

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA"), if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared for the purposes of the Extraordinary General Meeting convened pursuant to the Letter from the Chairman of William Hill PLC (the "**Company**") contained in this document and (ii) a prospectus relating to the Company prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority (the "**FSA**") made under section 73A of FSMA. This document has been approved by the FSA in accordance with section 85 of FSMA and will be made available to the public in accordance with Rule 3.2.1 of the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in "*Documents Incorporated by Reference*") will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.williamhillplc.com, at the Company's registered office, at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA and at the offices of the Registrars.

If you have sold or do sell or have otherwise transferred or do transfer all your Ordinary Shares (other than ex rights) held in certificated form before 8.00 a.m. London time on 19 March 2013 (the "**Ex-rights Date**") please forward this document together with the accompanying Form of Proxy and any Provisional Allotment Letter that you may receive as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee except that **such documents should not be forwarded or transmitted into any jurisdictions where to do so might constitute a violation of local securities laws or regulations, including but not limited to Canada, Australia, Japan and the Republic of South Africa (the "Restricted Jurisdictions") and the United States.** If you sell or have sold or transferred part of your holding of Ordinary Shares (other than ex rights) held in certificated form prior to the Ex-rights Date, you should refer to the instructions regarding split applications set out in Part III of this document and the Provisional Allotment Letter. If you sell or have sold or transferred some or part of your holding of Ordinary Shares (other than ex rights) held in uncertificated form before the Ex-rights Date, a claim transaction will automatically be generated by Euroclear UK & Ireland which on settlement will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The Existing Ordinary Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities. Application has been made to the FSA for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities (together, "**Admission**"). It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence (for normal settlement) at 8.00 a.m. on 19 March 2013.



## **William Hill PLC**

*(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4212563)*

### **Prospectus**

#### **2 for 9 Rights Issue of**

**156,871,900 New Ordinary Shares at 245 pence  
per New Ordinary Share**

**and**

#### **Related Party Circular**

**and**

#### **Notice of Extraordinary General Meeting**

### **Citi**

**Sole Sponsor and Financial Adviser, Joint Global Coordinator and Joint  
Bookrunner**

### **Investec**

**Joint Global Coordinator and Joint Bookrunner**

### **Barclays**

**Joint Bookrunner**

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**This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation would be unlawful. The distribution of this document and/or the accompanying documents (including the Provisional Allotment Letter), and/or the transfer of Nil Paid Rights or Fully Paid Rights through CREST in jurisdictions outside the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction. This document is being sent to Shareholders located in the United States solely for informational purposes in connection with the Extraordinary General Meeting described elsewhere herein.**

Citigroup Global Markets Limited ("**Citi**"), Investec Bank plc ("**Investec**") and Barclays Bank plc ("**Barclays**" and together with Citi and Investec, the "**Banks**"), each of which is regulated in the United Kingdom by the FSA, are each acting exclusively for the Company and for no-one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue and will not be responsible to any other person for providing the protections afforded to their respective clients, or for advising any such person on the contents of this document or in connection with any transaction referred to in this document.

**The whole of the text of this document should be read in its entirety by any Shareholder and any other person contemplating a purchase of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. Your attention is drawn to the Letter from the Chairman of William Hill which is set out in Part I of this document. Your attention is also drawn to the section headed “Risk Factors” for a discussion of certain factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others in deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Ordinary Shares.**

In addition to this document, Qualifying non-CREST Shareholders other than certain Overseas Shareholders (subject to certain exceptions) are expected to be sent a Provisional Allotment Letter on or around 18 March 2013. Qualifying CREST Shareholders (none of whom will receive a Provisional Allotment Letter) other than certain Overseas Shareholders (subject to certain exceptions) are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on or around 19 March 2013. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear UK & Ireland as soon as practicable after Admission has become effective. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue. The latest time and date for acceptance and payment in full for the Nil Paid Rights is expected to be 11.00 a.m. on 4 April 2013. The procedures for acceptance and payment are set out in Part III of this document and also, for Qualifying non-CREST Shareholders only, in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to Part III of this document.

Notice of an Extraordinary General Meeting of the Company to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 9.00 a.m., on 18 March 2013, is set out at the end of this document. You will find enclosed a Form of Proxy for use at the meeting. To be valid, the Form of Proxy should be completed and returned to the Company’s registrars, Computershare Investor Services PLC, Bridgwater Road, Bristol BS99 6ZY (“**Computershare**”) as soon as possible and, in any event, so as to be received no later than 9.00 a.m. on 16 March 2013. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the Extraordinary General Meeting should they so wish.

Subject to certain exceptions, this document does not constitute an offer to sell or a solicitation of an offer to buy the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or any of the Restricted Jurisdictions. The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) or under the applicable securities laws of any state or other jurisdiction of the United States, any province or territory of Canada, Japan, the Republic of South Africa or Australia. Subject to certain exceptions, none of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters may be offered, sold, taken up, exercised, resold, transferred, renounced or delivered, directly or indirectly, within the United States (absent an applicable exemption from the registration requirements of the Securities Act and in compliance with applicable state law), Canada, Japan, the Republic of South Africa or Australia or in any country, territory or possession where to do so may contravene local securities laws or regulations. The Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are being offered and sold outside the United States, in offshore transactions within the meaning of and in accordance with Regulation S under the Securities Act, and in the United States to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“**Qualifying US Investors**”) only in a manner not requiring registration under the Securities Act. Subject to certain exceptions, neither this document nor the Provisional Allotment Letters will be posted to any person in the United States or in any of the Restricted Jurisdictions. Overseas Shareholders and any person who is resident in or a citizen or national of any country outside the UK and any person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter to a jurisdiction outside the UK should read section 8 of Part III of this document. **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act, as amended, provided by Rule 144A thereunder.**

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Directors, whose names appear under “*Directors, Company Secretary and Advisers*”, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Each of the Banks may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, none of the Banks proposes to make any public disclosure in relation to such transactions.

Certain information in relation to the Company has been incorporated by reference into this document. You should refer to the section of this document entitled “*Documents Incorporated by Reference*” for further details. Capitalised terms have the meanings attributed to them in the document.

## **NOTICE TO US INVESTORS**

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act nor under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state laws.

None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or this document or any other offering document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other US regulatory authority nor has any such authority passed upon or endorsed the merits of the Rights Issue or the accuracy or the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Until 40 days after the later of the commencement of the Rights Issue, an offer, sale or transfer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Company is not subject to the periodic reporting requirements of the US Securities Exchange Act of 1934, as amended (the “**Securities Exchange Act**”). In order to permit compliance with Rule 144A under the Securities Act in connection with resales of the New Ordinary Shares, for so long as any of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company agrees to furnish upon the request of a holder of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares or a prospective purchaser from any such holder the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act if at the time of such request it is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act or are not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

**NOTICE TO NEW HAMPSHIRE RESIDENTS:**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR AN EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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## SUMMARY INFORMATION

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1- E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the Company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

<i>Section A – Introduction and warnings</i>		
A.1	<b>Introduction</b>	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investors. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information on order to aid investors when considering whether to invest in such securities.
A.2	<b>Consent for Intermediaries</b>	Not applicable. No such consent is included in this document.

<i>Section B – Issuer</i>		
B.1	<b>Legal and Commercial Name</b>	William Hill PLC (“ <b>William Hill</b> ” or the “ <b>Company</b> ”).
B.2	<b>Domicile/ Legal Form/ Legislation/ Country of Incorporation</b>	William Hill PLC was incorporated and registered in England and Wales on 8 May 2001 with registered number 4212563 under the Companies Act 1985 as a private limited company under the name Troniclong Limited. On 10 May 2002, the Company changed its name to William Hill Limited. On 28 May 2002, the Company re-registered as a public limited company and changed its name to William Hill PLC. The principal legislation under which the Company operates, and under which the New Ordinary Shares will be created, is the 2006 Act.

B.3	<p><b>Key factors of issuer’s current operations and principal activities</b></p>	<p>William Hill is one of the world’s leading listed betting and gaming companies by market capitalisation<sup>1</sup>, employing approximately 17,000 people and is one of the most recognised and trusted brands in the gambling industry, providing betting and gaming services across multiple channels. The Group was founded in 1934 and is the UK’s largest bookmaker by number of licensed betting offices (“<b>LBOs</b>”), with 2,392 as at 1 January 2013 of the approximately 9,000 LBOs regulated by the Gambling Commission<sup>2</sup>. The LBOs provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines and numbers-based products. The Group’s William Hill Online joint venture is the UK’s leading online betting and gaming business by revenue<sup>3</sup>, and enables customers to access sports betting, casino games, poker and bingo via all or some of the internet, telephone, mobile devices and by text-based services. The Group established its US operation, William Hill US, in June 2012, offering land-based sports betting in Nevada. Separately, the Group reached agreement with GVC Holdings plc (“<b>GVC</b>”) and Sportingbet plc (“<b>Sportingbet</b>”) in relation to the proposed acquisition, which is currently ongoing, of Sportingbet’s Australian business and certain other assets from the Sportingbet group together with the granting of a call option over Sportingbet’s Spanish business for total cash consideration of £459.5 million.</p>
B.4	<p><b>Significant recent trends affecting the Company and the industries in which it operates</b></p>	<p>William Hill, together with its subsidiaries, operates principally in the UK retail and online betting and gaming markets. The UK retail market is well-established and mature. William Hill has performed resiliently over the recent challenging economic period. The online market is fast growing and supported by structural growth drivers such as an increasingly broader customer demographic, the increase in internet broadband penetration and the growth of mobile technology. In general, this is a highly fragmented market with a large number of companies.</p> <p>Historically, national gambling businesses have tended to focus on their own domestic markets but changes in the wider global market are creating opportunities for gambling businesses to become more international, such as:</p> <ul style="list-style-type: none"> <li>• the growth of online gambling - innovations in technology have enabled developments in products (for example, in-play betting) and new routes to the market (for example, via mobile phones); and</li> <li>• some state monopolies and national operators looking to outsource to or partner with commercial gambling operators that have specialist expertise (for example, in lotteries or sports betting).</li> </ul> <p>The importance of having large scale operations is increasing as it makes investments in technology and marketing more affordable and enables companies to absorb the impact of changes in regulation and tax. Keeping pace with a growing number of products requires significant investment in innovation and know-how. Many markets are now revising their regulatory regimes and the increasing complexity requires an understanding of licensing and tax obligations by more sophisticated operators.</p>

<sup>1</sup> Source: Based on the market capitalisations as at 28 February 2013 (the latest practicable date prior to publication of this document) of William Hill PLC, Ladbrokes plc, Paddy Power PLC, Lottomatica Group SpA, OPAP SA, Tabcorp Holdings Ltd and Tatts Group Ltd.

<sup>2</sup> Source: Gambling Commission industry statistics, 2009-2012, September 2012.

<sup>3</sup> Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

B.5	<b>Group Structure</b>	The Company acts as the holding company of the Group, the principal activities of which are the operation of LBOs and the provision of internet and telephone betting and gaming services.		
B.6	<b>Notifiable Interests</b>	As at 28 February 2013, being the latest practicable date prior to the publication of this document, the interests (all of which are or will be beneficial unless otherwise stated) of the Directors and their connected persons in the share capital of the Company are as follows:		
		<i>Director</i>	<i>Number of Ordinary Shares held prior to Admission</i>	<i>Percentage of existing issued share capital held prior to Admission<sup>4</sup></i>
		Gareth Davis	94,000	0.01%
		Ralph Topping	395,399	0.06%
		Neil Cooper	2,345	0.00%
		David Edmonds	24,000	0.00%
		Georgina Harvey	10,000	0.00%
		Ashley Highfield	5,848	0.00%
		David Lowden	10,000	0.00%
		Imelda Walsh	10,000	0.00%
		So far as William Hill is aware, as at 28 February 2013 (being the latest practicable date prior to the publication of this document), the following persons (other than the Directors) had notifiable interests in three per cent. or more of the issue share capital of William Hill:		
		<i>Shareholder</i>	<i>Number of Ordinary Shares held prior to Admission</i>	<i>Percentage of existing issued share capital prior to Admission<sup>5</sup></i>
		Schroder PLC	70,066,134	9.93%
		The Capital Group Companies, Inc.	64,196,588	9.09%
		BlackRock, Inc.	35,453,595	5.02%
		Massachusetts Financial Services Company	34,380,109	4.87%
		So far as the Company is aware, no person or persons, directly or indirectly, jointly or severally, own or exercise or could exercise control over the Company.  There are no differences between the voting rights enjoyed by the shareholders described above and those enjoyed by any other holder of Ordinary Shares.		
B.7	<b>Historical Financial Information</b>	The selected financial information set out below has been extracted without material adjustment from the audited report and accounts of the Group for the 2010 financial year, 2011 financial year and 2012 financial year.		

<sup>4</sup> This does not include Ordinary Shares held in treasury by William Hill.

<sup>5</sup> This does not include Ordinary Shares held in treasury by William Hill.

<i>Consolidated Income Statement</i>			
	<b>2012 financial year £m</b>	<b>2011 financial year £m</b>	<b>2010 financial year £m</b>
Amounts			
Wagered . . . . .	18,879.1	17,911.4	16,519.8
Revenue . . . . .	1,276.9	1,136.7	1,071.8
Gross Profit . . . . .	1,104.7	973.1	923.1
Profit before interest and tax . . . . .	311.1	221.9	272.7
Profit before tax . . . .	277.7	187.4	193.3
Profit for the period . . . . .	231.0	146.5	156.0
Attributable to:			
Equity holders of the parent . . . . .	189.8	115.2	129.7
Non-controlling interest . . . . .	41.2	31.3	26.3
<i>Consolidated Statement of Financial Position</i>			
	<b>As at 1 January 2013 £m</b>	<b>As at 27 December 2011 £m</b>	<b>As at 28 December 2010 £m</b>
Non-current assets . . . . .	1,685.2	1,643.7	1,670.6
Current assets . . . . .	190.0	164.6	156.7
Total assets . . . . .	1,875.2	1,808.3	1,827.3
Current liabilities . . . .	(273.3)	(257.8)	(224.9)
Non-current liabilities . . . . .	(564.9)	(650.9)	(747.7)
Total Liabilities . . . . .	(838.2)	(908.7)	(972.6)
Net assets . . . . .	1,037.0	899.6	854.7
Total Equity . . . . .	1,037.0	899.6	854.7
<i>Consolidated Cash Flow Statement</i>			
	<b>2012 financial year £m</b>	<b>2011 financial year £m</b>	<b>2010 financial year £m</b>
Net cash from operating activities . . . . .	294.3	241.7	223.9
Net cash used in investing activities . . .	(81.8)	(56.1)	(34.0)
Net cash used in financing activities . . . . .	(175.1)	(180.7)	(200.3)
Cash and cash equivalents at end of period . . . . .	151.7	114.3	109.4



		<p>In the 2010, 2011 and 2012 financial years, the Group's revenue was £1,071.8 million, £1,136.7 million and £1,276.9 million respectively. During such periods, approximately 73.1 per cent. 69.5 per cent. and 65.6 per cent. of Group revenue was generated by William Hill's retail segment from the LBOs in the UK and 23.5 per cent., 28.3 per cent. and 31.9 per cent. of Group revenue by its online segment. Operating profit<sup>6</sup> in the 2010, 2011 and 2012 financial years was £276.8 million, £275.7 million and £330.6 million respectively. During such periods, approximately 73.9 per cent., 71.4 per cent. and 64.0 per cent. of Group operating profit was generated by William Hill's retail segment and 32.9 per cent., 38.7 per cent. and 44.0 per cent. was generated by its online segment.<sup>7</sup></p> <p>There has been no significant change in the financial or trading position of the Group since 1 January 2013, being the date of the Group's latest audited financial statements.</p>
B.8	<b>Pro forma Financial Information</b>	Not applicable. There is no pro forma financial information contained in this document.
B.9	<b>Profit Forecast/Estimates</b>	Not applicable. There are no profit forecasts or estimates contained in this document.
B.10	<b>Qualifications in the Audit Report</b>	Not applicable. There have been no qualifications of the audit reports incorporated into this document by reference.
B.11	<b>Insufficient Working Capital</b>	Not applicable. The Company is of the opinion that, taking into account available bank borrowings and other borrowings and the net proceeds of the Rights Issue receivable by the Company, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

*Section C – Securities*

C.1	<b>Type and Class of Securities Being Offered</b>	The securities being offered pursuant to the Rights Issue are New Ordinary Shares of the Company of 10 pence each whose ISIN is GB003169886. The ISIN for the Nil Paid Rights is GB00B97SHR57 and for the Fully Paid Rights is GB00B8Q6D317.
C.2	<b>Currency</b>	All New Ordinary Shares being offered are denominated in pounds sterling.
C.3	<b>Issued Share Capital</b>	As at 28 February 2013, being the latest practicable date prior to the publication of this document, the Company has 705,923,552 fully paid Ordinary Shares of 10 pence each in issue. The Company has no partly paid Ordinary Shares in issue.

<sup>6</sup> Operating profit is a non-IFRS measure defined by William Hill as pre-exceptional profit before interest and tax, before amortisation of specifically identified intangible assets recognised on acquisitions, and which the Board considers to be a useful indicator of the operating performance of the business because it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items.

<sup>7</sup> The operating profit generated by the Group's retail and online segments exceeds 100 per cent. of Group operating profit primarily because Group operating profit includes the operating loss in the corporate segment resulting from unallocated central corporate costs.

