	-	-	1.4	1.4
Exceptional operating items	-	-	-	-	(0.8)	(0.8)
Segment profit/(loss) before interest and tax	104.0	54.1	0.2	0.4	(13.6)	145.1
Non-operating exceptional items					(1.8)	(1.8)
Investment income					7.6	7.6
Finance costs					(24.0)	(24.0)
Profit before tax						126.9

(1) Included within amortisation for the Online segment is £1.8m on intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets. This amount is added back to arrive at the Group's non-statutory operating profit measure of £147.7m. A reconciliation of this is provided in note 17.

Business segment information for the 52 weeks ended 27 December 2011:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	15,640.0	1,874.2	370.9	26.3	-	17,911.4
Payout	(14,850.3)	(1,552.9)	(352.7)	(18.8)	-	(16,774.7)
Revenue	789.7	321.3	18.2	7.5	-	1,136.7
GPT, duty, levies and other cost of sales	(131.2)	(28.5)	(2.9)	(1.0)	-	(163.6)
Gross profit	658.5	292.8	15.3	6.5	-	973.1
Depreciation	(24.6)	(0.5)	-	(0.2)	(1.9)	(27.2)
Amortisation ⁽¹⁾	(1.6)	(12.3)	(0.3)	-	-	(14.2)
Other administrative expenses	(435.5)	(176.8)	(19.3)	(5.7)	(24.7)	(662.0)
Share of result of associate	-	-	-	-	2.4	2.4
Exceptional operating items	(1.9)	-	(46.6)	-	(1.7)	(50.2)
Segment profit/(loss) before interest and tax	194.9	103.2	(50.9)	0.6	(25.9)	221.9
Non-operating exceptional items					(1.8)	(1.8)
Investment income					15.0	15.0
Finance costs					(47.7)	(47.7)
Profit before tax						187.4

(1) Included within amortisation for the Online segment is £3.6m on intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets. This amount is added back to arrive at the Group's non-statutory operating profit measure of £275.7m. A reconciliation of this is provided in note 17.

3. Exceptional items

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

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Operating			
US acquisition costs ¹	(2.0)	(0.8)	(1.7)
Spanish back taxes ²	(4.6)	-	-
Telephone business asset impairment ³	-	-	(46.6)
Disposal of trade in Republic of Ireland ⁴	-	-	(1.9)
	(6.6)	(0.8)	(50.2)
Non-operating			
Fair value loss on hedging arrangements ⁵	(0.4)	(1.8)	(1.8)
Total exceptional items	(7.0)	(2.6)	(52.0)

The tax impact of exceptional items is as follows:

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Tax credit in respect of Spanish back taxes ²	0.5	-	-
Tax credit in respect of fair value loss on hedging arrangements ⁵	0.1	0.5	0.6
	0.6	0.5	0.6

1 In 2011 the Group signed binding agreements to acquire three USA-based businesses. This transaction completed post half year on 27 June 2012. Both transaction and integration costs relating to this acquisition have been charged as exceptional items.

2 During the period the Group applied for a gaming licence in Spain. As part of that process the Group agreed to settle a back taxes claim with the Spanish tax authorities which, including penalties and interest, totalled £4.6m.

3 During the 52 weeks to 27 December 2011, following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors wrote off the carrying value of goodwill and other fixed assets in the telephone division, with a combined value of £46.6m.

4 During the 52 weeks to 27 December 2011, the Group completed the sale of its remaining 15 shops in the Republic of Ireland to the Irish bookmaker Boylesports for a cash consideration of €1.5m. This sale completed on 13 December 2011. The net loss on disposal, including provisions for impairment of remaining assets, is presented above as an exceptional item.

5 During the 26 weeks to 26 June 2012, the Group incurred £0.4m of valuation losses on ineffective swaps and collars, following adverse movements in the forward interest rate curve during the period.

4. Investment income

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Interest on bank deposits	0.2	0.3	0.5
Expected return on pension scheme assets (note 13)	6.5	7.3	14.5
	6.7	7.6	15.0

5. Finance costs

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Interest payable and similar charges:			
Bank loans, bond interest and overdrafts	14.2	14.9	29.6
Amortisation of finance costs	1.0	1.1	2.2
Net interest payable	15.2	16.0	31.8
Interest on pension scheme liability (note 13)	7.2	8.0	15.9
	22.4	24.0	47.7

6. Tax on profit on ordinary activities

The effective rate in respect of ordinary activities is 17.7% (26 weeks ended 28 June 2011: 19.1%; 52 weeks ended 27 December 2011: 21.8%). This is lower than the 2012 statutory rate of 24.5% due to a £6.2m deferred tax credit arising from the fall in the UK corporation tax rate to 24% and a lower effective tax rate on the income of William Hill Online.