C.4	<b>Rights attaching to the Securities</b>	<ul style="list-style-type: none"> <li>i. The New Ordinary Shares rank <i>pari passu</i> with each other and with the Existing Ordinary Shares for voting purposes. On a show of hands at a general meeting each Shareholder has one vote and on a poll each Shareholder has one vote per New Ordinary Share held, in each case whether present in person or whether represented by a duly appointed proxy or other representative.</li> <li>ii. The New Ordinary Shares rank <i>pari passu</i> with each other and with the Existing Ordinary Shares for any distributions made on a winding up.</li> <li>iii. The New Ordinary Shares rank <i>pari passu</i> with each other and with the Existing Ordinary Shares in the right to receive a relative proportion of shares in the case of a capitalisation of reserves.</li> <li>iv. The New Ordinary Shares rank <i>pari passu</i> with each other and with the Existing Ordinary Shares in the rights to receive all distributions (if any), including dividends, declared, paid or made by the Company after Admission, but not, for the avoidance of doubt, the dividend already declared in respect of the 2012 financial year.</li> </ul>
C.5	<b>Restrictions on Transfer</b>	<p>Not applicable. The New Ordinary Shares are freely transferable and there are no restrictions on transfer.</p> <p>However, the making of the proposed offer of New Ordinary Shares to persons who are located or resident in or who have a registered address in countries other than the United Kingdom, may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of the New Ordinary Shares.</p>
C.6	<b>Admission to Trading</b>	<p>The Existing Ordinary Shares are listed on the premium segment of the Official List and are traded on the London Stock Exchange's main market for listed securities.</p> <p>Application will be made to the FSA and the London Stock Exchange for all of the New Ordinary Shares to be issued pursuant to the Rights Issue to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The New Ordinary Shares will not be listed on any other Regulated Market.</p>
C.7	<b>Dividend Policy</b>	<p>The Board continues to consider dividends to be an important component of Shareholder returns and therefore intend to continue to apply the Company's existing dividend policy based on a payout covered approximately 2.5 times by underlying earnings, moving to 2.0 times when conditions permit. Factors that will bear on the timing of any substantive move below 2.5 times include the level of financial gearing of the Company, future investment opportunities and regulatory considerations.</p>

**Section D – Risks**

<p>D.1</p>	<p><b>Key information on the key risks that are specific to the issuer or its industry</b></p>	<p>Shareholders should carefully consider the following risks:</p> <ul style="list-style-type: none"> <li>• Risks related to taxation and duties in the gambling industry – in the current economic climate, the Group is vulnerable to increases in UK and international taxation and levies as governments may seek to tax the gambling industry more to increase their revenues. In addition, many governments are moving to regulate gambling online, and are introducing new taxation regimes as they regulate. In particular, there are ongoing moves to change the UK online licensing regime to a “point of consumption” model. Such developments could have a material adverse effect on the Group’s business, financial condition and results of operations.</li> <li>• Risks in relation to the regulation of gambling – the regulatory position in gambling, is changing, particularly in Europe, where several countries are revising online gambling tax and regulatory regimes or their approach to existing regimes. Regulation of gaming machines in Great Britain continues to have a high profile in the media and among politicians. The Group must ensure it has processes in place for complying with regulatory requirements and timely compliance with changes in regulation. Adverse developments in such regulatory frameworks, or the approach to existing regulation, or the failure to comply with gambling regulation, could have a material adverse effect on the Group’s business, financial condition and results of operations.</li> <li>• Risks in relation to the economic climate – the economic climate remains challenging and uncertain which could affect areas of discretionary consumer spending such as gambling. In addition, the nature of the Group’s business involves a high level of fixed costs, which could be subject to increases due to inflation. These factors could have a material adverse effect on the Group’s business, financial condition and results of operations.</li> <li>• Risks in relation to key suppliers – the Group is dependent on a number of suppliers for key operations, software systems, marketing and customer services. Failure by such suppliers to deliver the expected service or the failure of their business or multiple supplier failure could have a material adverse impact on the Group’s business, financial condition and results of operations.</li> <li>• Risks in relation to business continuity and disaster recovery – the Group is reliant on extensive IT systems to run its business. Its continuity of operation could be stopped or hampered by any number of incidents from technology failure to terrorist attack which could have a material impact of the Group’s business, financial condition and results of operations.</li> </ul>
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		<ul style="list-style-type: none"> <li>Risks in relation to technology and data protection – the nature of the Group’s business means that cyber attacks, distributed denial of service or unauthorised access, or the failure to comply with data protection regulation, could have a material adverse effect on the Group’s business, financial condition and results of operations.</li> </ul>
D.3	<b>Key information on the key risks that are specific to the securities</b>	<ul style="list-style-type: none"> <li>The implementation of the Rights Issue will result in the dilution of ownership of Existing Ordinary Shares for Qualifying Shareholders who do not take up their rights in full.</li> </ul>

<i>Section E – Offer</i>		
E.1	<b>Total net proceeds and estimate of total expenses of the Rights Issue, including estimated expenses charged to investors</b>	<p>The net proceeds (after deducting commissions, other estimated offering-related fees and expenses) from the Rights Issue will be approximately £375 million.</p> <p>The total costs and expenses of, and incidental to, the Rights Issue payable by the Company, are estimated to amount to £10 million (excluding VAT).</p> <p>No expenses will be charged to Shareholders who take up their rights in the Rights Issue. Shareholders who do not take up their rights in the Rights Issue may have the New Ordinary Shares to which they are entitled sold on their behalf. To the extent that such New Ordinary Shares are sold at a premium to the Issue Price, the relevant Shareholders shall be entitled to such premium, subject to brokerage and exchange costs. No amount of less than £5.00 will be paid to such Shareholders.</p>
E.2a	<b>Reasons for the Rights Issue, use of proceeds, and estimated net amount of expenses</b>	<p>The Company currently owns 71 per cent. of William Hill Online, the remaining 29 per cent. being owned by Playtech. William Hill now proposes to acquire the 29 per cent. of William Hill Online that it does not currently own from Playtech for a total cash consideration of approximately £424 million (the “<b>Proposed Acquisition</b>”). The entirety of the net proceeds of the Rights Issue, which are expected to be approximately £375 million, together with approximately £50 million from part of the 2012 Bridge Credit Facility, will be used to finance the Proposed Acquisition whilst maintaining an appropriate capital structure for the Group. Playtech has the right to elect for a portion of the consideration for the Proposed Acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time, such shares to be subject to a lock-up for a 12 month period commencing on the date of their issue to Playtech. In accordance with the terms of the Framework Agreement, the value attributed to these Ordinary Shares would be the theoretical ex-rights price of £3.76 per share. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and as such the documentation required to complete the Call Option will reflect consideration payable wholly in cash. To the extent circumstances were to change and Ordinary Shares were to be issued to Playtech as a result of any change in its election, the Board intends to return that element of surplus equity capital raised pursuant to the Rights Issue to Shareholders.</p>

E.3	<b>Terms and conditions</b>	<p>The Company is proposing to raise approximately £375 million (net of expenses) by way of the Rights Issue. The Rights Issue is being fully underwritten by the Underwriters, subject to certain conditions. The Issue Price of 245 pence per New Ordinary Share represents a 39.5 per cent. discount to the closing middle market price of William Hill of 404.7 pence per Ordinary Share on 28 February 2013, the latest practicable date before the announcement of the Proposed Acquisition and Rights Issue and a 34.8 per cent. discount to the theoretical ex-rights price of 375.7 pence per New Ordinary Share calculated by reference to the closing middle market price on the same basis. This represents a 38.3 per cent. discount to that closing middle market price adjusted for the proposed final dividend of 7.8 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 15 March 2013, and a discount of 33.7 per cent. to the theoretical ex-rights price on the same basis.</p> <p>Subject to the fulfilment of, amongst other things, the conditions set out below, the Company will offer 156,871,900 New Ordinary Shares by way of the Rights Issue to Qualifying Shareholders other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or the Restricted Jurisdictions, at an Issue Price of 245 pence per New Ordinary Share payable in full on acceptance. The Rights Issue will be offered on the basis of:</p> <p style="padding-left: 40px;">2 New Ordinary Shares for every 9 Existing Ordinary Shares held on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.</p> <p>The Rights Issue is conditional, amongst other things, upon:</p> <ul style="list-style-type: none"> <li>(a) the passing of the Proposed Acquisition Resolution at the Extraordinary General Meeting without material amendment;</li> <li>(b) the Company having applied to Euroclear UK &amp; Ireland for admission of the Nil Paid Rights and Fully Paid Rights to CREST as participating securities and no notification having been received from Euroclear UK &amp; Ireland on or before Admission that such admission or facility for holding and settlement has been or is to be refused;</li> <li>(c) Admission becoming effective by not later than 8.00 a.m. on 19 March 2013 (or such later time and/or date as the Banks and the Company may agree in advance in writing but so that the last date for acceptance is not later than 18 April 2013); and</li> <li>(d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission.</li> </ul>
E.4	<b>Conflicts of interest</b>	Not applicable. There are no interests (including conflicts of interest) which are material to the Rights Issue.

E.5	<p><b>Name of person offering to sell the securities</b></p> <p><b>Lock-up agreement details including the parties involved and indication of the period of the lock-up</b></p>	<p>William Hill PLC</p> <p>Pursuant to the terms of the Underwriting Agreement, the Company has agreed, subject to certain exceptions, not to allot, issue or grant any rights over any securities of the Company or any member of the Group until the date which is 45 dealing days after the last date for acceptances in the Rights Issue.</p>
E.6	<p><b>Dilution</b></p>	<p>A Shareholder who sells or otherwise elects not to take up its, his or her Nil Paid Rights will experience a 18 per cent. dilution (i.e. its, his or her proportionate interest in the Company will drop by 18 per cent.)</p>
E.7	<p><b>Expenses</b></p>	<p>Not applicable. There are no commissions, fees, or expenses to be charged to investors by the Company.</p>

## RISK FACTORS

*Any investment in the New Ordinary Shares and/or the Nil Paid Rights and/or the Fully Paid Rights under the Rights Issue is subject to a number of risks. Prior to subscribing for any New Ordinary Shares and/or Nil Paid Rights and/or Fully Paid Rights, Qualifying Shareholders and any other prospective investors should carefully consider the factors and risks associated with any investment in the Company, the Group's business and the industry in which the Group operates, together with all the information set out in this document and the documents incorporated by reference and, in particular, those risks described below.*

*If any of the following risks actually materialise, the Group's business, financial condition and results of operations could be materially and adversely affected and investors may lose all or part of their investment. All risks of which the Directors are aware at the date of this document and which they consider material are set out in the risk factors below; however, further risks and uncertainties relating to the Group which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations. If this occurs, the price of the Ordinary Shares, the Nil Paid Rights and/or the Fully Paid Rights may decline and investors could lose all or part of their investment.*

*The Directors consider the following risks to be the most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Company. Investors and prospective investors should consider carefully whether an investment in the New Ordinary Shares and/or the Nil Paid Rights and/or the Fully Paid Rights is suitable for them in light of the information in this document and the documents incorporated by reference and their personal circumstances.*

### **Risks relating to the gambling industry**

#### ***The Group is vulnerable to increases in taxes and levies***

The Group is vulnerable to increases in UK and international taxation and levies as governments may seek to tax the gambling industry more to increase their revenues. In addition, many governments are changing the way they regulate gambling, in particular online gambling, and are introducing new taxation regimes as they do so.

#### *UK taxation*

The Group is subject to significant taxation and levies in the UK, including the following:

- corporation tax, with a headline tax rate of 24 per cent. up to 31 March 2013, 23 per cent. from 1 April 2013 to 31 March 2014 and 21 per cent. from 1 April 2014;
- general betting duty of 15 per cent. applicable to gross betting profit in the UK;
- Machine Games Duty payable at 20 per cent. of the revenue from gaming machines; and
- the Horserace Betting Levy, a statutory levy on bets struck in the UK on horse races held in the UK, calculated at a rate of 10.75 per cent. of the gross win on such horse racing activities.

The taxes and levies imposed upon the Group have changed considerably over time and there can be no assurance that the levels of taxes and levies to which the Group is subject in the UK will not be increased, particularly in the current economic environment. In addition, there can be no assurance that new taxes or levies will not be introduced to which the Group will be subject. For example, the UK Department for Culture Media and Sport ("**DCMS**") undertook a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation has now closed and draft legislation has been published. In addition, HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross win for online sportsbook activities and net revenue for gaming activities at a rate of 15 per cent. from December 2014. As a significant amount of William Hill Online's business comes from UK-based customers, implementation of this legislation would have a significant adverse impact on the Group's results of operations. Any further increases in the levels of taxes or levies to which the Group is subject in the UK, or the implementation of any new taxes or levies to which the Group will be subject, could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Australian taxation*

The Group announced on 20 December 2012 that it had reached agreement with GVC and Sportingbet in relation to the proposed acquisition of Sportingbet's Australian online gambling business and certain other assets from Sportingbet. Sportingbet's Australian online gambling business is subject to Australian taxation which includes:

- company tax, with a headline rate of 30 per cent.; and
- product fees of between 1.5 per cent. and 1.7 per cent. of wagering on horseracing charged on a state by state basis.

Should this acquisition be completed, the Group will then be subject to these taxes. Any increases in the levels of taxes or levies to which the Group would become subject on completion of the acquisition of Sportingbet's business in Australia, or the implementation of any new taxes or levies in Australia, could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Other non-UK taxation*

The Group's online gambling operations, conducted through its William Hill Online joint venture, are located in Gibraltar. The Group's operations in Gibraltar are currently subject to taxes there. Nonetheless, there can be no assurance that the levels of taxation to which the Group is subject in any jurisdiction outside the UK, including Gibraltar, will not be increased or changed, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's customers are located in a number of different jurisdictions. Revenues earned from customers located in a particular jurisdiction may give rise to the imposition of taxes in that jurisdiction. If such taxes are levied, either on the basis of existing law or the current practice of any tax authority or by reason of any change in law or practice, then this may have a material adverse effect on the amount of tax payable by the Group. In addition, if any Group company is found to be, or to have been, tax resident in any jurisdiction other than those in which the Group is currently deemed to be tax resident or to have a permanent establishment in any such other jurisdiction (whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice) this may have a material adverse effect on the amount of tax payable by the Group which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

***There can be no assurance that existing or potential laws and regulations in certain jurisdictions, including those where the Group's customers reside will not have a material adverse effect on its business, financial condition and results of operations***

Most countries regulate or, in some cases prohibit, gambling activities. Historically, the regulation of the gambling industry has been arranged at a national level and, currently, there is no international gambling regulatory regime. Although the Group seeks to comply with, and monitors, relevant laws and regulations, including relevant licensing requirements, of the jurisdictions in which its operations are established, the Group is exposed to the risk that jurisdictions in which its customers are resident or from which its advertisements may be accessed via the internet may have conflicting laws and regulations (or conflicting interpretations of such laws and regulations) with regard to the legality or appropriate regulatory compliance of the Group's activities. The Group's exposure to this risk has increased as the scale of the Group's online operations has increased.

### *European Union*

The Group accepts transactions from customers for certain of its products from certain European jurisdictions. There are instances of betting and gaming operators being (i) prosecuted by a relevant authority or (ii) sued by a monopoly right holder or other significant market participant for offering their products and services in a particular state of the European Union ("EU") in which they are not licensed or otherwise regulated. Member states of the EU (each a "Member State") are required to abide by principles of freedom of establishment and free movement of services under EU law. William Hill believes that the Group's activities in Member States where it is not licensed or otherwise regulated in a manner consistent with EU principles are permitted by such principles. However, the extent to which national courts in European jurisdictions will implement principles of EU law is uncertain as Member States are afforded a degree of discretion in such implementation. As a result, the Group may face criminal or civil claims in these jurisdictions as a consequence of its actions regardless of whether such actions are in accordance with EU law.



In addition, the relevant regulatory authority, monopoly right holder or other significant market participant could take action against the Group's service providers in such countries. If any such actions were brought against the Group or the Group's service providers, whether successful or not, the Group may incur considerable legal and other costs, management's time and resources may be diverted, the provision of services to the Group may be disrupted, and any resulting dispute may damage the Group's reputation and brand image and have a material adverse effect on the Group's business, financial condition and results of operations.

To the extent that the domestic laws or any prosecutions, suits or other determinations of a national court of a Member State do not implement and/or apply EU law, such actions may fall within the jurisdiction of the European Court of Justice ("ECJ") to which reference may be made. On such a reference, the ECJ may scrutinise such domestic laws, prosecutions, suits or other determinations and determine the legality of such operator's activities pursuant to EU law. The ECJ may determine that the restrictive actions of the relevant Member States are non-discriminatory, proportionate and objectively protect a matter of public policy within the competence of such Member State, such as social responsibility matters or fighting fraud and criminality, in which case such restrictions may be justified. If the ECJ finds that such an authority, monopoly right holder or other significant market participant's actions result from laws which are discriminatory, disproportionate or not objectively justifiable, such restrictions on the operator's activities may be found to be in contravention of EU law. However, there can be no assurance that the ECJ will accept jurisdiction or will not uphold the actions against an operator, or that any favourable ruling will be fully implemented by the relevant Member State, which could impair the Group's ability to undertake betting and gaming operations in European jurisdictions, thereby negatively impacting the Group's business, financial condition and results of operations.

A number of Member States, including Belgium, the Czech Republic, Denmark, Germany, Greece, the Netherlands, Portugal, Romania, Spain and Sweden, have indicated that they will issue new or further licences and, to some extent, will change their regulatory regimes, or, in the case of Italy and France, have already done so. While helpful, the extent to which this will assist the industry is uncertain.

The Board believes that Member States are likely to lobby for acceptance of a local licensing requirement regime, as such regimes guarantee revenue through tax and licence fees. Whether the European Commission, or the ECJ via cases referred to it, will continue generally to support this approach is unclear. To the extent that such a regime is introduced in one or more Member States and any such local licences are not obtained by the Group, due, for example, to their limited availability or because doing business under such regimes is not commercially viable, the Group may face the risk of increased enforcement initiatives from local authorities, which may ultimately prompt the Group to cease operating in, or providing access to, its products in such territories. In any event, the Group may need to exit or withdraw products from EU and non-EU markets if the risks of successful enforcement action are considered too high, or if a key supplier or regulator requires the market to be blocked, or if it is otherwise considered necessary by the Board.

#### *United States*

The US Congress passed the Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA") in late 2006, which prohibits any person engaged in the business of gambling from knowingly accepting payments related to unlawful online bets. UIGEA prohibits the transfer of funds from a financial institution to an internet gambling website. It also expressly requires internet bets to comply with the law of the jurisdiction where the bets are initiated and received. In addition, the US Congress has proposed several bills that would prohibit any person from accepting bets on amateur sporting events including high school, college and Olympic events.

Pursuant to the Professional and Amateur Sports Protection Act (the "PASPA"), which became effective on 1 January 1993, the proliferation of legalised sportsbooks and wagering was significantly curtailed. The PASPA effectively prohibited sports betting in the US, excluding Nevada and sports lotteries in Oregon, Montana, and Delaware. Thus, sportsbooks and betting are permitted to continue to operate in Nevada, provided the wager originates in Nevada and is received by a licensed sportsbook in Nevada. Moreover, the Interstate Wire Act of 1961 also prohibits those in the business of betting from utilising a wire communication facility for the transmission in interstate or foreign commerce of any bets, or information assisting in the placing of such bets on any sporting event or contest unless such betting activity is specifically authorised in each jurisdiction involved.

Although the Group has systems and controls in place which seek to ensure the Group's compliance with applicable US laws and regulations, including the UIGEA and the PASPA, there can be no assurance that these procedures will be completely effective. Should the Group breach any such applicable US laws and regulations it may become subject to civil or criminal sanctions as well as reputational damage, and may have to cease offering its products in the United States. Similarly, should the bills proposed by the US Congress be passed, thereby

prohibiting any person from accepting bets on amateur sporting events, the Group may be required to cease offering these products or may not be able to expand its product offering in the US in a way it may otherwise have done so. The occurrence of any one or all of the foregoing events could have a material adverse effect on the Group's business, financial condition and results of operations.

#### *Australia*

In Australia, interactive and internet gambling is regulated by each individual state, in each case applicable to gaming and sports betting activities conducted within such a state, and the Interactive Gambling Act 2001 (Cth) (the "**Interactive Gambling Act**") which purports to regulate certain types of interactive and internet gambling occurring both within Australia as a whole and extraterritorially.

The Interactive Gambling Act prohibits certain interactive gambling services, being "in the run betting" (the equivalent to what the Group describes as in-play betting) on racing and sporting events and online gaming type services, such as online poker, online casino games and virtual poker machines, by providing that a person is guilty of an offence if that person intentionally provides such services to people located within Australia or other countries designated by the relevant minister (to date no other countries have been designated). The Interactive Gambling Act does not prohibit what the Group would commonly refer to as pre-match betting on racing or sporting events or other contingencies (such as elections and the weather). These types of gambling are regulated by state based legislation and Sportingbet currently holds two licences in the Northern Territory approved by the Northern Territory Racing Commission (the "**NT Racing Commission**") which provide that the Sportingbet Australian online business may accept bets from customers located anywhere in the world provided these are made in accordance with the provisions of the Racing and Betting Act 1983 (NT) by use of telephone, internet, facsimile or other electronic means at designated premises within the Territory on approved sporting events (which is defined to include specified contingencies).

Subject to William Hill's completion of the acquisition of Sportingbet's Australian online business, systems and controls will be put in place to ensure that no interactive gambling services which are prohibited under the Australian legislation are offered to Australian customers. If these systems and controls were to fail, the Group would be in breach of its sports betting licences currently held in the Northern Territory which could lead to daily fines being imposed on the Group, the Group's officers being criminally liable for such breaches and a loss of the licence. Should any or a combination of these events occur, this could have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***The existence and/or enforcement of laws and regulations relating to the offer of gambling products and services or the advertisement of such products and services via the internet, could have a material adverse effect on the Group's business, financial condition and results of operations***

Although the regulatory regime for land-based gambling operations is well established in most countries, the gambling laws in such countries will not necessarily have been amended to take account of the internet and the ability to offer gambling products and services online. Consequently, there is uncertainty as to the legality of online gambling or the offering of, or advertising of, online gambling in a number of countries. William Hill has systems and controls in place which seek to ensure that the Group does not offer gambling products via the internet to customers in jurisdictions from which it has determined that it does not wish to accept bets, but there can be no assurance that these procedures will be effective. For example, although William Hill Online does not accept any online transactions that it can verify originate from the United States (by the use of US credit card details, for example), it does not use the location of its customers' internet service providers as the sole means of excluding customers potentially located in the United States from using William Hill Online's websites. As a result, it is possible that William Hill Online may accept a wager from a customer while they are temporarily located in the United States, which could result in a violation of applicable US law. This could expose William Hill Online to the risk of civil or criminal sanction, as well as reputational damage, which in turn could negatively impact the Group's business, financial condition and results of operations.

The Group analyses the risks to the Group from different jurisdictions and, where appropriate, obtains legal advice in respect of the applicable laws and regulations in any such jurisdiction. Based on the relevant jurisdiction and subject to any risks identified by the Group, it undertakes certain procedures in order to mitigate any such risk, but the Group has not considered the gambling laws and regulations in every jurisdiction from which customers place bets or wagers and from which its products or advertisements can be accessed via the internet. Accordingly, the Group may be subject to the application of existing or potential laws and regulations and/or fees or levies in jurisdictions from which customers place bets or wagers or in which its products or advertisements can be accessed via the internet. Any such laws, regulations, fees or levies may have a material adverse effect on the Group's business, financial condition and results of operations.

***Changes in regulatory or licensing requirements may have a material adverse effect on the Group's business, financial condition and results of operations***

The Group is regulated by certain authorities and currently holds gambling licences and/or permits in the UK, Northern Ireland, Gibraltar, Malta, the Isle of Man, Jersey, Kahnawake (a territory situated in Quebec, Canada administered by the Mohawks of Kahnawake indigenous people), Italy, Spain, the State of Nevada in the United States and, should the acquisition of Sportingbet's Australian online business complete, the Northern Territory of Australia. If the regulatory framework of any jurisdiction in which the Group operates was to change its licensing requirements, the Group may be required to expend significant capital or other resources in order to comply with the new requirements and/or may not be able to meet the new requirements, either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations.

*Great Britain*

In Great Britain, where the Group's retail operations are located, the Group is regulated by the Gambling Commission under the provisions of the Gambling Act. In accordance with the British regulatory regime, the Group holds three categories of licences: operating licences, personal management licences and premises licences. The Group's relevant subsidiary, applicable personnel and LBOs currently hold all requisite licences and other approvals in Great Britain. Under the British regime, licences are given for an indefinite period, subject to the payment of annual fees, and are normally only terminated in the event of a breach of the terms of the licence by the holder. There can be no assurance, however, that the Gambling Commission will not terminate licences already granted, or otherwise change its licensing requirements or that the UK government will not introduce new laws or regulations applicable to gambling companies or change existing laws or regulations. In addition, regulation of gaming machines in Great Britain continues to have a high profile in the media and among politicians. If the Gambling Commission were to terminate any of the licences already granted, or otherwise change the licensing requirements, the Group may be required to expend significant capital or other resources to comply with the new requirements and/or may be unable to meet the new requirements, either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, there can be no assurance that any other changes in legislation or regulations enacted by the UK government in the future will not have a material adverse effect on the Group's business, financial condition and results of operation.

*State of Nevada*

On 21 June 2012, the Company was awarded a gaming licence by the Nevada Gaming Commission. On 27 June 2012, the Group acquired American Wagering, Inc. ("**AWI**"), Brandywine Bookmaking LLC ("**Brandywine**") and the racing and sportsbook assets (the "**Cal Neva Assets**") of Sierra Development Company, trading as Cal Neva, meaning that, through these businesses, the Group operated in a total of 190 locations in the State of Nevada as at 1 February 2013. Accordingly, the Group is subject to extensive regulation by the Nevada Gaming Commission. The ownership and operations of gaming licences in Nevada are subject to strict regulation under various state, county and municipal laws. Together with key personnel, the Group undergoes extensive investigation before each new gaming licence is issued, and the products of AWI and Brandywine are subjected to testing and evaluation prior to approval and use. Generally, gaming authorities have broad discretion when granting, renewing or revoking these approvals and licences and monitor compliance with such approvals/licences on an ongoing basis. If the Group fails or any of its key personnel fail to obtain or retain a required licence or approval, the Group may have to reduce significantly its operations in the State of Nevada, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Any expansion of the Group's activities could be hindered by delays in obtaining requisite state licences or the inability to obtain such licences. No assurance can be given as to the term for which the Group's licences will be granted in a particular jurisdiction or as to what licence conditions, if any, may be imposed by such jurisdiction in connection with any future renewals.

*Australia*

On completion of the acquisition of Sportingbet's Australian online business, the Group will acquire two sports bookmakers licences held in Australia's Northern Territory. William Hill announced on 13 February 2013 that it has received confirmation from the NT Racing Commission and the Australian Foreign Investment Review Board that each of these bodies has granted their respective approvals of William Hill's ownership of Sportingbet's Australian online business.

The NT Racing Commission imposes extensive probity and approval requirements prior to the grant of new licences or the approval of a change of control of a licence holder and it monitors compliance with licence conditions on a continuous basis. Currently, all sports bookmaking conducted by Sportingbet in Australia is conducted through the two sports bookmakers licences held in the Northern Territory, which allows Sportingbet to accept bets and wagers from all states across Australia provided that all such bets and wagers are processed through servers located in the Northern Territory (although certain of Sportingbet's Australian operations are conducted in other states). There can be no assurance that the regulatory framework under which Sportingbet's Australian online business is currently governed will not change, thereby requiring either Sportingbet, or subject to and following the completion of the acquisition of Sportingbet's Australian online business, the Company to hold licences in each individual Australian state and territory in which it operates. If the regulatory framework were to change in this manner, or the terms or conditions of the licences held in the Northern Territory were to change, this could have a material adverse effect on the Group's business, financial condition and results of operations.

#### *Gibraltar*

The provision of William Hill Online's products is regulated by the Gibraltar Regulatory Authority. Any change in the terms or termination of all or any of the licences granted to the Group by the Gibraltar Regulatory Authority could have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***Failure to comply with existing or new gambling laws and regulations may have a material adverse effect on the Group's business, financial condition and results of operations***

The Group is subject to regulatory requirements in the jurisdictions in which it operates, including the three categories of licence of the Gambling Commission in Great Britain. Although the Group has processes in place to review the operating effectiveness of its compliance procedures, failure to comply with gambling laws and regulations, or to identify changes to regulation in a timely manner, could result in regulatory sanctions, which may have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***A shareholder owning 10 per cent. or more of William Hill's Ordinary Shares who is found by the Nevada Gaming Commission to be unsuitable could be guilty of a criminal offence if they continue to hold Ordinary Shares, and William Hill could be subject to disciplinary action if it continues to interact with that shareholder***

The terms of the licence issued to William Hill by the Nevada Gaming Commission and the Nevada Gaming Control Board provide that any person who, individually or in association with others, has acquired, directly or indirectly, beneficial ownership of 5 per cent. or more of any class of William Hill voting securities must notify the Nevada Gaming Control Board, in writing, within 10 days after it has knowledge of such acquisition. William Hill must also notify the Nevada Gaming Control Board within 10 days of becoming aware of any such acquisition by any person. In addition, any person who, individually or in association with others, acquires, directly or indirectly, beneficial ownership of 10 per cent. or more of any class of William Hill voting securities must apply to the Nevada Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada Gaming Control Board mails written notice requiring such a filing.

Any person who fails or refuses to apply for a finding of suitability within 30 days after being ordered to do so by the Nevada Gaming Commission or the Chairman of the Nevada Gaming Control Board may be found to be unsuitable. Any shareholder found to be unsuitable, whether because they fail or refuse to apply for a finding of suitability or otherwise, and who holds, directly or indirectly, any beneficial ownership of Ordinary Shares beyond such period of time as may be prescribed by the Nevada Gaming Control Commission may be guilty of a criminal offence.

In addition, William Hill would be subject to disciplinary action if, after it receives notice that a person is unsuitable to be a shareholder or to have any other relationship with William Hill or its subsidiaries, it (i) pays that person any dividend or interest on Ordinary Shares; (ii) allows that person to exercise, directly or indirectly, any voting right conferred through Ordinary Shares held by that person; (iii) pays remuneration in any form to that person for services rendered or otherwise; or (iv) fails to pursue all lawful efforts to require such unsuitable person to relinquish their voting securities for cash at fair market value. Such disciplinary action could include fines or suspension or revocation of William Hill's Nevada licence and if William Hill's Nevada licence is suspended or revoked, William Hill US would be unable to continue to conduct its operations. The occurrence of any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

***Gambling laws and regulations may prevent the Group from maximising opportunities to expand its UK and international online business***

In several countries local regulators are willing to license and regulate local and often state-owned operators, but prohibit foreign operators. The application or enforcement of gambling laws or regulations may adversely affect the Group's business and financial position and even if any such application or enforcement were successfully resisted, the Group may still incur considerable costs in asserting its position. Any resulting dispute may also damage the Group's reputation and brand. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

***The continued international diversification and expansion of the Group may not be successful***

The UK accounted for 91.2 per cent. of the Group's revenues in the 2012 financial year and while increasing the Group's market share in the UK is a key element of the Group's strategy, a further stated aim is to expand its operations internationally to diversify its sources of revenue and to reduce its exposure to the UK economy and the UK's taxation and regulatory framework. Most countries regulate, or in some cases prohibit, gambling activities and while some jurisdictions have indicated that they intend to reduce restrictions, it is uncertain what impact this will have on the industry and whether local regulation will be prohibitive for new market entrants. The limited number of jurisdictions into which the Group could expand in commercially acceptable circumstances and/or a failure by the Group to identify new jurisdictions into which to diversify and thereby reduce its exposure to the UK, could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the success of the Group's international expansion into new geographic markets depends on a number of factors including the ability of the Group to establish and maintain relationships with key partners, suppliers and regulators, the presence of established and entrenched competitors, the ability to develop products and services that are tailored to the needs of local customers, local acceptance or knowledge of the Group's products and services and recognition of the William Hill brand. In order to achieve wide-spread acceptance in each country targeted by the Group, the Board believes the Group must tailor its services to the customs and cultures of that country. Learning the customs and cultures of various countries, particularly with respect to sports betting practices, is difficult and the Group's failure to do so adequately could slow its growth and/or adversely impact its ability to maintain revenues in those countries. For example, the provision of sports betting services to local markets will involve the compilation of odds on local sporting events, which will not be possible without local expertise.

The Group will also face other risks related to international expansion, including delays in the acceptance of the internet as a medium of commerce and sports betting in international markets and difficulties in managing international operations due to, amongst other things, distance, language and cultural differences.

In addition, as a result of social, political and legal differences between jurisdictions, successful marketing in a new jurisdiction often involves local adaptations to the Group's overall marketing strategy. While William Hill has been successful in entering new geographic markets to date, future entry into new geographic markets may not be successful. In particular, William Hill's marketing strategy in new geographic markets may not be well received by target customers or may not otherwise be socially acceptable in that jurisdiction. William Hill may be unable to deal successfully with a new and different local operating environment and there can therefore be no assurance that any attempted expansion and diversification into any new jurisdiction will be successful and any failure in this regard may have a material adverse effect on the Group's business, financial condition and results of operations.

***The success of the Group's business is dependent upon maintaining good relationships with sports and regulatory bodies***

The success of the Group's business is dependent upon its good relationships with regulatory authorities and the principal governing bodies of sport, in particular with the Gambling Commission. The Group engages with government bodies, including its regulators, with regard to the betting and gaming regulatory framework and other issues of shared concern, such as problem gambling, and with the principal governing bodies of sport with regard to sports rights payments (including levies such as the statutory horse racing levy), integrity in sports betting, animal welfare and other issues. However, if the Group fails to maintain such relationships, or if such relationships were adversely affected for any reason, including any action or omission on the part of the Group or negative publicity concerning the Group or the gambling industry, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may be subject to increases in payments related to sports and content costs***

In the UK, the Group is subject to certain financing arrangements intended to support industries from which it profits, such as the statutorily imposed Horserace Betting Levy and the voluntary greyhound racing levy in the UK, which are respectively intended to support the horse racing and greyhound racing industries. The Group is likely to continue to be subject to similar financing arrangements in the future. Any material increase in the current levies paid by the Group as part of such financing arrangements, or any requirement to pay additional levies or fees, could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition to being subject to such subsidies and taxes, the Group enters into contracts with regard to the distribution of television pictures, audio and other data that are broadcast into the Group's LBOs, such as its contracts with Satellite Information Services Limited ("SIS") and Amalgamated Racing Ltd, trading as TurfTV ("TurfTV"), for the provision of live coverage of races from particular courses or other events for which they hold and sell the picture, audio and data rights for onsale into LBOs. The Group is also likely to continue to enter into similar contracts in the future. Any material increase in the cost of such services may have a material adverse impact on the Group's business, financial condition and results of operations.

***The market for online gambling and gaming products and services is in a state of technological change***

The market for online gambling products and services is characterised by technological developments, frequent new product and service introductions and evolving industry standards. The emerging character of these products and services and their evolution requires the Group to use leading technologies effectively, continue to develop the Group's technological expertise, enhance its current products and services and continue to improve the performance, features and reliability of its technology and advanced information systems. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditure to replace, upgrade, modify or adapt the Group's technology and systems, which could negatively impact the Group's business, financial condition and results of operations.

There can be no assurance that the technology and systems currently used by, and being developed by, the Group will be successful, or that they will not be rendered obsolete by new technologies and more advanced systems introduced in the industry or adopted by the Group's competitors. In addition, new internet or other technology-based products, services or enhancements offered by the Group may contain design flaws or other defects and/or require costly modifications or may result in a loss of confidence in the Group's products and services by its customers or loss of revenue, any or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may be adversely affected by negative publicity surrounding the gambling industry***

The gambling industry is at times exposed to negative publicity. This is particularly the case in relation to (a) problem gambling and gambling by minors; (b) the use of gaming machines in LBOs in the UK; and (c) gambling online. Publicity regarding problem gambling and other concerns with the gambling industry, even if not directly connected to the Group and its products, could adversely impact the Group's business, financial condition and results of operations. It is possible that, if the perception develops that the gambling industry is failing to address such concerns adequately, the industry may be subject to increased regulation or taxation. Any such increase in regulation or taxation of the Group could adversely impact the Group's business, financial condition and results of operations.

***The business of the Group is subject to sports schedules***

The Group's business, financial condition and results of operations are affected by the schedule of sports events on which the Group accepts bets, including significant sporting events which may occur at regular but infrequent intervals, such as the FIFA World Cup and the UEFA European Football Championship. Cancellation or curtailment of significant sporting events, for example due to adverse weather conditions or for any other reason (such as the outbreak of foot and mouth disease in the UK in 2001) or the failure of certain sporting teams to qualify for sporting events (such as the failure of the England football team to qualify for the UEFA European Football Championship in 2008), would adversely impact the Group's business, financial condition and results of operations for the period.

***The Group's business, particularly in respect of the online segment, may be adversely affected by competition from other gambling operators***

The Group's business may be adversely affected by competition from other gambling operations. The Group faces competition primarily from other land-based bookmakers, online betting exchanges and other online gambling operators. The Group's competitors are based both inside and outside the UK. In particular, the online gambling market is characterised by intense and substantial competition and by low barriers to entry for new participants. Competition is expected to continue as new operators enter the market and existing operators improve and expand their product offerings. In addition, the Group faces competition from market participants operating in, and benefitting from, low tax jurisdictions. There can be no assurance that competition from other bookmakers, online betting exchanges and other online operators, as well as from suppliers of other betting and gaming products, in any segment of the betting and gaming industry, including the online betting and gaming market, will not have a material adverse effect on the Group's business, financial condition and results of operations.

**Risks relating to the Group**

***The demand for the Group's products may be adversely affected by economic conditions beyond its control***

Demand for the Group's products and services, like those of other participants in any industry, is influenced by general economic trends. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected by general economic trends. The online gambling market, in particular, may be sensitive to economic conditions. The online gambling market is relatively new, as compared to the gambling industry as a whole, and there is insufficient history for the Group to predict the impact that changes in economic conditions will have on the business, financial condition and results of operations of the Group over an extended period of time. The difficult global economic conditions of the last five years are unprecedented in the Group's recent operating history and, if such conditions continue or worsen, there can be no assurance that they will not have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may fail to detect the money laundering or fraudulent activities of its customers***

Certain of the Group's customers may seek to launder money through the Group's business or to increase their winnings through fraudulent activities. In particular, the Group is exposed to online gaming fraud, including collusion between online customers and the use of sophisticated computer programmes that play poker automatically. The Group has put in place a number of processes to detect and report suspicious activity, and to handle requests for assistance from law enforcement agencies and regulators, all of which is overseen by the Group's Money Laundering Reporting Officer ("MLRO"). William Hill Online has put in place the appropriate systems for training, reporting, customer due diligence, monitoring of customer activity, record keeping and screening of risk customers. Where appropriate and in line with its procedures, the Group closes accounts and blocks access to offenders. However, the Group must continually monitor and develop the effectiveness of such controls in response to the changing nature of money laundering or fraudulent activities. If the Group fails to detect the money laundering or fraudulent activities of such offenders, including collusion and automated play, affected customers may experience increased losses and the Group could directly suffer loss or lose the confidence of its customer base in addition to suffering losses itself, or the Group may be in breach of its own legal and/or regulatory obligations, all, any or a combination of which could have a material adverse effect on the Group's business, financial position and results of operations.