The effective rate in respect of ordinary activities before exceptional items is 17.3% (26 weeks ended 28 June 2011: 19.1%; 52 weeks ended 27 December 2011: 17.3%) and excluding the deferred tax credit is 21.4% (26 weeks ended 28 June 2011: 23.8%; 52 weeks ended 27 December 2011: 22.4%).

No account has been taken in these interim financial statements of the 2012 Finance Bill that was substantially enacted in July 2012, after the balance sheet date. It is estimated that the further reduction in the corporation tax rate from 24% to 23% from April 2013 would have resulted in a £5.2m reduction in the net deferred tax liability held on the balance sheet at 26 June 2012, if the change had been applied in the interim statements.

7. Dividends proposed and paid

The directors have approved an interim dividend of 3.4 pence per share (2011: 2.9 pence per share) to be paid on 7 December 2012 to ordinary shareholders on the Register of Members on 24 October 2012. In line with the requirements of IAS 12 – 'Events after the Balance Sheet Date', this dividend has not been recognised within these interim results.

The 2011 final dividend of 6.7 pence per share (£47.1m) was paid in the half year ended 26 June 2012.

By agreement, the William Hill holdings 2001 Employee Benefit Trust agreed to waive all dividends. The Company estimates that 705.6m shares will qualify for the interim dividend.

8. Earnings per share

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

	26 weeks ended 26 June 2012			26 weeks ended 28 June 2011		
	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	99.2	-	99.2	86.2	-	86.2
Exceptional items (note 3) £m	5.7	-	5.7	2.6	-	2.6
Exceptional items – tax credit (note 3) £m	(0.5)	-	(0.5)	(0.5)	-	(0.5)
Amortisation of intangibles £m	1.3	-	1.3	1.3	-	1.3
Adjusted profit after tax before exceptional items	105.7	-	105.7	89.6	-	89.6
Weighted average number of shares (million)	701.8	11.2	713.0	698.3	8.2	706.5
Earnings per share (pence)	14.1	(0.2)	13.9	12.3	(0.1)	12.2
Exceptional adjustment (pence)	0.7	-	0.7	0.3	-	0.3
Amortisation adjustment (pence)	0.2	-	0.2	0.2	-	0.2
Earnings per share – adjusted	15.0	(0.2)	14.8	12.8	(0.1)	12.7

	52 weeks ended 27 December 2011		
	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period £m	115.2	-	115.2
Exceptional items (note 3) £m	52.0	-	52.0
Exceptional items – tax credit (note 3) £m	(0.6)	-	(0.6)
Amortisation of intangibles £m	2.6	-	2.6
Adjusted profit after tax before exceptional items	169.2	-	169.2
Weighted average number of shares (million)	699.0	8.5	707.5
Earnings per share (pence)	16.5	(0.2)	16.3
Exceptional adjustment (pence)	7.3	(0.1)	7.2
Amortisation adjustment (pence)	0.4	-	0.4
Earnings per share – adjusted	24.2	(0.3)	23.9

An adjusted earnings per share, based on profit for the period before exceptional items and amortisation (relating to the intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets), has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 1.2m in the 26 weeks ended 26 June 2012 (28 June 2011: 3.3m, 27 December 2011: 3.2m).

9. Investments

On 27 June 2012 the Group completed the acquisition of three US businesses, American Wagering Inc, Brandywine Bookmaking LLC and the Club Cal Neva Sportsbook Division. Convertible loans were advanced to those businesses prior to acquisition and totalled £3.4m at the prior half year rising to £4.1m at the full year. When the loans were extended, the Group's intention was to exercise its conversion option at completion; accordingly they were classified as investments. On completion however, the Group has opted not to convert these loans and consequently they have been reclassified as other receivables at the half year. Details of the acquisition are set out in note 15.

10. Bank loans and other borrowings

	26 June 2012 £m	28 June 2011 £m	27 December 2011 £m
Borrowings at amortised cost			
Bank loans	180.0	215.0	170.0
£300m 7.125% Guaranteed Notes due 2016	300.0	300.0	300.0
Less expenses related to loan	(4.5)	(5.9)	(5.1)
Less discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	(1.4)	(1.6)	(1.5)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	(2.8)	(3.3)	(3.1)
Total Borrowings at amortised cost	471.3	504.2	460.3
Obligations under finance leases	0.3	0.4	0.3
Total Borrowings	471.6	504.6	460.6
Less: amount due for settlement in 12 months (shown under current liabilities)	(0.1)	(0.1)	(0.1)
Amount due for settlement after 12 months	471.5	504.5	460.5
The gross borrowings, including finance leases are repayable as follows:			
Amounts due for settlement within one year	0.1	0.1	0.1
In the second year	0.2	0.3	-
In the third to fifth years inclusive	180.0	215.0	470.2
After more than five years	300.0	300.0	-
	480.3	515.4	470.3

Bank facilities

As at 26 June 2012, the Group had a committed bank loan facility of £550m provided by a syndicate of banks. This facility is a Revolving Credit Facility ("RCF"), expiring in November 2015.

Borrowings under the RCF are unsecured but are guaranteed by the Company and by William Hill Organization Limited, one of the principal operating subsidiaries of the Company.

Borrowings under the Facility incur interest at LIBOR plus a margin of between 2.00% and 2.75%, determined by the Group's consolidated Net Debt to EBITDA ratio as defined in the loan agreement. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

Overdraft facility

At 26 June 2012, the Group had an overdraft facility with National Westminster Bank PLC of £5m (28 June 2011: £5m). The balance on this facility at 26 June 2012 was £nil (28 June 2011 – £nil).

11. Non-controlling interest

	26 June 2012 £m	28 June 2011 £m	27 December 2011 £m
Opening non-controlling Interest	11.8	11.5	11.5
Playtech share of profit for the period	18.7	16.5	31.3
Amounts paid to Playtech	(19.9)	(15.3)	(31.0)
Closing non-controlling Interest	10.6	12.7	11.8

The non-controlling interest relates to the 29% share in William Hill Online owned by Playtech Limited.

In 2011, William Hill Online opened a telebetting operation in Gibraltar. The Group agreed with Playtech that they would not take a share in the profits of the new telephone business but would receive a £1m annual payment as compensation for use of shared services. This transaction effectively restricts Playtech's interest in the new telephone business to £1m annually. This annual fee has been recognised as a liability, in addition to the equity element set out in the table above. The liability has been valued at £8.8m, of which £7.8m is non-current. This transaction was taken through reserves in accordance with IAS 27.

There are circumstances under which this annual fee would be forfeited by Playtech, in which case this liability will reverse through reserves.

12. Notes to the cash flow statement

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Profit before interest and tax, before exceptional items	166.0	145.9	272.1
Adjustments for:			
Share of result of associates and joint ventures	(1.5)	(1.4)	(2.4)
Depreciation of property, plant and equipment	14.2	13.4	27.2
Amortisation of computer software	6.5	5.3	10.6
Amortisation of Trade Names, affiliates and NCA	1.8	1.8	3.6
(Gain)/loss on disposal of property, plant and equipment	-	(0.1)	0.2
Gain on disposal of land and buildings	(0.1)	-	(0.5)
Cost charged in respect of share remuneration	3.3	3.4	5.5
Defined benefit pension cost less cash contributions	(4.3)	(1.0)	(8.3)
Foreign exchange reserve movement	0.2	(0.6)	0.1
Exceptional operating (expense)/income	(5.4)	(0.8)	(0.5)
Movement on financial derivatives	(0.1)	(2.3)	0.9
Operating cash flows before movements in working capital:	180.6	163.6	308.5
Decrease in inventories	0.1	-	0.1
Decrease/(increase) in receivables	16.1	14.5	(3.1)
(Decrease)/increase in payables	15.9	(2.9)	35.7
Cash generated by operations	212.7	175.2	341.2
Income taxes paid	(24.2)	(21.4)	(51.6)
Interest paid	(19.8)	(24.9)	(47.9)
Net cash from operating activities	168.7	128.9	241.7

Cash and cash equivalents (which are presented as a single class of assets on the face of the statement of financial position) comprise cash at bank and overnight deposits.

13. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes in the United Kingdom and Republic of Ireland. The UK schemes are operated under a single trust and the assets of all the schemes held separately from those of the Group in funds under the control of trustees. The respective costs of these schemes are as follows:

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
Defined contribution scheme (charged to profit before interest and tax)	2.5	2.6	4.6
Defined benefit scheme (charged to profit before interest and tax)	0.8	1.6	2.1
Defined benefit scheme (charged to finance costs)	0.7	0.7	1.4
Defined benefit scheme ((credited)/charged to statement of comprehensive income)	(11.3)	(15.0)	10.1
	(7.3)	(10.1)	18.2

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.