***The Group is dependent on a number of third parties for the operation of its business***

William Hill has relationships with a number of key third party suppliers who provide products and services to the Group. For example, in respect of the Group's online segment, Playtech Software Limited ("**Playtech Software**") has contracted to provide gaming software for poker and casino on an exclusive basis until December 2016 to William Hill Online, which means that if Playtech Software is unable to provide the services to the standard expected by William Hill, William Hill may be unable to seek an alternative supplier. In addition, the bets accepted by the Group on its online sportsbook operate on a technology platform supplied by OpenBet, and the Group relies on third parties to make William Hill Online's websites and services accessible to customers via the internet. In the retail channel, SIS and TurfTV provide television pictures and data to the Group's LBOs and gaming machines are supplied by Inspired Gaming. William Hill exercises little control over many of these third party suppliers and is reliant on them to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the products and services they provide. William Hill may not be successful in recovering any losses which result from the failure of third party suppliers to comply with their contractual

obligations to William Hill and third party suppliers may seek to recover losses from the Group under indemnities or in respect of breaches of obligations or warranties under their agreements with William Hill. Such events, or any significant disruption in the supply of products and services to William Hill, or inability to negotiate reasonable terms of renewal, or find suitable replacement suppliers, if the relevant agreements expire or are terminated, or failure to handle current or higher volumes of use by these third party suppliers or any other adverse event in William Hill's relationship with them, could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

***The Group's leverage, debt service obligations and compliance with the related covenants may adversely affect its business, financial condition and results of operations and it may be affected by difficult conditions in the credit markets***

The Group's leverage, debt service obligations and compliance with the related covenants could have negative consequences for the Group, including the following:

- limiting the Group's ability to obtain additional financing in the future, including its ability to refinance its debt;
- because certain of the Group's borrowings are subject to variable interest rates, the Group is exposed to increases in interest rates, thereby reducing the Group's ability to use its cash flow to fund working capital, capital expenditures and general corporate requirements which could affect the Group's ability to expand its business further;
- limiting the Group's flexibility in planning for, or responding to, changes in its business and industry; and
- placing the Group at a competitive disadvantage to other, less leveraged competitors,

each of which, alone or in combination, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is dependent on a limited number of banks for payment processing and cash holding***

Currently there are a limited number of banks that are willing to provide bank accounts and other services to companies operating in the gambling sector, particularly to those companies offering online gambling products and services. Banks regularly review their policy of providing banking services, such as loans, debit and credit card processing and cash handling, to companies operating in certain sectors, including the gambling and online gambling sectors and a bank may decide that it no longer wishes to accept custom from, or provide services to, companies operating in such sectors, or may only continue to do so with certain restrictions. Should some or all banks refuse or otherwise be unable to process gambling transactions, operate bank accounts or hold cash for the Group this could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group currently accepts credit and debit card payments from online and telephone customers and debit cards in LBOs. Certain US-based card schemes and card-issuing institutions currently restrict the use of their credit cards for online gambling transactions. Should any of the major card schemes or card issuing companies stop accepting payment transactions for gambling operations, this may have a material adverse effect on the Group's business, financial condition and results of operations.

***Failure to complete the Proposed Acquisition will result in the termination of William Hill's option to purchase Playtech's interest in William Hill Online***

Under the Framework Agreement, Playtech granted to William Hill Organization Limited an irrevocable call option (the "**Call Option**") to purchase all the shares that William Hill does not already own (the "**JV Shares**") in the two subsidiaries that comprise William Hill Online, WHG Trading and WHG (International) (together, the "**JVCos**"). The Call Option also covers the trademarks and domain names which are the subject of a licence entered into by Playtech and the JVCos (the "**IP Assets**"). The Call Option is exercisable in either 2013 or 2015, on the basis that the acquisition of the JV Shares held by Playtech and IP Assets must be completed by 30 April in the same year that the Call Option is exercised. Therefore in the event that the Proposed Acquisition is not completed by 30 April 2013, William Hill's right to exercise the Call Option in 2015 shall terminate. The termination of the Call Option would mean that William Hill would continue to have access to 71 per cent., rather than the entirety, of the earnings and cash flows of William Hill Online and would also restrict:

- the ability of William Hill to formulate and implement strategy and to operate and grow the William Hill Online business;



- the potential to integrate Sportingbet's Australian and Spanish online businesses (assuming the completion of the acquisition of the same) into William Hill Online; and
- the operational freedom for William Hill Online personnel to collaborate in activities in the wider William Hill Group,

each of which could have an adverse effect on the Group's business, financial condition and results of operations.

***The Group's relatively high fixed cost base as a proportion of its total costs means that falls in revenue could have a significantly adverse effect on the Group's profitability***

The Group has a relatively high fixed cost base as a proportion of its total costs, consisting primarily of staff and rent costs associated with its extensive LBO estate. A decrease in the Group's revenue is likely therefore to have a disproportionately material adverse impact on the Group's profitability if the Group is unable, in the short- to medium-term, to reduce its costs substantially to mitigate the effect of any significant falls in revenue on profit. The Group's profitability is therefore likely to be more significantly and negatively affected by decreases in revenue than would be the case for a company with a more flexible cost base. Any decrease in profitability could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is subject to risks resulting from currency fluctuations and hedging activities***

The Group prepares its financial statements in pounds sterling and generates a proportion of its revenues in other currencies, mainly in Euros through William Hill Online and US dollars through its operations in the State of Nevada and the State of Delaware. Should the acquisition of Sportingbet's Australian online gambling business complete, it will also generate a proportion of its revenues in Australian dollars. The Group has smaller exposure to a number of other currencies which it normally seeks to manage by matching assets and payment obligations. To the extent that its revenues are received in currencies other than pounds sterling and currency exchange rates become unfavourable, the Group may lose some of the economic value of its revenues in pound sterling terms. As the Group expands its international operations, it may receive more of its revenue in currencies other than pounds sterling. Hedging strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures, that are already in place or that may be implemented to mitigate this risk may not eliminate the Group's exposure to foreign exchange rate fluctuations. Any failure by the Group to implement hedging strategies, or to implement such strategies effectively, could result in losses to the Group as a result of such currency fluctuations and hedging activities, either or both of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The defined benefit section of the Group's pensions plan is currently in deficit***

Based on the last formal actuarial valuation of the Group's defined benefit pension scheme there was, as at 30 September 2010, a funding deficit of £58 million. The Group has agreed the terms of a deficit repair recovery plan with the trustees of the scheme which is being and will continue to be implemented over the period from 2011 to 2018. Pursuant to this plan the Group is obliged to make annual contributions to the scheme. The funding position of the defined benefit scheme is subject to a formal actuarial valuation every three years and the valuation is updated informally annually. Under International Accounting Standard (IAS) 19, the pension plan had an aggregate deficit of £21.1 million at the end of the 2012 financial year. The pension plan was closed to further benefit accrual in March 2011. William Hill has committed to progressive deficit recovery payments to the scheme. The calculated amount of the Group's defined pension liabilities is dependent upon certain key assumptions and may vary significantly from year to year. Future changes to the assumptions underlying the calculation of the Group pension obligations (for example, as to rates of investment return or pensioner mortality), or adverse experience relative to those assumptions, may mean that the Group is required to increase contributions to its defined benefit scheme. Further, following the regular funding discussions that William Hill conducts with the trustees, the ongoing contribution rate may increase. Any requirement to increase its contributions could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is highly dependent on technology and advanced information systems, which may fail or be subject to disruption***

The Group's operations, including in particular William Hill Online and the Group's telephone betting operations, are highly dependent on technology and advanced information systems, and there is a risk that such technology or systems could fail. In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, denial of

service attacks, increase in volume of online services usage, sabotage, natural hazards or disasters or other similarly disruptive events, including other security breaches. There can be no assurance that the Group's current systems are or will continue to be able to support a significant increase in online traffic or increased customer numbers. Although the Group has in place business continuity procedures and security measures in the event of network failure or disruption, including backup IT systems for business critical systems, generally in different geographic locations from the main system, these are not, and are not intended to be, a full duplication of the Group's operational systems. Should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, there may be a material adverse effect on the Group's business, financial condition and results of operations.

In particular, the performance of the Group's online services is critical to achieving, maintaining and expanding market acceptance of William Hill Online given its increasing importance to the Group's operations. Any network failure or disruption that causes interruption or an increase in response time of the Group's online services could result in decreased usage of William Hill Online and, if sustained or repeated, could reduce the attractiveness of William Hill Online to its customers, which would adversely impact the Group's business, financial condition and results of operations.

Furthermore, the Group may at any time be required to expend significant capital or other resources to protect against network failure and disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and other maintenance are not completed efficiently or there are operational failures, the quality of product and service experienced by the customer will decline. If, as a result, customers were to reduce or stop their use of the Group's products and services, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's online systems may be vulnerable to hacker intrusion, "DDoS", malicious viruses and other cyber crime attacks.***

As with all online gambling companies, the William Hill Online business and, following its acquisition, the Sportingbet business may be vulnerable to cyber crime attacks which could adversely affect its business. These attacks may include distributed denial of service ("DDoS") attacks and other forms of cyber crime, such as attempts by computer hackers to gain access to the Group's systems and databases for the purposes of manipulating results. Any such attacks may cause systems failure and/or business disruption and could have a material adverse effect on the Group's business, financial condition and results of operations. Such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend against. If the Group fails to implement adequate prevention measures or should any such prevention measures fail or be circumvented, the Group's reputation may be harmed, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may be subject to privacy or data protection failures***

The Group is subject to regulation regarding the use of personal customer and credit card data. The Group processes sensitive personal customer data (including name, address, age, bank details, credit card details and betting and gaming history) as part of its business and therefore must comply with strict data protection and privacy laws in the jurisdictions in which the Group operates. Such laws restrict the Group's ability to collect and use personal information relating to players and potential players including the use of that information for marketing purposes. William Hill relies on third party contractors as well as its own employees to maintain its databases and seeks to ensure that procedures are in place to ensure compliance with the relevant data protection regulations. Notwithstanding such efforts, the Group is exposed to the risk that these data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information and payment details online in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of the goodwill of its customers and deter new customers which would have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may not keep up to date with the consumer trends and product development in its online business***

Trends in internet-based activities are rapidly changing, particularly the increasing use of social websites, such as Facebook, for gaming activities. The operators of such sites and activities are exploring the potential of real-money betting and gaming. This could encourage new competitors into the gambling market and/or encourage existing

online gambling operators to expand into social gaming activities as a means of reaching a wider population of potential gambling customers. Certain online gambling operators are already making significant investments in this area. The Group's ability to compete may be adversely affected if it fails to exploit emerging trends and product developments of which competitors take advantage, which may have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group cannot guarantee the success or growth of its online business and in particular its mobile phone applications***

The Group's William Hill Online joint venture has established itself as the UK's leading online betting and gaming business by revenue and 31.9 per cent. of Group revenue was generated by the online segment in the 2012 financial year. The market for online gaming and gambling products and services is characterised by rapid technological developments, frequent new product and service introductions and evolving industry standards. The emerging character of these products and services and their evolution requires the Group to use leading technologies effectively, employ personnel with specialist experience, continue to develop the Group's technological expertise, enhance the Group's current products and services and continue to improve the performance, features and reliability of the Group's technology and advanced information systems. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditure to replace, upgrade, modify or adapt the Group's technology and systems. If the Group fails to keep pace with technological developments and industry standards or to introduce new products and services that satisfy customer demands, it could have a material adverse effect on the Group's business, financial condition and results of operations.

There can be no assurance that the Group's current systems will continue to provide adequate support for the Group's online segment, or that they will not be rendered obsolete by new technologies or more advanced systems introduced in the industry or adopted by its competitors. In addition, new internet or other technology-based products, services or enhancements that the Group offers may contain design flaws or other defects, may require modifications or may cause the Group's customers to lose confidence in its products and services or may otherwise not be acceptable to the Group's customers. The occurrence of one or more of these events could have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, the Group depends on third party technology providers for the development and maintenance of its systems, and any failure to maintain relationships with such providers would negatively impact the Group's business, financial condition and results of operations.

In addition, the market for mobile websites and downloadable applications permitting sports betting, bingo, games and other activities from a mobile device is a new market. William Hill Online launched its mobile sportsbook website in 2011 and sportsbook mobile phone application ("app") in the Apple Inc.'s app store in February 2012 (the "Apple App Store"). The William Hill sportsbook app has been the highest rated betting app since its launch in the Apple App Store in February 2012, and was downloaded more than 668,000 times in the first year. No assurances can be given that there will be continued commercial acceptance of the Group's apps, that other competing mobile apps will not be developed that adversely affect the commercial acceptance of the Group's mobile app, or that the Group's ability to capitalise on any available growth opportunities will not be adversely affected by other risk factors previously discussed, any or all of which could have a material adverse effect on the Group's business, financial condition or results of operations.

***The Group relies on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business***

The successful management and operations of the Group are reliant upon the contributions of its senior management team and other key personnel, including betting control staff, who review referred bets for approval, odds compilers and online international risk managers, who control the odds compilation liabilities of the Group, and senior management of its online operations. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified employees. There is intense competition in the betting and gaming industry for skilled personnel, in particular for qualified bet pricing and risk management personnel. Although the Group takes steps to protect itself in relation to the loss of key personnel (such as the inclusion of restrictive covenants and/or 'gardening leave' provisions in the employment contracts of such personnel), the loss of service of any of the Group's senior management team or other key personnel, or an inability of the Group to attract new personnel, could have a material adverse effect on the Group's business, financial condition and results of operations.

***Any failure to determine accurately the odds at which William Hill accepts bets in relation to any particular event and/or any failure of the Group's risk management processes could have a material adverse effect on the Group's business, financial condition and results of operations***

The Group employs odds compilers (who determine the odds at which William Hill will accept bets in relation to any particular event) and risk managers (who seek to control liabilities). Although the Board considers the team of odds compilers to have the appropriate knowledge and expertise and the automated systems they use to be robust, there can be no assurance that errors of judgment or other mistakes will not be made in relation to the compilation of odds or that the systems the Group has in place to limit risk will be consistently successful. Any significant misjudgements or mistakes made by the Group in relation to odds compilation and/or the failure of the Group's risk management systems could result in the Group incurring significant losses on a gross win basis which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may experience significant losses with respect to individual events or betting outcomes***

The Group's fixed-odds sports betting products involve betting where winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. Bets in excess of certain defined limits must be referred to the Group's betting control department. In addition, in relation to the online segment, there are individual limits on winnings for any individual client on any given day. However, there is potentially no upper limit on the losses that could be incurred by the Group in relation to each betting outcome. A bookmaker's odds are determined so as to provide an average return to the bookmaker over a large number of events although there is an inherently high level of variation in gross win margin event-by-event and day-by-day. In the long term, the Group's gross win margin has historically remained fairly constant. In the short term there is less certainty of generating a positive gross win and the Group has from time to time experienced significant losses with respect to individual events or betting outcomes. Although the Group has systems and controls in place which seek to reduce the risk of daily losses occurring on a gross win basis (including bet acceptance limits and hedging arrangements in relation to betting on horse racing), there can be no assurance that these systems and controls will be effective in reducing the Group's exposure to this risk. The effect of future fluctuations and single-event losses could have a material adverse effect on the Group's cash flows and therefore a material adverse effect on its business, financial condition and results of operations.

***The integration of Sportingbet's Australian and Spanish online businesses could result in operating difficulties and other adverse consequences***

Should the Group complete the acquisition of Sportingbet's Australian and Spanish online businesses, the Group will have to integrate such businesses into the Group and its operational structure and planning for such integration has already commenced. The integration of the businesses may, however, create unforeseen operating difficulties and expenditures and pose management, administrative and financial challenges. Specifically, integrating operations and personnel may prove more difficult, and post-completion costs may prove more expensive, than anticipated. The integration of the businesses may require significant time and effort on the part of the Group's management. The challenges of integrating the businesses may also be exacerbated by differences between the Group's and the businesses' operational and business culture, the need to implement cost cutting measures, difficulties in maintaining internal controls and difficulties in establishing control over cash flows and expenditures which could have an adverse effect on the Group's business, financial condition and results of operations.

***Businesses acquired by the Group may not perform as expected***

The Group's strategy encompasses organic growth and, where appropriate, growth through targeted acquisitions. In assessing any potential acquisitions, the Group undertakes appropriate legal and business due diligence but bases its assessment of the target business or asset on forecasts of future performance. These are compiled based on the best information then available to the Group. There can be no assurances that any acquisition, including the acquisition of the US businesses and the proposed acquisition of Sportingbet's Australian and Spanish online businesses, will perform in line with any forecasts made (in respect of synergies or otherwise) and any expectations held at the time the acquisition is made. To the extent any such acquisitions do not meet these forecasts or expectations, it may have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's intellectual property could be subject to infringement by third parties or claims of infringement of third parties' rights***

The Group regards its copyright, trademarks, domain names, trade secrets, customer databases and similar intellectual property as critical to its success. The Group relies on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and other contractual provisions in order to protect its intellectual property.

There can be no assurance that these efforts will be adequate, or that third parties will not infringe upon or misappropriate the Group's proprietary rights. In addition, although the Group has trademark and copyright protection, enforcement is limited in certain jurisdictions, and the global nature of the internet makes it impossible to control the ultimate destination of websites.

The Group may be the subject of claims of infringement of the rights of others or party to claims to determine the scope and validity of the intellectual property rights of others. Litigation based on such claims is common amongst companies in the internet, technology and online gaming industries. Such claims, whether or not valid could require the Group to spend significant sums in litigation, pay damages, re-brand or re-engineer services, acquire licences to third party intellectual property and distract management attention from the business, which may have a material and adverse effect on its business, financial condition and results of operations.

***Failure by the Group to maintain and enhance its brand could have a material and adverse effect on its business, financial condition and results of operations***

The success of the Group is dependent in part on the strength of its William Hill brand. The Board believes that William Hill's long-established, trusted and widely recognised brand and reputation represent a significant competitive advantage in the development of its betting and gaming activities. The Board further believes that, as the gambling industry becomes increasingly competitive, the success of the Group will be dependent on maintaining and enhancing its brand strength. If the Group is unable to maintain and enhance the strength of the William Hill brand, then its ability to retain and expand its customer base and its attractiveness to existing and potential partners may be impaired and operating results could be adversely affected. Maintaining and enhancing the William Hill brand may require the Group to make substantial investments, including the continued development of its LBO estate and online channel, which investments may not be successful. If the Group fails to maintain and enhance the William Hill brand successfully, or if the Group incurs excessive expenses or makes unsuccessful investments in this effort, its business, financial condition and results of operations may be adversely affected. The Board anticipates that, as the gambling industry becomes increasingly competitive, maintaining and enhancing William Hill's brand may become increasingly difficult and expensive. Moreover, maintaining and enhancing its brand will rely in part on William Hill's ability to provide up-to-date technology and to provide high quality products and services both online and in LBOs, which William Hill may not do successfully. Any failure by the Group to maintain or enhance, in whole or in part, the William Hill brand, could have a material adverse effect on the Group's business, financial condition and results of operations.

**Risks relating to the Rights Issue and the Ordinary Shares**

***The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are outside of the Group's control***

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are outside the Group's control, including amongst other factors:

- variations in the results of operations in the Company's reporting periods;
- changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- changes in the performance of the betting and gaming industry as a whole and of the Company's competitors;
- the entrance of new competitors and their positions in the market;
- announcements by the Company of its financial results;
- announcements by the Company of significant corporate events;

- involvement of the Group in litigation;
- future issues or sales of Ordinary Shares; and
- fluctuations in stock market prices and volumes, and general market volatility.

Any or all of these events could result in a material decline in the market price of the Ordinary Shares, regardless of the actual performance of the Group. Shareholders should be aware that the value of Ordinary Shares may also go down as well as up and may not always reflect the underlying asset values or prospects of the Company.

***Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of William Hill***

Those Shareholders, including Shareholders in the United States and other jurisdictions where Shareholder participation in the Rights Issue is restricted or prohibited for legal, regulatory or other reasons, who do not participate in the Rights Issue (either by not taking up their full entitlement under the Rights Issue or otherwise) will suffer a reduction in their proportionate ownership and voting interest in the Company's share capital as represented by their holding of Ordinary Shares immediately following the issue of New Ordinary Shares pursuant to the Rights Issue. Even if a Qualifying Shareholder elects to sell his unexercised Nil Paid Rights, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

If a Qualifying Shareholder neither takes up the offer of New Ordinary Shares nor sells his unexercised Nil Paid Rights, the Joint Global Coordinators have agreed with the Company to use their reasonable endeavours to procure subscribers for the New Ordinary Shares. The Joint Global Coordinators may cease to endeavour to procure subscribers at any time and may not be able to procure subscribers at a price for New Ordinary Shares that exceeds the total of the Issue Price and associated expenses. Even if subscribers are procured for the New Ordinary Shares by the Joint Global Coordinators, the consideration that Qualifying Shareholders receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Company's Share Capital that may be caused as a result of the Rights Issue.

***Shareholders outside the United Kingdom may not be able to subscribe for New Ordinary Shares in the Rights Issue or for future issues of Ordinary Shares***

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders based in such jurisdictions in the Rights Issue. In particular, holders of Ordinary Shares who are located in the United States may not be able to exercise their Rights under this Rights Issue unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in the Rights Issue or any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares. If any Qualifying Shareholder is not able to take up Rights granted in respect of Existing Ordinary Shares under the Rights Issue, then they may not receive the economic benefit of such Rights because there is no assurance that the procedure in respect of Rights not taken up described in Part III of this document will be successful in either selling the Nil Paid Rights or obtaining a price in excess of the Issue Price and associated expenses.

***An active trading market in the Nil Paid Rights and/or Fully Paid Rights may not develop and there may be volatility in the trading price of the Nil Paid Rights and/or Fully Paid Rights***

An active trading market in the Nil Paid Rights and/or Fully Paid Rights may not develop on the London Stock Exchange (the only exchange on which the Nil Paid Rights and Fully Paid Rights will be traded) since the Nil Paid Rights and Fully Paid Rights will have a lower value than the Ordinary Shares and will only have a limited trading life. In addition, because the trading price of the Nil Paid Rights and Fully Paid Rights depends on the trading price of the Ordinary Shares, the price of the Nil Paid Rights and Fully Paid Rights will be subject to the same risks as the price of Ordinary Shares and any volatility in the price of the Ordinary Shares may increase volatility in the trading price of the Nil Paid Rights and Fully Paid Rights.

***The Company's ability to pay dividends and effect returns of capital in the future is uncertain***

The ability of William Hill to pay dividends on the Ordinary Shares and effect certain returns of capital is dependent upon, among other things, it having sufficient cash resources and, where necessary, sufficient distributable reserves out of which any proposed dividend may be paid. William Hill can give no assurances that it will be able to pay a dividend or make any other return of capital on the Ordinary Shares in the future (whether in cash or another form). The dividend policy of the Company is set out at section 12 of Part I of this document.

***Shareholders may be subject to exchange rate risks***

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares are priced in pounds sterling, and will be quoted and traded in pounds sterling. In addition, any dividends the Company may pay will be declared and paid in pounds sterling. Accordingly, Shareholders resident in non-UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against the pound sterling, which may reduce the value of the Nil Paid Rights and the New Ordinary Shares, as well as that of any dividends paid.

**Additional Risks for Qualifying US Investors**

***The rights of holders of Ordinary Shares are governed by English law. Not all rights available to shareholders under US law will be available to US investors***

Rights afforded to holders of Ordinary Shares under English law differ in certain respects from the rights of shareholders in typical US corporations. The rights of holders of Ordinary Shares are governed by English law as well as the Articles. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US corporation.

***US investors may not be able to bring suits or enforce civil judgments of US courts against the Company or its Directors, controlling persons and officers***

The Company is incorporated under the laws of England and Wales. The Directors and executive officers of the Company are citizens or residents of countries other than the United States. A substantial portion of the assets of such persons and a substantial portion of the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the US federal securities laws or the securities laws of any state or territory within the United States.

## GENERAL INFORMATION

### General notice

Each of the Banks is acting exclusively for the Company in relation to the Rights Issue and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Banks or for providing advice in relation to the Rights Issue, the contents of this document or any matters referred to in this document.

Each of the Banks, as underwriters of the Rights Issue, may engage in trading activity for the purpose of hedging its commitments under the Underwriting Agreement. Such activity may include purchases and sales of securities of the Company and related or other securities or instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights).

In connection with the Rights Issue, each of the Banks and any of their respective affiliates, acting as an investor for their own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer or sell such New Ordinary Shares or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to the Banks or any of their respective affiliates acting in such capacity. Neither the Banks nor any of their respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

A letter from the Chairman of the Company, which contains the unanimous recommendation of the Board of the Company to vote in favour of the Proposed Acquisition Resolution and the 2008 LTIP Resolution is set out in Part I of this document. A meeting to consider the proposals contained in this document will be held at 9.00 a.m. on 18 March 2013 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

### Notice to investors in European Economic Area

In relation to each Relevant Member State, an offer to the public of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural legal persons (other than qualified investors as defined in the Prospective Directive), subject to obtaining the prior consent of the Banks; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the Company or any of the Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the Banks and with the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression **an offer to the public** in relation to any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be



deemed to have represented, acknowledged and agreed that the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and the Banks has been obtained to each such proposed offer or resale. Each of the Company and the Banks and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person outside the UK who is not a qualified investor and who has notified the Company and the Banks of such fact in writing may, with the consent of the Company and the Banks, be permitted to subscribe for or purchase New Ordinary Shares, Nil Paid Rights or Fully Paid Rights in the Rights Issue.

### **Notice to Qualifying US Investors**

This document has been prepared in accordance with UK format and style, which differs from US format and style. In particular, but without limitation, the financial information contained in this document has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and also in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS”). They may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles.

Qualifying US Investors may be entitled to participate in the Rights Issue in the United States on a private placement basis if they complete and deliver the investor representation letter substantially in the form described in section 9.3 of Part III of this document.

### **Notice to investors in Canada**

The New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have not been or will not be registered under the securities legislation of any province or territory of Canada. Subject to certain exceptions, the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will not be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into Canada. Therefore, subject to certain exceptions, no offer or sale of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be made within Canada and no Provisional Allotment Letters will be sent to, nor will any Nil Paid Rights be credited to, a stock account in CREST on behalf of any Shareholder with a registered address or who is resident or located in Canada.

### **Dubai International Financial Centre**

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been offered and will not be offered to any person in the Dubai International Financial Centre unless such offer is:

- (a) deemed to be an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### **Hong Kong**

None of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares have been offered or sold, or will be offered or sold, in Hong Kong by means of any document, other than:

- (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or
- (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares has been issued or has been in the possession of any person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purposes of

issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares that are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Singapore**

The Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares has not been and will not be circulated or distributed, nor have any of the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares been or will be offered or sold, or have been or will be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289, of Singapore (the “**Securities and Futures Act**”);
- (b) to a relevant person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

### **Notice to all overseas investors**

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the UK, should read section 8 of Part III of this document.

### **Notice to all investors**

The distribution of this document and/or the Provisional Allotment Letters into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the United States (subject to certain exceptions) or any of the Restricted Jurisdictions or into any other jurisdiction where the extension or availability of the Rights Issue would breach any applicable law. For further information on the manner of distribution of the New Ordinary Shares, and transfer restrictions to which they are subject, see section 1 of Part III of this document.

The New Ordinary Shares, Nil Paid Rights and Fully Paid Rights are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in section 8 of Part III of this document. No action has been taken by the Company that would permit an offer of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to its date.

### **Notice to investors outside the United States**

Each person to whom the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares to have made the representations and warranties, on his behalf and on behalf of any investor accounts for which he is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, set out in section 9.1 or 9.2 of Part III of this document, as applicable

Each subscriber or purchaser acknowledges that the Company and each of the Banks will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company and the Banks. If such subscriber or purchaser is subscribing for, or purchasing, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

### **Own investigation**

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser and/or tax adviser for advice. None of the Company or any of the Banks, nor any of their respective representatives is making any representation to any offeree or purchaser of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights regarding the legality of an investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

Any decision in connection with the Rights Issue should be made solely on the basis of the information contained in this document. Without limitation to the foregoing, reliance should not be placed on any information in announcements released by the Company prior to the date hereof, except to the extent that such information is repeated or incorporated by reference into this document.

Any reproduction or distribution of this document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights offered or otherwise made available hereby, is prohibited. Each offeree of the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights by accepting delivery of this document agrees to the foregoing.

Apart from the responsibilities and liabilities, if any, which may be imposed on it or them under FSMA or the regulatory regime established thereunder: (i) none of the Banks accepts any responsibility whatsoever and makes no representation or warranty, express or implied, in relation to the content of this document, including its accuracy, completeness or verification or in relation to any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Rights Issue, the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future; and (ii) each of the Banks accordingly disclaims, to the fullest extent permitted by law, all and any liability whatsoever, whether arising in tort, contract or otherwise (except as referred to above) which it might otherwise have in respect of this document or any such statement.

None of the Banks nor any person acting on behalf of any of them, accepts any responsibility or obligation to update, review or revise the information in this document or to publish or distribute any information which comes to its or their attention after the date of this document, and the distribution of this document shall not constitute a representation by any of the Banks or any such person, that this document will be updated, reviewed or revised or that any such information will be published or distributed after the date hereof.

No representation or warranty, express or implied, is made by any of the Banks as to the accuracy, completeness or verification of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. None of the Banks assumes any responsibility for its accuracy, completeness or verification and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

### **Information not contained in this document**

No person has been authorised to give any information or make any representation other than those contained in or incorporated by reference into this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or any of the Banks or any other person. Subject to the

requirements of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in or incorporated by reference into this document is correct as of any time subsequent to the date hereof.

Recipients of this document acknowledge that: (i) they have not relied on any of the Banks or any person affiliated with it in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Group, or the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Banks.

#### **No incorporation of website information**

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to the Company's website have not been verified and do not form part of this document and investors should not rely on it, except where expressly incorporated by reference within the "*Documents Incorporated by Reference*" section of this document.

#### **Information regarding forward-looking statements**

This document includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "*Summary*", "*Risk Factors*", "*Information on the Group*" and "*Operating and Financial Review*" regarding the Company's strategy, dividend policy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. 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. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "*Risk Factors*."

These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and Transparency Rules and/or the Prospectus Rules, the Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The forward-looking statements contained in this document do not in any way seek to qualify the working capital statement as set out in section 9 of Part VII of this document.

#### **Presentation of financial information**

The Group prepares its consolidated financial statements on the basis of a 52- or 53-week financial period, generally ending on the Tuesday closest to the 31 December in each year. The periods analysed in this document are for the 53 weeks ended 1 January 2013 (the "**2012 financial year**"), the 52 weeks ended 27 December 2011 (the "**2011 financial year**") and the 52 weeks ended 28 December 2010 (the "**2010 financial year**"). The audited consolidated financial statements of the Group for the 2012, 2011 and 2010 financial years, respectively, are incorporated by reference into this document. The Group prepares its consolidated financial statements in accordance with IFRS. References in this document to the "**2009 financial year**" are to the 52 weeks ended 29 December 2009 and to the "**2008 financial year**" are to the 52 weeks ended 30 December 2008.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

## **Non-IFRS measures**

The Board assesses the financial performance of the Group's business using a variety of key financial measures of the Group's performance. Some of these measures are termed "non-IFRS measures" because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. A summary of the key performance measures discussed in this document, and of how such measures are used by the Board, is presented below, including cross-references to the sections of this document in which these non-IFRS measures are reconciled to the most directly comparable measure calculated in accordance with IFRS. The Board does not regard these non-IFRS measures as a substitute for the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-IFRS measures presented below may not be directly comparable to similarly-titled measures used by other companies, including competitors of William Hill.

### *Operating profit*

The Board considers operating profit to be a key financial indicator of the Group's performance. Operating profit is defined by William Hill as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions. The Board considers operating profit to be a useful indicator of the operating performance of the business because it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items. Operating profit excludes items that can have a significant impact on the Group's profit or loss and should, therefore, be used in conjunction with, and not as a substitute for, profit before interest and tax. For a reconciliation of profit before interest and tax to operating profit for each of the financial years discussed in this document, see "*Other financial and performance indicators — Operating profit*" in Part VI of this document.

Ordinarily, the operating profit generated by the Group's retail and online segments will exceed 100 per cent. of Group operating profit primarily because Group operating profit includes the operating loss in the corporate segment resulting from unallocated central corporate costs.

### *Adjusted EPS*

William Hill defines Adjusted earnings per share ("**EPS**") as EPS adjusted for exceptional items and the post-tax impact of the amortisation of intangible assets arising from acquisitions. For the same reasons explained above under "*Operating profit*", the Board believes that Adjusted EPS is a useful indicator for assessing the value of the Company's Ordinary Shares (for example, by way of price earnings multiples). Adjusted EPS excludes items that can have a significant effect on the Group's profit or loss and should, therefore, be used in conjunction with, and not as a substitute for, EPS as calculated under IFRS. For a reconciliation of EPS to Adjusted EPS for each of the financial years discussed in this document, see "*Other financial and performance indicators — Adjusted EPS*" in Part VI of this document.

### *Gross win margin*

Gross win margin is a non-IFRS measure defined as gross win divided by amounts wagered and represents the percentage of amounts wagered that is retained by the Group. The Board believes that gross win margin is useful in assessing the Group's ability to generate revenues from the amounts wagered by customers and that it provides a basis for assessing the profitability of certain activities of the Group. Gross win margin is used by the Board to evaluate performance of over-the-counter activities in the retail segment and sportsbook activities in the online segment. Gross win margin is less relevant to activities that have fixed odds such as gaming activities. Gross win margin excludes items that can have a significant effect on the Group's profit or loss and should, therefore, be used in conjunction with revenue as calculated under IFRS.

Gross win, defined as amounts wagered before the deduction of free bets, bonuses and other goodwill gestures (in the online segment) less customer winnings, is a non-IFRS measure which the Board uses primarily to calculate gross win margin for certain activities of the Group, as described in the preceding paragraph. In addition, as described under "*Factors affecting the Group's results of operations — Taxation and Levies*" in Part VI of this document, certain taxes and duties, including betting duty and the Horserace Betting Levy, are levied based on

gross win. Also as described in that section, the Company views gross win as being useful in assessing the underlying performance of gaming machines because, in contrast to revenue, machines gross win is not impacted by the new Machine Games Duty regime. For over-the-counter activities in the retail segment, gross win equates to revenue as free bets, bonuses and goodwill gestures are deducted from amounts wagered, while for sportsbook activities in the online segment gross win is directly related to revenue, with revenue being gross win less fair value adjustments for free bets, bonuses and goodwill gestures. For a reconciliation of revenue for sportsbook activities in the online segment to gross win for these activities for each of the financial years discussed in this document, see “*Factors affecting the Group’s results of operations — Gross win margin*” in Part VI of this document.

### **Sourcing of information**

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as William Hill is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Unless otherwise indicated, all sources for industry data and statistics are estimates or forecasts contained in or derived from internal or industry sources that William Hill believes to be reliable. Market data used throughout this document was obtained from independent experts, independent industry publications and other publicly available information. Although the Company believes that these sources are reliable, it has not independently verified and does not guarantee the accuracy and completeness of this information.

Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this document should be viewed with caution and no representation or warranty is given by any person as to their accuracy.

### **References to time**

Unless otherwise stated, all references to time in this document are to the time in London, United Kingdom.

### **Defined terms**

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined in the Definitions and Glossary sections, respectively of this document.

## DIRECTORS, COMPANY SECRETARY AND ADVISERS

### Directors

Gareth Davis	<i>(Non-executive Chairman)</i>
Ralph Topping	<i>(Chief Executive)</i>
Neil Cooper	<i>(Group Finance Director)</i>
David Edmonds	<i>(Senior Independent Non-executive Director)</i>
Georgina Harvey	<i>(Non-executive Director)</i>
Ashley Highfield	<i>(Non-executive Director)</i>
David Lowden	<i>(Non-executive Director)</i>
Imelda Walsh	<i>(Non-executive Director)</i>

All of Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

### General Counsel and Company Secretary

Thomas Murphy

### Sole Sponsor and Financial Adviser, Joint Global Coordinator and Joint Bookrunner

Citigroup Global Markets Limited  
Citigroup Centre  
Canada Square  
London E14 5LB

### Joint Global Coordinator and Joint Bookrunner

Investec Bank plc  
2 Gresham Street  
London EC2V 7QP

### Joint Bookrunner

Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

### Auditors

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

### Legal advisers to the Company as to English and US law

Ashurst LLP  
Broadwalk House  
5 Appold Street  
London EC2A 2HA

### Legal advisers to the Sole Sponsor, the Joint Global Coordinators and the Joint Bookrunners as to English and US law

Skadden, Arps, Slate, Meagher & Flom (UK) LLP  
40 Bank Street  
Canary Wharf  
London E14 5DS

### Registrar and Receiving Agent

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZY

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2013

Announcement of the Rights Issue .....	7.00 a.m. on 1 March
Publication and despatch of this document and Form of Proxy .....	1 March
Ex-dividend date for the Ordinary Shares .....	13 March
Record Date for entitlements under the Rights Issue .....	close of business on 14 March
Record date for the proposed final dividend .....	15 March
Latest time and date for receipt of Forms of Proxy .....	9.00 a.m. on 16 March
<b>Extraordinary General Meeting</b> .....	9.00 a.m. on 18 March
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only) <sup>(1)</sup> .....	18 March
Start of subscription period .....	8.00 a.m. on 19 March
<b>Admission/Commencement of dealings in Nil Paid Rights on the London Stock Exchange</b> .....	8.00 a.m. on 19 March
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange .....	8.00 a.m. on 19 March
Stock accounts credited with Nil Paid Rights (for Qualifying CREST Shareholders) .....	8.00 a.m. on 19 March
Nil Paid Rights and Fully Paid Rights enabled in CREST .....	8.00 a.m. on 19 March
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form) .....	4.30 p.m. on 27 March
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them into uncertificated form) .....	3.00 p.m. on 28 March
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid .....	3.00 p.m. on 2 April
<b>Latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters</b> .....	11.00 a.m. on 4 April
Announcement of the results of the Rights Issue through a Regulatory Information Service ...	7.00 a.m. on 5 April
Commencement of dealing in New Ordinary Shares fully paid on the London Stock Exchange .....	8.00 a.m. on 5 April
New Ordinary Shares credited to CREST stock accounts .....	8.00 a.m. on 5 April
Despatch of definitive share certificates for New Ordinary Shares in certificated form .....	12 April
Payment of the proposed final dividend .....	7 June

### Notes:

- (1) Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the UK, details of which are set out in Part III of this document.
- (2) References to times in this document are to London time unless otherwise stated.



- (3) The times and dates set out in the expected timetable are indicative only and of principal events above and mentioned in this document and in the Provisional Allotment Letters may be adjusted by William Hill in consultation with the Banks in which event details of the new times and dates will be notified to the FSA, London Stock Exchange and, where appropriate, Qualifying Shareholders.
- (4) If you have any queries on the procedure for acceptance and payment, you should contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY on 0870 703 6251 or from outside the UK on +44 870 703 6251. The Shareholder Helpline is available from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday, excluding bank holidays. Calls to the Shareholder Helpline number are charged at approximately 10 pence per minute (including VAT) plus any of your service provider's network extras. Calls to the Shareholder Helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Please note that Computershare cannot provide financial advice on the Rights Issue or as to whether or not you should take up your rights under the Rights Issue.

## RIGHTS ISSUE STATISTICS

Issue Price per New Ordinary Share .....	245 pence
Basis of Rights Issue .....	2 New Ordinary Shares for every 9 Existing Ordinary Shares
Number of Ordinary Shares in issue at the date of this document .....	705,923,552
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue .....	156,871,900
Number of Ordinary Shares in issue immediately following the Rights Issue .....	862,795,452
Estimated net proceeds of the Rights Issue .....	£375 million
New Ordinary Shares to be issued in connection with the Rights Issue as a percentage of the Enlarged Share Capital .....	18%

**Note:** The number of Ordinary Shares in issue immediately following the Rights Issue assumes that no Ordinary Shares are issued under options or awards that vest under the Employee Share Schemes or otherwise between the date of this document and the completion of the Rights Issue.