Defined benefit scheme

The Group 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. The scheme is a funded scheme and the rate of Company contributions paid during the period for future service benefits was 25.0% of members' pensionable pay. 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 pensions right.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2010 and updated to 26 June 2012 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

With effect from 31 March 2011, the defined benefit scheme was closed to future accrual. Employed members of this scheme were transferred into the defined contribution scheme.

Disclosure of principal assumptions

The financial assumptions used by the actuary in determining the present value of the defined benefit scheme's liabilities were:

	26 June 2012	28 June 2011	27 December 2011
Rate of increase of salaries	4.00%	4.60%	4.10%
Rate of increase of pensions in payment	3.00%	3.60%	3.10%
Discount rate	4.80%	5.50%	4.70%
Rate of increase in inflation (RPI)	3.00%	3.60%	3.10%
Rate of increase in inflation (CPI)	2.20%	3.10%	2.30%

In accordance with the accounting standard, the discount rate has been determined by reference to market yields at the balance sheet 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.

The mortality assumption is kept under review and has been updated. The current life expectancies for a male member underlying the value of the accrued liabilities are:

	26 June 2012	28 June 2011	27 December 2011
Life expectancy at age 63			
Member currently aged 63	24 years	24 years	24 years
Member currently aged 45	26 years	25 years	26 years

The assets in the scheme and their expected rate of return are set out in the table below. The expected rate of return is determined by taking the long term rates of return available on government and corporate bonds at the balance sheet date. The expected return on equities is calculated by applying a suitable "risk premium" to the return on government bonds having regard to historic returns and long-term future expectations.

	26 June 2012		28 June 2011		27 December 2011	
	Expected return %	value £m	Expected return %	value £m	Expected return %	value £m
Equities	6.0	147.6	6.3	152.8	6.0	138.1
Corporate Bonds	4.4	40.7	5.5	38.7	4.4	39.7
Gilts and Cash	2.8	91.8	4.3	75.9	2.8	97.0
Total market value of assets		280.1		267.4		274.8
Present value of scheme liabilities		(299.3)		(283.0)		(308.9)
Deficit in scheme		(19.2)		(15.6)		(34.1)

Movements in the present value of defined benefit obligations in the current period were as follows:

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
At beginning of period	308.9	292.7	292.7
Movement in period:			
Service cost	0.8	1.5	2.0
Interest cost	7.2	8.0	15.9
Contributions from scheme members	-	0.2	0.2
Actuarial (gains)/losses	(11.7)	(15.3)	8.3
Benefits paid	(5.9)	(4.2)	(10.3)
Past service cost	-	0.1	0.1
At end of period	299.3	283.0	308.9

Movements in the present value of fair value of scheme assets in the current period were as follows:

	26 weeks ended 26 June 2012 £m	26 weeks ended 28 June 2011 £m	52 weeks ended 27 December 2011 £m
At beginning of period	274.8	261.8	261.8
Movement in period:			
Expected return on scheme assets	6.5	7.3	14.5
Actuarial (losses)/gains	(0.4)	(0.3)	(1.8)
Contributions from the sponsoring companies	5.1	2.6	10.4
Contributions from scheme members	-	0.2	0.2
Benefits paid	(5.9)	(4.2)	(10.3)
At end of period	280.1	267.4	274.8

14. 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 associate and joint ventures are disclosed below.

Trading transactions

Associate

The Group holds an investment of 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS). During the period the Group made purchases of £20.4m (26 weeks ended 28 June 2011: £17.8m; 52 weeks ended 27 December 2011: £37.4m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 26 June 2012 the amount payable to Satellite Information Services Limited by the Group was £0.1m

(28 June 2011 – £0.1m; 27 December 2011 – (£3.8m) receivable). Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Transactions between the Group and key management personnel in the first half of 2012 were limited to those relating to remuneration, previously disclosed as part of the Director's Remuneration Report within the Group's Annual report and Accounts 2011. There have been no other material changes to the arrangements between the Group and key management personnel.

15. Acquisitions

On 27 June 2012, after the half year balance sheet date, the Group completed the acquisition of American Wagering, Inc. (AWI) for \$13.4m, Brandywine Bookmaking LLC (Brandywine) for \$14.3m and the Club Cal Neva Satellite Race and Sportsbook Division (Cal Neva) for \$21m. No contingent consideration is payable for any of the three acquisitions. The Group acquired 100% of the issued share capital of both AWI and Brandywine as well as completing an asset purchase of the Cal Neva Sportsbook division. The primary reason for the acquisitions is to establish the Group's land based presence in the United States as part of the Board's strategy for international expansion.