PART I

LETTER FROM THE CHAIRMAN OF WILLIAM HILL PLC



*Directors*

Gareth Davis (*Non-executive Chairman*)  
Ralph Topping (*Chief Executive*)  
Neil Cooper (*Group Finance Director*)  
David Edmonds (*Senior Independent Non-executive Director*)  
Georgina Harvey (*Non-executive Director*)  
Ashley Highfield (*Non-executive Director*)  
David Lowden (*Non-executive Director*)  
Imelda Walsh (*Non-executive Director*)

*Registered in England & Wales*  
*(No: 4212563)*  
*Registered Office:*  
Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

1 March 2013

*To Shareholders and, for information only, to participants in the Employee Share Schemes*

Dear Shareholder,

**2 FOR 9 RIGHTS ISSUE OF 156,871,900 NEW ORDINARY SHARES  
AT 245 PENCE PER NEW ORDINARY SHARE**

**AND**

**RELATED PARTY TRANSACTION**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Your Board has today announced the proposed acquisition of the 29 per cent. of William Hill Online that the Group does not already own from the Playtech Group for a total cash consideration of approximately £424 million (the "**Proposed Acquisition**"). The Board intends to raise approximately £375 million (net of expenses) through a Rights Issue which, together with approximately £50 million from part of the 2012 Bridge Credit Facility, will be used to finance the Proposed Acquisition whilst maintaining an appropriate capital structure for the Group.

The Group's William Hill Online joint venture is the UK's leading online betting and gaming business by revenue<sup>8</sup>, and enables customers to access sports betting, casino games, poker and bingo via all or some of the internet, telephone, mobile devices and by text-based services. William Hill currently owns 71 per cent. and Playtech 29 per cent. of the William Hill Online joint venture. On a fully consolidated basis the percentage contribution of the Group's online segment to the Group's revenue has increased from 23.5 per cent. in the 2010 financial year to 31.9 per cent. in the 2012 financial year. On the same basis and over the same period, operating profit<sup>9</sup> contributed by the Group's online segment has increased from 32.9 per cent. to 44.0 per cent.

The Proposed Acquisition is classified under the Listing Rules as a related party transaction requiring the approval of William Hill Shareholders on account of Playtech's 29 per cent. shareholding in each of the JVCos comprising William Hill Online, which are subsidiaries of William Hill PLC, and also as a result of Playtech's right, if exercised, to elect for a portion of the consideration for the Proposed Acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time, such shares, if any, to be subject to a lock-up for a 12-month period

<sup>8</sup> Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

<sup>9</sup> Operating profit is a non-IFRS measure defined by William Hill as pre-exceptional profit before interest and tax, before amortisation of specifically identified intangible assets recognised on acquisition. See "*General Information — Non-IFRS measures*" for further information.

commencing on the date of their issue to Playtech. In accordance with the terms of the Framework Agreement, the value attributed to these Ordinary Shares would be the theoretical ex-rights price of £3.76 per share. As at the date of this document, Playtech has indicated to the Company that it does not intend to take Ordinary Shares and as such William Hill is funding the Proposed Acquisition on that basis.

The 2 for 9 Rights Issue will entail the issue of up to 156,871,900 New Ordinary Shares at a price of 245 pence per New Ordinary Share (which represents a 39.5 per cent. discount to the closing middle market price per Ordinary Share on 28 February 2013, the last practicable date before the announcement of the Proposed Acquisition and Rights Issue and a discount of 34.8 per cent. to the theoretical ex-rights price on the same basis). This represents a 38.3 per cent. discount to that closing middle market price adjusted for the proposed final dividend of 7.8 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 15 March 2013, and a discount of 33.7 per cent. to the theoretical ex-rights price on the same basis.

The New Ordinary Shares to be issued under the Rights Issue, when fully paid, will rank *pari passu* with the Existing Ordinary Shares, save that they will not rank for the proposed final dividend of 7.8 pence in relation to the 2012 financial year, which is due to be paid on 7 June 2013.

The approval of Shareholders is also being sought for the William Hill Online Long Term Incentive Plan 2008 (the “**2008 LTIP**”) in order to permit the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury under this plan.

The purpose of this document is to explain the background to and reasons for the Proposed Acquisition and the Rights Issue and to provide you with notice of the Extraordinary General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to enable and authorise William Hill to complete the Proposed Acquisition and approve the 2008 LTIP. It is important to note that in the event that William Hill fails to complete the Proposed Acquisition by 30 April 2013, its additional right to exercise the Call Option (as defined below) in 2015 shall terminate which would leave William Hill without a formal mechanism to acquire the 29 per cent. of William Hill Online it does not already own.

This document also explains why the Board considers the Proposed Acquisition and the approval of the 2008 LTIP, and accordingly the Resolutions to be proposed at the Extraordinary General Meeting, to be in the best interests of Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions.

**Shareholders should read the whole of this document, including the information incorporated by reference, and not just rely on the summarised information in this letter.**

## 2. **BACKGROUND AND STRATEGY**

William Hill is one of the world’s leading listed betting and gaming companies by market capitalisation<sup>10</sup>, and one of the most recognised and trusted brands in the gambling industry in the UK, providing betting and gaming services across multiple channels.

The Group has successfully established a market-leading position in its home market, the UK, where its retail division is the largest bookmaker by number of LBOs<sup>11</sup> and its William Hill Online joint venture is the leading online betting and gaming business by revenue<sup>12</sup>. These two segments together represented 97.5 per cent. of the Group’s revenue in the 2012 financial year.

Retail is the largest segment of the Group, generating 64.0 per cent. of the Group’s operating profit in the 2012 financial year. It is a highly competitive, cash-generative business having expanded its product range substantially over the past decade. Despite the growth in the online segment, LBOs remain the

<sup>10</sup> Source: Based on the market capitalisations as at 28 February 2013 (the latest practicable date prior to the publication of this document) of William Hill PLC, Ladbrokes plc, Paddy Power PLC, Lottomatica Group SpA, OPAP SA, Tabcorp Holdings Ltd and Tatts Group Ltd.

<sup>11</sup> Source: Gambling Commission industry statistics, 2009-2012, September 2012.

<sup>12</sup> Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

channel of choice for around two-thirds of the approximately 8.9 million gambling customers in the UK who used LBOs, online or mobile devices to gamble in 2011 and 2012<sup>13</sup>. LBOs remain popular with even the youngest generation of gamblers, with 84 per cent. of 18 to 25 year old gamblers using LBOs in 2011 and 2012<sup>14</sup>. The Board's view is that gambling in the LBOs, as a low-ticket leisure activity, has proved and is continuing to prove to be relatively resilient during the current difficult economic period with revenue attributable to the retail segment of William Hill having grown by 6 per cent. between the 2008 financial year, when the economic downturn started, and the 2012 financial year.

Over the last five years, the Group has developed its online and mobile offering significantly. The William Hill online segment generated 44.0 per cent. of the Group's operating profit in the 2012 financial year, having increased from 32.9 per cent. in the 2010 financial year. Since its establishment on 30 December 2008, William Hill Online has successfully increased its market share by revenue in the UK achieving revenue growth faster than underlying growth rates in the online betting and gambling industry<sup>15</sup>. This increase has been achieved by better meeting the demands of the betting and gambling public through offering a wider product range and additional channels to the Group's customer base such as betting by text or mobile device.

The Group's strategy, which has been implemented successfully over several years, is to focus on products, channels and geographies. The key elements of the Group's strategy comprise:

- **Developing a wider product range** – providing a broader range of betting and gaming products to appeal to a wider customer base and to encourage customer use of more than one product through cross-selling;
- **Driving greater multi-channel usage** – making the Group's products accessible through a variety of channels to enable customers to transact with the Group wherever and whenever they want to gamble and also to increase customers' usage of more than one of the Group's channels; and
- **Selective international expansion** – accessing a wider customer base by selectively expanding the Group's offering into other locally licensed territories such as the US and, subject to completion of the acquisition of Sportingbet's businesses in Australia.

As part of this strategy, the Group continually considers opportunities to expand through targeted acquisitions where it believes such acquisitions could accelerate or complement its organic growth in any particular market or jurisdiction, for instance by expanding into attractive, locally licensed markets or by supplementing the Group's core capabilities.

Since it entered into the William Hill Online joint venture in 2008, the Group has expanded into the US by acquiring three land-based sports betting businesses that operate in Nevada and Delaware. The Group is also in the process of acquiring Sportingbet's Australian and, potentially, Spanish online operations for total cash consideration of £459.5 million. The rationale for this acquisition reflects the Board's view that Australia is one of the most attractive locally licensed online markets which has seen strong growth over a number of years, which the Board expects to continue, and in which the Group is not currently represented.

The benefit of the Group's strategy over time is to increase the proportion of the Group's revenues generated from (a) the faster growing online segment in the UK and other locally licensed markets; (b) territories outside the UK, reducing the Group's exposure to that one economy; and (c) locally licensed territories, providing the Group with greater visibility on long-term revenues.

The successful implementation of the Group's strategy over the last few years has resulted in revenue increasing from £1,071.8 million in the 2010 financial year to £1,276.9 million in the 2012 financial year and operating profit increasing from £276.8 million in the 2010 financial year to £330.6 million in the 2012 financial year, representing compound annual growth rates of 9.1 per cent. and 9.3 per cent., respectively, over the period.

<sup>13</sup> Source: Kantar Retail Gambling Tracker, 2012.

<sup>14</sup> Source: Kantar Retail Gambling Tracker, 2012.

<sup>15</sup> Source: Gambling Data, European Outline Regulated Markets Data Report, 2012.

### 3. **INTERNATIONAL EXPANSION INTO AUSTRALIA AND SPAIN**

On 20 December 2012, the Group announced that it had reached agreement with GVC and Sportingbet in relation to the proposed acquisition of Sportingbet's Australian business and certain other assets from the Sportingbet group, together with the granting of a call option over Sportingbet's Spanish business for total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet's bondholders would increase that amount by £5.5 million, in aggregate, to a total of £459.5 million. This acquisition is being made by members of the William Hill Group other than those comprising the William Hill Online joint venture and is expected by the Board to complete in the first quarter of 2013.

Sportingbet's Australian business is one of the leading online corporate bookmakers in Australia. It is based in Darwin and Sydney, operating under a licence provided by the Northern Territory Government, with approximately 210 employees as at 20 December 2012. The business comprises the "Sportingbet" and, since August 2011, "Centrebet" brands in the Australian market, offering sports betting products via online, mobile and telephone channels. The business currently offers pre-match sports betting, which is the only online activity permitted under the terms of the existing licence. For the year ended 31 July 2012, Sportingbet's Australian business had approximately 172,000 active customers and net gaming revenue (post gaming tax) of £87.4 million and earnings before interest and tax, depreciation and amortisation of £34.8 million.

The acquisition of Sportingbet's Australian business complements the Group's strategy to expand internationally. It gives William Hill exposure to an attractive locally licensed market and diversifies revenues by geography and channel. The Australian betting market is one of the largest and most attractive locally licensed markets and the Group does not currently have a footprint there. It has demonstrated strong structural growth across online, mobile, fixed odds and sports betting which the Board expects to continue.

Sportingbet's Spanish business operates under the long-established "*miapuesta*" brand through both mobile and online channels, offering regulated gaming products in both sports and casino. The Board expects the acquisition of Sportingbet's Spanish business will allow William Hill to achieve critical mass in that market faster than it otherwise would have done, having only entered the Spanish market under the William Hill brand in June 2012. Subject to the completion of the pending acquisition of Sportingbet's Australian online business and certain other assets and the exercise of the call option over Sportingbet's Spanish business, as well as the completion of the Proposed Acquisition, the Board will explore the opportunity to integrate the Australian and, if acquired, Spanish businesses into William Hill Online, which may generate additional operational benefits.

In February 2013, the Group received confirmation from the Northern Territories Commission and the Australian Foreign Investment Review Board that they had granted their respective approvals of William Hill Australia's ownership of Sportingbet's Australian business. Therefore, the conditions of the acquisition relating to Australian licence approvals and Australian Foreign Investment Review Board approval have been satisfied. On 21 February 2013, the resolutions proposed to the general meeting of Sportingbet bondholders, the court meeting to approve the capital reduction scheme and the general meeting of Sportingbet shareholders were approved by the requisite majorities. On the same day, the resolutions relating to the proposed transaction proposed to the general meeting of GVC shareholders were also approved by the requisite majorities.

The consideration payable by William Hill for the Sportingbet acquisition is being funded by an existing revolving credit facility available to the Group together with the 2012 Bridge Credit Facility.

### 4. **WILLIAM HILL ONLINE STRATEGY AND PERFORMANCE**

The Group launched its first online gambling website in 1998. Initially, it benefitted from first-mover advantage in the market and, in the Board's view, built a market-leading position in the UK. However, between 2006 and 2008, this market position was eroded.

In order to respond to these challenges, re-establish the Group's leadership position and accelerate growth, the Group established a new sportsbook site using OpenBet's software, entered into a licence for certain gaming software with Playtech Software Limited and, in December 2008, combined its online operations, William Hill Interactive, with certain gaming assets acquired from Playtech to create

William Hill Online. Pursuant to this transaction, William Hill currently owns 71 per cent. and Playtech 29 per cent. of each of the two companies comprising the William Hill Online joint venture. This arrangement was structured so as to have the potential to be temporary and William Hill is now proposing to acquire Playtech's interest in William Hill Online by exercising the Call Option granted to it when it established the joint venture.

Over the last four years, William Hill Online has successfully integrated the assets acquired from Playtech and expanded its operations and employee base from around 725 employees in 2008 to around 1,200 at the end of the 2012 financial year to achieve scale and revenue and operating profit growth. It has capitalised on the strength of the William Hill brand by increasing its investment in online and offline marketing, as well as expanding and improving William Hill Online's product range and channel offering to attract and retain both sports betting and gaming customers. Consistent with the Group's strategy, William Hill Online has focused on:

- **Developing a wider product range:** William Hill Online has substantially increased the quantity of in-play betting opportunities, particularly in football betting where its in-play offering is now market-leading by number of markets per match; it has also enhanced its gaming offering, for example, by launching its new Live Casino product in 2012, along with improving and expanding its range of Flash-based games, which are well-suited to cross-selling sports betting customers into gaming;
- **Driving greater multi-channel usage:** William Hill Online has improved its mobile gambling capability through both mobile websites and betting and gaming apps, such that mobile gambling represented approximately 15 per cent. of William Hill Online's revenue in the 2012 financial year; the Board believes William Hill Online's text betting channel to be the UK's fastest way to place a bet; and William Hill Online actively collaborates with the Group's retail segment on simultaneous gaming product launches in the LBOs, on the William Hill Online website and in formats accessible by mobile devices, encouraging multi-channel usage by customers; and
- **Selective international expansion:** William Hill Online has selectively launched betting and gaming websites in potentially attractive locally licensed markets, such as Italy and Spain.

Since it was established at the beginning of the 2009 financial year, William Hill Online has grown its customer base and successfully cross-sold different products and channels to its customers. Over the period from the 2010 financial year to the 2012 financial year, its number of unique active players has increased by 33.7 per cent. to 1.8 million and its revenue per unique active user has increased by 20.9 per cent. to £226.8. As a result, over the same period William Hill Online's revenues and operating profit have grown 61.7 per cent. to £406.7 million and 59.5 per cent. to £145.3 million, respectively. William Hill Online has also established itself as the UK's leading online betting and gaming company by revenue and has achieved revenue growth faster than the rest of the UK online betting and gambling industry, extending its market share by revenue to around 15 per cent. of the UK market<sup>16</sup>.

In 2008, William Hill adopted the 2008 LTIP, which is an employee share incentive plan linked to the performance of William Hill Online, as originally described in the Company's prospectus dated 27 February 2009 and further details of which are set out in Section 6.7 of Part VII of this document. The vesting of awards under the 2008 LTIP is subject to a performance condition that the operating profit of William Hill Online must equal or exceed £117 million for the 2012 financial year. The success of William Hill Online has been such that this performance condition has been exceeded, meeting the condition for both the basic award and the top-up award. Awards under the 2008 LTIP will therefore vest to the maximum extent during 2013. Because the 2008 LTIP was not separately approved by Shareholders, the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury under the plan is not currently permitted pursuant to the Listing Rules. The Board believes that the issue of New Ordinary Shares would be the most cost efficient method for satisfying the vesting of awards under the 2008 LTIP, as opposed to the alternative of purchasing Ordinary Shares in the market. As a result, the Directors are seeking the approval of Shareholders of the 2008 LTIP to permit such issue and to permit the transfer of Ordinary Shares from treasury to satisfy the vesting of awards under the 2008 LTIP. A resolution to this effect will therefore be proposed at the Extraordinary General Meeting.

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<sup>16</sup> Source: Gambling Data, Regulated European Online Markets Data Report, 2012.

## 5. STRATEGIC RATIONALE FOR THE PROPOSED ACQUISITION AND RIGHTS ISSUE

The Board now considers that, after four years, William Hill Online is a strong, well-established industry leader. The Board further believes that the maintenance of a minority interest within the structure is no longer appropriate for the long-term strategy of the Group. Accordingly, the Board of William Hill, having been notified of the valuation of the Playtech interest in William Hill Online, which was determined in accordance with the provisions of the Framework Agreement, has concluded that it is in the best interests of William Hill Shareholders to exercise the Call Option over Playtech's interest and therefore acquire 100 per cent. ownership of William Hill Online.

Under the terms of the joint venture entered into at the time of William Hill Online's establishment, William Hill was granted two call options to acquire Playtech's 29 per cent. interest in William Hill Online on a fair value basis, exercisable in either 2013 or 2015.

In November 2012, the Board of William Hill initiated the formal valuation process for William Hill Online as part of its right to exercise the earlier Call Option. The valuation process which was undertaken by three investment banks in accordance with the Framework Agreement has determined that this minority interest in William Hill Online should be valued at approximately £424 million on a debt-free and cash-free basis (with an adjustment to be made to reflect the unpaid dividends and level of cash in William Hill Online shortly following completion). The determination by the investment banks was notified to Playtech on 21 February 2013 and the Board resolved to exercise the Call Option on 28 February 2013. Notice of such exercise was given to Playtech in the manner required by the Framework Agreement on 28 February 2013. A valuation of approximately £424 million represents a multiple of 9.3 times of the EBITDA<sup>17</sup> of William Hill Online in the 2012 financial year that is attributable to Playtech's 29 per cent. shareholding in the JVCos.

The Board is confident that future prospects for the William Hill online segment are strong and believes that it is in the best interests of Shareholders to acquire the minority interest held by Playtech, and to do so now rather than in two years' time. The rationale for the Proposed Acquisition is as follows:

- this is the first opportunity to take full ownership of a growth business with a market-leading position and strong earnings and cash flow. It represents a compelling opportunity to strengthen future growth prospects for the broader Group;
- increased strategic flexibility arises from the simplified ownership structure. Full ownership of William Hill Online would provide the Group with an opportunity to fully develop William Hill Online's future growth potential through capital investment to further enhance areas such as product development, website development and customer relationship management, or through bolt-on acquisitions. Existing minority protections currently limit William Hill Online's ability to invest capital above a certain limit and prevent William Hill Online from making acquisitions without the consent of Playtech. Additionally, any acquisitions or future organic developments in the online or mobile sphere made by the William Hill Group currently must first be offered by William Hill to the JVCos for purchase by them. Acquiring the minority interest now will remove these constraints;
- the Proposed Acquisition would increase operational freedom to leverage William Hill Online's assets and know-how across the broader Group, supporting pursuit of the Group's multi-channel strategy and selective international expansion, in particular in the US and, potentially, Australia; and
- the Board expects the Proposed Acquisition to be earnings accretive on a per share basis in the current financial year as compared to the Rights Issue adjusted alternative<sup>18,19</sup>.

The Board believes that the most appropriate way of financing the Proposed Acquisition is through a combination of the proceeds of the Rights Issue and additional debt. This will maintain an appropriate capital structure for the Group in the current environment having regard to gearing levels which strike an appropriate balance between increased financial leverage and the maintenance of an acceptable financial risk profile.

<sup>17</sup> EBITDA is calculated as pre-exceptional profit/loss before interest, tax, depreciation, amortisation (including amortisation of specifically identified intangible assets recognised on acquisitions).

<sup>18</sup> This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of William Hill will necessarily be greater than the historic published figures.

<sup>19</sup> The Rights Issue adjusted alternative is the comparative earnings per share figure assuming the Proposed Acquisition does not take place but adjusted for the bonus element of the Rights Issue.



## 6. FINANCING AND CAPITAL STRUCTURE

William Hill looks to maintain a prudent level of debt. The Board is of the view that the most appropriate way to fund the Proposed Acquisition is by raising new equity in addition to utilising approximately £50 million of the 2012 Bridge Credit Facility. The Board, taking into account, amongst other matters, the size of the equity portion of the fundraising relative to the current market capitalisation of William Hill and the need to maintain pre-emption rights of William Hill Shareholders, believes the most appropriate method to raise the necessary equity funds is by way of a rights issue.

Assuming completion of both the Sportingbet acquisition and the Proposed Acquisition and that the consideration payable to Playtech is paid fully in cash, the Board expects the Group's covenant ratio of net debt to EBITDA (as defined under bank loan covenants) to be at an appropriate and prudent level of financial leverage for the business having regard to current trading conditions and potential future developments. Furthermore, the Board expects this level of net debt to EBITDA (as defined under bank loan covenants) will provide the Group with appropriate flexibility to continue to pursue its stated strategy.

As part of its ongoing financing strategy, the Board anticipates accessing the corporate debt markets, such as the bond markets, in due course for the purposes of re-financing the 2012 Bridge Credit Facility and for its longer term financing needs.

Pursuant to the Call Option, Playtech has the right to elect for a portion of the consideration for the Proposed Acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. In accordance with the terms of the Framework Agreement, the value attributed to these Ordinary Shares would be the theoretical ex-rights price of £3.76 per share. This right to elect to receive equity persists until the earlier of either the completion of the Proposed Acquisition or Playtech confirming to the Board that it will not so elect to receive equity instead of cash. As at the date of this document, Playtech has indicated that it does not intend to take Ordinary Shares and as such William Hill is funding the Proposed Acquisition on this basis. If circumstances were to change and Ordinary Shares were to be issued to Playtech as a result of any change in its election, the Board would return to Shareholders an equivalent amount of the equity capital raised pursuant to the Rights Issue. Similarly, in the unlikely event that the proposed acquisition of Sportingbet's Australian business and certain other assets from the Sportingbet group were not to complete, the Board intends to return surplus equity capital to Shareholders. The timing and manner of any such return of capital to Shareholders would be determined by the Board. It is possible that certain Shareholders, such as some Overseas Shareholders and individuals, would potentially suffer a tax charge on the return of capital and, accordingly, their financial position would be adversely effected.

## 7. SUMMARY FINANCIAL INFORMATION ON WILLIAM HILL ONLINE

The following table sets out details of William Hill Online's revenue and operating profit for the 2010, 2011 and 2012 financial years:

	<i>2010 £million</i>	<i>2011 £million</i>	<i>2012 £million</i>	<i>Compound annual growth rate</i>
Revenue	251.5	321.3	406.7	27.2%
Operating Profit	91.1	106.8	145.3	26.3%

## 8. PRINCIPAL TERMS OF THE ACQUISITION

The key terms of the Proposed Acquisition are as follows:

The Proposed Acquisition is to be effected in accordance with the terms of the Framework Agreement, which governs the terms upon which William Hill may acquire the 29 per cent. of the two JVCos that comprise William Hill Online that it does not already own.

Under the Framework Agreement, Playtech granted to William Hill Organization (or its nominee) an irrevocable Call Option to purchase all of the JV Shares held by Playtech and the IP Assets. The Call Option is exercisable in either 2013 or 2015, on the basis that the acquisition of the JV Shares held by Playtech and IP Assets must be completed by 30 April in the same year that the Call Option is exercised.

On 28 February 2013, William Hill notified Playtech of its intention to exercise the Call Option in 2013. Consequently, in the event that William Hill does not duly complete the purchase of the JV Shares held by Playtech and IP Assets by 30 April 2013 (save where the failure to complete is principally as a result of the direct or indirect action of a member of the Playtech Group or its associates), then William Hill's right to exercise the Call Option in 2015 will automatically terminate. Playtech is required to take all such action as William Hill may properly require to give effect to the provisions of the Framework Agreement insofar as they relate to the Call Option, and if it, or a member of the Playtech Group, breaches such obligation, the date for completion of the Call Option may be extended accordingly.

The consideration payable by William Hill to Playtech on exercise of the Call Option is the 'fair value' for the IP Assets and JV Shares held by Playtech, as determined on the basis of valuations submitted by three investment banks in accordance with the Framework Agreement. As noted above, the valuation process has been completed, and the fair value for the purposes of the Call Option has been determined to be approximately £424 million on a debt-free and cash-free basis. The Framework Agreement provides for Playtech to elect for a portion of the consideration to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. In accordance with the terms of the Framework Agreement, the value attributed to these Ordinary Shares, if any, would be the theoretical ex-rights price of £3.76 per share. As at the date of this document, Playtech has indicated to the Company that it does not intend to elect to take Ordinary Shares.

On completion of the Call Option, Playtech is required to execute such documentation as is appropriate (i) to effect the transfer of the JV Shares held by it free from any encumbrances and (ii) to transfer the IP Assets free from any encumbrances (and will indemnify William Hill for any losses for any such encumbrance, claim or liability save for those that result from action taken by the JVCos or their subsidiaries whilst the IP Assets are licensed to them), in each case with full title guarantee. Playtech is not required to provide warranty and indemnity protection in respect of the JV Shares which are the subject of the Call Option save in respect of title and capacity. Further, on completion of the Call Option, William Hill will procure that the JVCos promptly repay any outstanding sums owed by them to Playtech under the terms of the Framework Agreement.

After completion of the Proposed Acquisition, existing software agreements with Playtech will carry on in accordance with their terms. At the time William Hill Online was established, the business was granted an eight-year licence, expiring in 2016, for Playtech Software's market-leading casino and poker software. The suppliers of William Hill Online's bingo software and mobile betting platform have since been acquired by Playtech Software and the licences for these products expire in February 2013 and October 2013, respectively. The parties intend to extend the term of the bingo software licence by conduct while this is being renegotiated. These licensing arrangements are in the ordinary course of William Hill's operations and will continue irrespective of William Hill acquiring Playtech's stake in William Hill Online. To the extent that William Hill wishes to renew the licensing arrangements at the end of their term, it would expect to conduct any such negotiations on the same basis as with any other supplier relationship.

As set out below, the Proposed Acquisition is subject to the approval of William Hill's Shareholders and the successful completion of the Rights Issue.

#### **9. RELATED PARTY TRANSACTION**

The Proposed Acquisition is classified under the Listing Rules as a "related party transaction" as Playtech is classified as a "related party" due to its 29 per cent. interest in the share capital of each of the two JVCos comprising William Hill Online, which are subsidiaries of the Company and also as a result of Playtech's right, if exercised, to elect for a portion of the consideration for the Proposed Acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. In accordance with the terms of the Framework Agreement, the value attributed to these Ordinary Shares would be the theoretical ex-rights price of £3.76 per share. Consequently, the Proposed Acquisition is conditional upon, and must be approved by, Shareholders before it is completed. Your approval will be sought at an Extraordinary General Meeting to be held on 18 March 2013. The notice convening the Extraordinary General Meeting is set out at the end of this document.

#### **10. PRINCIPAL TERMS OF THE RIGHTS ISSUE**

The Company is proposing to raise approximately £375 million (net of expenses) by way of the Rights Issue. The Rights Issue is being fully underwritten by the Underwriters, subject to certain conditions. The

Issue Price of 245 pence per New Ordinary Share represents a 39.5 per cent. discount to the closing middle market price of William Hill of 404.7 pence per Ordinary Share on 28 February 2013, the latest practicable date before the announcement of the Proposed Acquisition and Rights Issue and a 34.8 per cent. discount to the theoretical ex-rights price of 375.7 pence per New Ordinary Share calculated by reference to the closing middle market price on the same basis. This represents a 38.3 per cent. discount to that closing middle market price adjusted for the proposed final dividend of 7.8 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 15 March 2013, and a discount of 33.7 per cent. to the theoretical ex-rights price on the same basis.

Subject to the fulfilment of, amongst other things, the conditions set out below, the Company will offer 156,871,900 New Ordinary Shares by way of the Rights Issue to Qualifying Shareholders other than, subject to certain exceptions, Qualifying Shareholders with a registered address in the United States or any of the Restricted Jurisdictions, at an Issue Price of 245 pence per New Ordinary Share payable in full on acceptance. The Rights Issue will be offered on the basis of:

### **2 New Ordinary Shares for every 9 Existing Ordinary Shares**

held on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders, but will be aggregated and sold in the market for the benefit of the Company.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares save that they will not rank for the proposed final dividend of 7.8 pence in relation to the 2012 financial year, which is due to be paid on 7 June 2013.

The Rights Issue is conditional, amongst other things, upon:

- (a) the passing of the Proposed Acquisition Resolution at the Extraordinary General Meeting without material amendment;
- (b) the Company having applied to Euroclear UK & Ireland for admission of the Nil Paid Rights and Fully Paid Rights to CREST as participating securities and no notification having been received from Euroclear UK & Ireland on or before Admission that such admission or facility for holding and settlement has been or is to be refused;
- (c) Admission becoming effective by not later than 8.00 a.m. on 19 March 2013 (or such later time and/or date as the Banks and the Company may agree in advance in writing but so that the last date for acceptance is not later than 18 April 2013); and
- (d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission.

The Shareholder resolutions authorising the Directors to issue the New Ordinary Shares pursuant to the Rights Issue were approved by Shareholders at William Hill's annual general meeting on 8 May 2012.

Applications have been made to the FSA and to the London Stock Exchange for the New Ordinary Shares to be admitted, nil paid, to the Official List and to trading on the London Stock Exchange. It is expected that Admission will become effective and dealings in the Nil Paid Rights will commence on 19 March 2013.

#### *Qualifying US Investors and Overseas Shareholders*

Qualifying US Investors and Shareholders who are resident in, or who are citizens of, any jurisdiction other than the UK, and persons who hold Ordinary Shares for the benefit of such persons or who have a contractual or other legal obligation to forward this document into a jurisdiction other than the UK, should refer to section 8 of Part III of this document for further information.

Further information on the Rights Issue, including the terms and conditions thereof and the procedure for acceptance and payment, is set out in Part III of this document.

#### 11. **CURRENT TRADING AND PROSPECTS**

The current trading update relates to the seven weeks from 2 January 2013 to 19 February 2013.

Group revenue was up 19.5 per cent., although this was flattered by the transition from a VAT-based taxation regime for retail gaming machines to a Machine Games Duty regime from 1 February 2013. Adjusting the prior year from the date of introduction of the Machine Games Duty to reflect the current taxation regime, the Group's revenues during the seven week period ending 19 February 2013 would have increased by 16.9 per cent. against the comparator period.

In the Group's retail segment, whilst over-the-counter amounts wagered fell 2.9 per cent., over-the-counter revenue grew by 15.6 per cent., benefiting from a very strong gross win margin of 21.7 per cent. Machines gross win grew by 1.4 per cent. The William Hill online segment continues to perform strongly with net revenue up 28.7 per cent. Sportsbook amounts wagered grew by 29.0 per cent. and net revenue grew by 74.8 per cent. with gross win margin, at 11.0 per cent, up 3.0 percentage points.

During the seven weeks ended 19 February 2013, sportsbook amounts wagered were equivalent to 109 per cent. of over-the-counter amounts wagered against a target for sportsbook amounts wagered to equal over-the-counter amounts wagered by the 2014 World Cup (2012 financial year: 87 per cent.), sportsbook mobile weekly amounts wagered averaged £16 million against a target of £15 million by mid-2013 (2012 financial year: £10.9 million) and mobile represented 34 per cent. of sportsbook amounts wagered against a target of mobile representing 40 per cent. of sportsbook turnover by the end of 2013 (2012 financial year: 26 per cent.).

At this early stage in the year, the Board is pleased by the Group's trading performance, albeit recognising that the gross win margin in both the retail and online segments continues to be unusually strong over this short period.

#### 12. **DIVIDENDS AND DIVIDEND POLICY**

The Board has approved a final dividend of 7.8 pence per share (2011: 6.7 pence per share), giving a total 2012 dividend of 11.2 pence per share (2011: 9.6 pence per share). This represents 16.7 per cent. growth, reflecting the strong results delivered in the 2012 financial year.

The Board continues to consider dividends to be an important component of Shareholder returns. It is the Board's intention to continue to apply its existing dividend policy based on a payout covered approximately 2.5 times by underlying earnings, moving to 2.0 times when conditions permit. Factors that will bear on the timing of any substantive move below 2.5 times include the level of financial gearing of the Company, future investment opportunities and regulatory considerations.

#### 13. **TAXATION**

Information on UK taxation and US taxation with regard to the Rights Issue is set out in sections 7, 10 and 11, respectively, of Part VII of this document. This information is intended only as a general guide to the current tax position in those jurisdictions.

**If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the UK or the US, you should consult your own independent professional adviser without delay.**

#### 14. **EMPLOYEE SHARE SCHEMES**

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

15. **EXTRAORDINARY GENERAL MEETING**

The Notice of Extraordinary General Meeting to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on 18 March 2013 at 9.00 a.m. is set out at the end of this document.

As Playtech PLC is considered a “related party” for the purposes of the Listing Rules on account of its ownership of 29 per cent. of each of the JVCos comprising William Hill Online, and as a result of Playtech’s right, if exercised, to elect for a portion of the consideration for the Proposed Acquisition to be satisfied by the issue to it of Ordinary Shares, the Proposed Acquisition is considered a related party transaction under the Listing Rules and therefore requires Shareholder approval.

In addition, the approval of Shareholders is also sought for the 2008 LTIP in accordance with the Listing Rules in order to permit the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury to satisfy the vesting of awards under the plan. Under the 2008 LTIP awards in the form of nil-cost options were granted to eligible employees, being any employee of William Hill Online (including any director of William Hill Online but excluding any director of the Company). Awards are no longer granted under the plan but there are a number of outstanding awards. These awards are subject to conditions linked to the performance of William Hill Online which must be satisfied before an award may vest or become exercisable. Further details of the rules of the 2008 LTIP, which includes certain amendments to ensure compliance with the Listing Rules and best practice for the purpose of seeking the approval of Shareholders, are set out in section 6.7 of Part VII of this document. A copy of the rules of the 2008 LTIP for which approval is being sought from Shareholders is available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA from the date of this document until the close of the Extraordinary General Meeting. The rules will also be available for inspection at the Extraordinary General Meeting venue for 15 minutes prior to and until the end of such meeting.

The purpose of the Extraordinary General Meeting is therefore to seek Shareholders’ approval for the Proposed Acquisition and the 2008 LTIP by passing the Resolutions proposed in the Notice of Extraordinary General Meeting.

16. **ACTION TO BE TAKEN**

*Extraordinary General Meeting*

A Form of Proxy for use at the Extraordinary General Meeting is enclosed with this document. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so that it may be received by Computershare Investor Services PLC not later than 9.00 a.m. on 16 March 2013. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they wish to do so.

*Rights Issue*

If you are a Qualifying non-CREST Shareholder you will be sent a Provisional Allotment Letter unless, subject to certain exceptions, you have a registered address in the United States or any of the Restricted Jurisdictions. This will show the number of New Ordinary Shares that you are entitled to take up and will contain full details regarding the procedure for acceptance and payment, renunciation, splitting and registration in respect of the Nil Paid Rights, Fully Paid Rights or New Ordinary Shares. Qualifying non-CREST Shareholders who are resident in the United States or any jurisdiction outside the UK should refer to section 8 of Part III of this document for further information.

If you are a Qualifying CREST Shareholder, no Provisional Allotment Letter will be sent to you and, unless you are a Qualifying CREST Shareholders with a registered address outside of the UK, you will receive a credit to your appropriate stock account in CREST in respect of the Nil Paid Rights to which you are entitled. If you are a Qualifying CREST Shareholder with a registered address outside the UK, no Nil Paid Rights will be credited to your stock account. Qualifying Shareholders who are resident in any jurisdiction outside the UK should refer to section 8 of Part III of this document for further information.

If you sell or otherwise transfer all your Existing Ordinary Shares before 19 March 2013 (the “ex-rights date”, that is the date on which the Ordinary Shares start trading without the right to participate in the Rights Issue), you will not be entitled to participate in the Rights Issue. However, the purchaser or

transferee of your Ordinary Shares may be entitled to participate in the Rights Issue. Please send this document together, if you are a Qualifying non-CREST Shareholder, with the Provisional Allotment Letter duly renounced on Form X on page 2 of the Provisional Allotment Letter, to the purchaser or transferee or the stockbroker, bank, or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee.

The expected latest time for acceptance under the Rights Issue will be 11.00 a.m. on 4 April 2013, unless otherwise announced by the Company via a Regulatory Information Service. The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights or Fully Paid Rights (as appropriate) are in certificated form (that is, are represented by a Provisional Allotment Letter) or are in uncertificated form (that is, are in CREST). The procedures for acceptance and payment are set out in Part III of this document. However, Qualifying non-CREST Shareholders should also refer to the details of these procedures contained in the Provisional Allotment Letter.

**17. FURTHER INFORMATION**

Your attention is drawn to the further information set out in “*Risk Factors*”, Parts II to VII of this document, to the information incorporated by reference, and to the Notice of Extraordinary General Meeting set out at the end of this document.

Part II of this document answers some of the questions most often asked by shareholders about rights issues and the procedure for acceptance and payment.

You may also call the Shareholder Helpline on 0870 703 6251 (from inside the UK) or +44 870 703 6251 (from outside the UK) between 8.30 a.m. and 5.30 p.m. Monday to Friday, excluding bank holidays. Calls to the 0870 703 6251 number are charged at approximately 10 pence per minute from a BT landline. Other telephone providers’ costs may vary. Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and will be unable to give advice on the merits of the Rights Issue or to provide financial, tax or legal advice. If you are in any doubt as to what action to take, please consult your stockbroker, bank manager, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the UK, or if you are not in the UK, from another appropriately authorised financial adviser.

**18. DIRECTORS’ INTENTIONS**

Each of the Directors who holds Ordinary Shares has undertaken to take up in full his or her rights to subscribe for New Ordinary Shares under the Rights Issue in respect of his or her beneficial holdings, which together amount to 551,592 Ordinary Shares, representing 0.08 per cent., of William Hill’s issued ordinary share capital as at 28 February 2013 (being the latest practicable date prior to publication of this document).