Due to the timescale between completing the acquisition and the production of this half-yearly financial report it has been impracticable to properly determine the provisional fair values on acquisition for all assets and liabilities.

However, we estimate that total goodwill from the three acquisitions will be approximately \$35m in addition to separately identifiable intangible assets of approximately \$25m. The final figures will be dependent on the final fair values on acquisition and deferred tax associated with the intangible assets. The identified intangible assets will be amortised over a period of four to eleven years and the goodwill will be subject to annual impairment reviews in line with the Group's accounting policies. The goodwill arising on the acquired assets is attributable to the anticipated synergy in combining the three entities and the growth opportunities created by sharing technology, marketing skills and bookmaking specialism.

16. Contingent Liabilities

In June 2010, the Group recognised a £5.6m credit following a refund of overpaid VAT from HMRC. The VAT repayment relates to our claim that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality. HMRC have challenged a similar claim made by Rank plc and our claim will not be determined until the Rank case is resolved. In 2011, a judgement of the CJEU confirmed the facts must be taken into consideration when determining whether there has been a breach of fiscal neutrality and Rank's claim will be heard again in the Tax Tribunal in 2012, based on this interpretation. Should HMRC ultimately be successful in the Rank case then the Group would have to repay the monies received, although the directors consider this unlikely.

17. Reconciliation of profit before interest and tax to operating profit

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	26 weeks ended 26 June 2012 Total £m	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	26 weeks ended 28 June 2011 Total £m
Profit/(loss) before interest and tax	109.8	62.5	0.7	0.2	(13.8)	159.4	104.0	54.1	0.2	0.4	(13.6)	145.1
Amortisation*	-	1.8	-	-	-	1.8	-	1.8	-	-	-	1.8
Exceptional operating items (note 3)	-	4.6	-	-	2.0	6.6	-	-	-	-	0.8	0.8
Operating profit	109.8	68.9	0.7	0.2	(11.8)	167.8	104.0	55.9	0.2	0.4	(12.8)	147.7

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	52 weeks ended 27 December 2011 £m
Profit/(loss) before interest and tax	194.9	103.2	(50.9)	0.6	(25.9)	221.9
Amortisation*	-	3.6	-	-	-	3.6
Exceptional operating items (note 3)	1.9	-	46.6	-	1.7	50.2
Operating profit	196.8	106.8	(4.3)	0.6	(24.2)	275.7

*Amortisation for this purpose refers only to the amortisation of trade names, affiliate relationships and non-competition agreements as set out in note 12 to the 2011 Group financial statements.

Independent review report to William Hill PLC

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the 26 weeks ended 26 June 2012 which comprises the income statement, the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes 1 to 17. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 weeks ended 26 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
27 July 2012

Glossary and abbreviations

Amortisation	Where Operating profit and EPS are adjusted for amortisation, this pertains to £1.8m (2011: £1.8m) of William Hill Online amortisation relating to trade names, affiliate relationships and non-competition agreements.
Amounts wagered (also described elsewhere as turnover or amounts staked)	This comprises the gross takings receivable from customers in respect of individual bets placed in the period for LBO (including machines), Telephone and Online sports businesses and net revenue for the period for online Casino, Poker and Bingo products. As it includes customers' recycling of winnings, it does not reflect the actual cash spent with the Group, which is reflected in the gross win/net revenue line. 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.
Basic, adjusted EPS	Basic, adjusted earnings per share (EPS) is stated before exceptional items and the post-tax £1.3m (2011: £1.3m) of William Hill Online amortisation relating to trade names, affiliate relationships and non-competition agreements.
Gross win and net revenue	<p>Gross win and net revenue are used internally as key performance indicators of the Group's business. The Board believes presentation of gross win/net revenue enhances an investor's understanding of the Group's underlying financial condition and results of operations.</p> <p>Gross win is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines. Gross win is being used as the primary top-line reporting measure for machines as the net revenue number is distorted by the changes in the VAT rate.</p> <p>Net revenue is the primary measure for Retail, Telephone and William Hill Online. This is defined as gross win less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in Retail. In Retail, net revenue is relevant to machines and represents gross win less VAT. All other betting tax charges in the Group are recorded in cost of sales.</p>
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue divided by amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers.
Operating profit	Profit before interest, tax and amortisation relating to trade names, affiliate relationships and non-competition agreements as described in note 12 to the 2011 Group Financial Statements, excluding exceptional items. A reconciliation of operating profit is provided in note 17.
PBIT	Profit before interest and tax.
William Hill Online	William Hill Online is a joint venture between William Hill PLC and Playtech Limited (Playtech). William Hill owns 71% and Playtech 29%.