**19. RECOMMENDATION**

The Board, which has been so advised by Citi, considers the Proposed Acquisition to be fair and reasonable as far as the Shareholders are concerned. In providing its financial advice to the Board, Citi has taken into account the Board’s commercial assessment of the Proposed Acquisition. The Board considers the Proposed Acquisition, the approval of the 2008 LTIP and the Resolutions to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as each of the Directors intends to do in respect of their own beneficial holdings, which together amount to 551,592 Ordinary Shares, representing 0.08 per cent. of the issued ordinary share capital of the Company as at 28 February 2013 (being the latest practicable date prior to publication of this document).

Yours sincerely,

Gareth Davis  
Chairman

## PART II

### QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

The questions and answers set out in this Part II are intended to be generic only and, as such, you should also read Part III of this document for full details of what action you should take if you wish to participate in the Rights Issue. If you are in any doubt about the action to be taken you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA if you are in the UK, or if you are not, from another appropriately authorised financial adviser. The attention of Overseas Shareholders is drawn to section 8 of Part III of this document.

Section 1 of this Part II deals with general questions relating to the Rights Issue and more specific questions relating to the Ordinary Shares held by persons resident in the United Kingdom who hold their Ordinary Shares in certificated form and persons whose Ordinary Shares are on the Register. If you are an Overseas Shareholder, you should read section 4.7 of this Part II and you should take professional advice as to whether you are eligible and/or need to observe any formalities to enable you to take up your Rights. If you hold your Ordinary Shares in uncertificated form (through CREST or through a broker) you should read Section 2 of this Part II for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether you hold your Ordinary Shares in certificated form or in CREST, you should contact the Shareholder Helpline on 0870 703 6251 (+44 870 703 6251 if you are calling from outside the UK). Please note that for legal reasons the Shareholder Helpline will only be able to provide information contained in this prospectus and will be unable to give advice on the merits of the Rights Issue or to provide legal, financial, tax or investment advice.

The Company's Ordinary Shares can be held in certificated form (that is, represented by a share certificate) or in uncertificated form (that is, through CREST or broker). Accordingly, these questions and answers are split into four sections:

- Section 1 ("**General**").
- Section 2 ("**Ordinary Shares held in certificated form**") answers questions you may have in respect of the procedures for Qualifying Shareholders who hold their Ordinary Shares in certificated form. You should note that Sections 1 and 4 may still apply to you.
- Section 3 ("**Ordinary Shares held in CREST**") answers questions you may have in respect of the equivalent procedures for Qualifying Shareholders who hold their Ordinary Shares in CREST. You should note that Sections 1 and 4 may still apply to you.
- Section 4 ("**Further procedures for Ordinary Shares whether held in certificated form or in CREST**") answers some detailed questions about your rights and the actions you may need to take and is applicable to Ordinary Shares whether held in certificated form or in CREST.

#### 1. GENERAL

##### 1.1 *What is a rights issue?*

Rights issues are one way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in the relevant company in proportion to their existing shareholdings, usually at a discount to the market price as at the date of the announcement. For example, a one for four rights issue means that a shareholder is entitled to buy one new share for every four currently held. This Rights Issue is 2 for 9; that is, an offer by the Company of 2 New Ordinary Shares for every 9 Ordinary Shares held at the close of business on 14 March 2013 (the Record Date for the Rights Issue).

New Ordinary Shares are typically offered in a rights issue at a discount to the current share price. As a result of this discount and while the market value of shares exceeds the discounted price, the right to buy the New Ordinary Shares is potentially valuable. In this Rights Issue, the Issue Price represents a 39.5 per cent. discount to the closing middle market price of 404.7 pence per Ordinary Share on 28 February 2013 (being the latest practicable business day prior to the announcement of the Rights Issue).

If you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights to those shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as dealing “nil paid”.

#### 1.2 *What happens next?*

In order to proceed with the Proposed Acquisition, the Directors need the approval of Shareholders as the Proposed Acquisition is a related party transaction for the purposes of the Listing Rules. Accordingly, the Company has called an Extraordinary General Meeting of Shareholders to be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 9.00 a.m. on 18 March 2013 where the Proposed Acquisition Resolution will be put to the Shareholders for their approval. The Notice of the Extraordinary General Meeting containing the form of the Proposed Acquisition Resolution is set out at the end of this document.

You will find enclosed with this document a Form of Proxy for use in relation to the Extraordinary General Meeting. Whether or not you intend to be present in person at the Extraordinary General Meeting, you are invited to complete, sign and return the Form of Proxy by post or by hand to Computershare as soon as possible, but in any event, so as to arrive by no later than 9.00 a.m. on 16 March 2013. Completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person should you wish.

#### 1.3 *What do I need to do in relation to the Rights Issue?*

If you are a Qualifying Shareholder and you hold Ordinary Shares in certificated form, it is expected that a Provisional Allotment Letter will be despatched to you on or around 18 March 2013 or, if you are a Qualifying Shareholder and you hold Ordinary Shares in CREST, it is expected that Nil Paid Rights will be credited to your stock account in CREST on 19 March 2013 (unless, in either case, and subject to certain exceptions, your registered address is in, or you are a resident of the United States or one of the Restricted Jurisdictions, being Canada, Australia, Japan or the Republic of South Africa).

#### 1.4 *Is the Rights Issue underwritten?*

Yes. The Rights Issue is underwritten by the Underwriters pursuant to the Underwriting Agreement. The fees payable to the Underwriters in connection with this underwriting and a summary of the terms of the Underwriting Agreement are set out in section 12 of Part VII of this document.

### 2. **ORDINARY SHARES HELD IN CERTIFICATED FORM**

#### 2.1 *What are my options and what should I do with the Provisional Allotment Letter when I receive it?*

You should retain this document pending receipt of a Provisional Allotment Letter. The Provisional Allotment Letter is expected to be sent to you after the Extraordinary General Meeting on 18 March 2013. The Provisional Allotment Letter will show:

**In Box 1:** how many Existing Ordinary Shares you held at the close of business on the Record Date;

**In Box 2:** how many New Ordinary Shares you are entitled to buy pursuant to the Rights Issue; and

**In Box 3:** how much you need to pay if you want to take up your rights in full.

#### 2.2 *If you want to take up your rights in full*

If you want to take up in full your rights to subscribe for the New Ordinary Shares to which you are entitled, send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount shown in Box 3, payable to “Computershare Investor Services PLC Re: William Hill PLC Rights Issue” and crossed “A/C payee only”, to the address shown on the front of the Provisional Allotment Letter to arrive before 11.00 a.m. on 4 April 2013. If you are within the UK, you can use the reply-paid envelope provided with the Provisional Allotment Letter. Section 3 of Part III of this document has full instructions on how to accept and pay for your New Ordinary Shares. Instructions will also be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. When the Rights Issue is complete, a definitive share certificate will be sent to you for the New Ordinary Shares you buy (unless you request to receive the New Ordinary Shares in uncertificated form) and it is expected that such certificate(s) will be despatched by 12 April 2013.



**You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick Box 4 on page 2 of the Provisional Allotment Letter.**

**2.3** *If you do not want to take up any of your rights*

If you do not want to take up any of your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 4 April 2013, the Banks will try to find investors to take up your rights by 4.00 p.m. on 8 April 2013. If the Banks find investors and are able to sell your New Ordinary Shares at a price which exceeds the Issue Price and the related expenses of procuring those investors (including any brokerage, commission and payments in relation to value added tax), you will be sent a cheque in pounds sterling for the amount of that aggregate premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 12 April 2013 and will be sent to your address as it appears on the Company's register of members (or to the first named holder if you hold Ordinary Shares jointly).

**2.4** *If you want to take up some but not all of your rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 2 of the Provisional Allotment Letter, and returning it by post or by hand to Computershare to be received by 3.00 p.m. on 2 April 2013, the latest time and date for splitting Provisional Allotment Letters, nil paid, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights and Fully Paid Rights to be comprised in each split Provisional Allotment Letter. You should also include a cheque or banker's draft for the correct amount if you wish to take up any of the Rights and state whether or not you require a fully paid Provisional Allotment Letter in respect of those rights. If you subsequently wish to take up any of the Nil Paid Rights under any of the split Provisional Allotment Letters still held by you, you should deliver the split Provisional Allotment Letter representing the rights to New Ordinary Shares you wish to accept, together with your cheque or banker's draft, to Computershare to be received by 11.00 a.m. on 4 April 2013, the latest date and time for acceptance and payment in full.

Alternatively, if you want only to take up some of your Rights (and do not wish to sell some or all of those you do not want to take up), you should complete Form X on page 2 of the Provisional Allotment Letter and return it by post or by hand to Computershare, together with a covering letter confirming the number of New Ordinary Shares you wish to take up, together with a cheque or banker's draft to pay for the appropriate number of shares. In this case the Provisional Allotment Letter and cheque must be received by Computershare by 3.00 p.m. on 2 April 2013, the latest time and date for splitting Provisional Allotment Letters, nil paid.

**2.5** *If you want to sell all of your rights*

If you want to sell all of your rights, you should tick Box 3 titled "Sell all of your Rights" on page 1 and sign the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the Provisional Allotment Letter to your stockbroker, solicitor, accountant or other appropriate independent financial adviser, through or by whom the sale or transfer was effected (provided they are not in the United States or any of the Restricted Jurisdictions).

Please note that your ability to sell your rights is dependent on the demand for such rights and that the price for the Nil Paid Rights will fluctuate.

The latest time and date for selling all of your rights is 11.00 a.m. on 4 April 2013. Please ensure, however, that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 4 April 2013.

**2.6** *How do I transfer my rights into the CREST system?*

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want to hold your New Ordinary Shares in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter), and are recommended to ensure they are delivered to the CREST Courier and Sorting Service to be received by 3.00 p.m. on 28 March 2013 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to section 4 of Part III of this document for details on how to pay for the New Ordinary Shares that you wish to take up.

2.7 *How do I know if I am eligible to participate in the Rights Issue?*

If you receive a Provisional Allotment Letter following the Extraordinary General Meeting, then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Ordinary Shares before 19 March 2013 (the “ex-rights” date)).

If you are a Qualifying non-CREST Shareholder and you do not receive a Provisional Allotment Letter, this probably means you are not eligible to acquire any New Ordinary Shares. However, see question 2.8 of this Part II below.

2.8 *What if I have not received a Provisional Allotment Letter?*

If you do not receive a Provisional Allotment Letter, and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

- Qualifying CREST Shareholders (please see section 3 of this Part II below);
- Qualifying non-CREST Shareholders who bought Ordinary Shares before 19 March 2013 but were not registered as the holders of those Ordinary Shares at the close of business on 14 March 2013 (see question 2.9 of this Part II below); and
- certain Overseas Shareholders who can demonstrate to the satisfaction of the Company that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal or regulatory requirements (see question 4.7 of this Part II below).

If you do not receive a Provisional Allotment Letter on or about 19 March 2013 but think that you should have received one, please contact the Shareholder Helpline on 0870 703 6251 (+44 870 703 6251 if you are calling from outside the UK).

2.9 *If I buy Ordinary Shares before 19 March 2013 (the date the Ordinary Shares start trading ex-rights) will I be eligible to participate in the Rights Issue?*

If you buy Ordinary Shares before 19 March 2013 but were not registered as the holder of those Ordinary Shares at the Record Date for the Rights Issue (14 March 2013), you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate independent financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to participate in the Rights Issue in respect of any Ordinary Shares acquired on or after 19 March 2013.

2.10 *What should I do if I sell or transfer or have sold or transferred all or some of the Ordinary Shares shown in Box 1 of the Provisional Allotment Letter before 19 March 2013?*

If you sell or transfer or have sold or transferred all of your Ordinary Shares before 19 March 2013, you should complete Form X on page 2 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with this document and the accompanying Form of Proxy to the stockbroker, bank or other appropriate independent financial adviser through whom you made the sale or transfer.

If you sell or transfer or have sold or transferred only some of your holding of Ordinary Shares before 19 March 2013, you will need to complete Form X on page 2 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate independent financial adviser through whom you made the sale or transfer, before taking any action with regard to the balance of rights due to you.

2.11 *How many New Ordinary Shares am I entitled to acquire?*

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Ordinary Shares you are entitled to buy under the Rights Issue. You are entitled to 2 New Ordinary Shares for every 9 Ordinary Shares held on 14 March 2013, the Record Date. All Qualifying non-CREST Shareholders (except certain Overseas Shareholders) will be sent a Provisional Allotment Letter on 18 March 2013.

2.12 *What should I do if I think my holding of Ordinary Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?*

If you buy or sell Ordinary Shares between the date of this document and 14 March 2013, i.e. the Record Date, your transaction may not be entered on the register of members before the Record Date for the Rights Issue. See questions 2.8 and 2.9 of this Part II above for what you should do in this case.

Otherwise, if you are concerned about the figure in Box 1, please call the Shareholder Helpline on 0870 703 6251 (+44 870 703 6251 if you are calling from outside the UK).

2.13 *If I take up my rights, when will I receive my new share certificate?*

Definitive share certificates for the New Ordinary Shares are expected to be posted by 12 April 2013.

**3. ORDINARY SHARES HELD IN CREST**

3.1 *How do I know if am eligible to participate in the Rights Issue?*

Provided the Rights Issue proceeds as planned, if you are a Qualifying CREST Shareholder (save as mentioned below), your CREST stock account(s) will be credited with your entitlement to Nil Paid Rights on 19 March 2013. The stock account(s) to be credited will be the account(s) under the participant ID and member account ID that apply to your Ordinary Shares on the Record Date. The Nil Paid Rights are expected to be credited to your CREST stock account(s) and enabled by 8.00 a.m. on 19 March 2013. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with registered addresses in the United States or the Restricted Jurisdictions will not be credited with Nil Paid Rights. Overseas Shareholders should refer to section 8 of Part III of this document.

3.2 *How do I take up my rights using the CREST system?*

If you are a Qualifying CREST Shareholder you should refer to section 4 of Part III of this document for details on how to take up and pay for your rights.

If you are a CREST member you should ensure that a Many-to-Many (“MTM”) instruction has been input and has settled by 11.00 a.m. on 4 April 2013 in order to make a valid acceptance. If your Ordinary Shares are held by a nominee or you are a CREST sponsored member you should speak directly to the stockholder who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you.

3.3 *If I buy Ordinary Shares before 19 March 2013 (the date that the Ordinary Shares start trading “ex-rights”), will I be eligible to participate in the Rights Issue?*

If you buy Ordinary Shares before 19 March 2013, but are not registered as the holder of those Ordinary Shares at the Record Date for the Rights Issue (14 March 2013), you may still be eligible to participate in the Rights Issue. Euroclear UK & Ireland will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to participate in the Rights Issue in respect of any Ordinary Shares acquired on or after 19 March 2013, the “ex-rights” date.

3.4 *What should I do if I sell or transfer all or some of my Ordinary Shares before close of business on 19 March 2013 (the “ex-rights” date)?*

You do not have to take any action except, where you sell or transfer all of your Ordinary Shares before 19 March 2013, to send this document and the accompanying forms to the purchaser or transferee or to

the stockbroker, bank or other independent financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear UK & Ireland which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

3.5 *How many New Ordinary Shares am I entitled to acquire?*

You are entitled to 2 New Ordinary Shares for every 9 Ordinary Shares held on 14 March 2013, the Record Date. Your stock account will be credited with Nil Paid Rights in respect of the number of New Ordinary Shares to which you are entitled based on the number of Ordinary Shares you hold on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date, but before the “ex-rights” date. If you are a CREST sponsored member, you should consult your CREST sponsor.

3.6 *What should I do if I think my holding of Ordinary Shares is incorrect?*

If you buy or sell Ordinary Shares between the date of this document and 14 March 2013 your transaction may not be entered on the register of members before the Record Date for the Rights Issue.

If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline on 0870 703 6251 (+44 870 703 6251 if you are calling from outside the UK).

3.7 *If I take up my rights, when will New Ordinary Shares be credited to my CREST stock account(s)?*

If you take up your rights under the Rights Issue, New Ordinary Shares will be credited to the CREST stock account(s) in which you hold your Fully Paid Rights on 5 April 2013.

4. **FURTHER PROCEDURES FOR ORDINARY SHARES WHETHER HELD IN CERTIFICATED FORM OR IN CREST**

4.1 *Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?*

If you are resident or ordinarily resident in the UK for tax purposes, you will not have to pay UK tax when you take up your rights. However, if you hold your shares as an investment, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights unless an exemption for relief is available to you (unless, generally, the proceeds do not exceed £3,000, although in that case the amount of UK tax you may pay when you sell your Ordinary Shares will be affected).

Further information for Qualifying Shareholders who are resident in the UK for tax purposes is contained in section 10 of Part VII of this document. **Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any jurisdiction other than the UK should consult their professional adviser as soon as possible.**

4.2 *What if the number of New Ordinary Shares to which I am entitled is not a whole number: am I entitled to fractions of New Ordinary Shares?*

Your entitlement to New Ordinary Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive a New Ordinary Share in respect of the fraction of an Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be sold in the market for the benefit of the Company.

4.3 *I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?*

If you do not want to buy the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “**Nil Paid Rights**”) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. This means that, between 19 March 2013 and 4 April 2013, you can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue (sometimes referred to as trading “ex”)) and/or you can trade in the Nil Paid Rights.

If you sell or transfer all of your Nil Paid Rights and you hold your Ordinary Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 2 of the Provisional Allotment Letter and send it to the stockbroker, bank or other appropriate independent financial adviser, through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Ordinary Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any purchase of Nil Paid Rights may be subject to stamp duty reserve tax, please refer to section 10 of Part VII of this document for further information. Any seller of Nil Paid Rights who holds his Ordinary Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 4 April 2013, in accordance with the instructions on the Provisional Allotment Letter. If you are a CREST member or CREST sponsored member and you wish to hold your Nil Paid Rights in uncertificated form in CREST then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter completed (in the case of a CREST member) to the CREST Courier and Sorting Service or (in the case of a CREST sponsored member) to your CREST sponsor by 4.30 p.m. on 27 March 2013 at the latest. However, the acquisition of Nil Paid Rights may give rise to a charge to SDRT. Further details on this issue are set out in section 10 of Part VII of this document.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying non-CREST Shareholders who are CREST members or CREST sponsored members, can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other independent financial adviser, or whoever arranged your share purchase, for details.

#### 4.4 *What if I want to sell the New Ordinary Shares I have paid for?*

If you are a Qualifying non-CREST Shareholder, provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter (by ticking Box 4 on page 2 of the Provisional Allotment Letter), you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on page 2 of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 3 of the Provisional Allotment Letter until 3.00 p.m. on 2 April 2013. See section 3 of Part III of this document for more details.

After that date, you will be able to sell your New Ordinary Shares in the normal way. However, the share certificate relating to your New Ordinary Shares is expected to be despatched to you on or around 12 April 2013. Pending despatch of share certificates, instruments of transfer may be certified by Computershare against the register.

If you hold your New Ordinary Shares and/or rights in CREST, you may transfer the Fully Paid Rights in the same manner as any other security that is admitted to CREST. See section 4 of Part III of this document for more details. Please consult your stockbroker, bank or other independent financial adviser, or whoever arranged your share purchase, for details.

#### 4.5 *Do I need to comply with the Money Laundering Regulations procedures as set out in sections 3 and 4 of Part III of this document?*

If you are a Qualifying non-CREST Shareholder, you do not need to take any further action in respect of the Money Laundering Regulation procedures if the value of the New Ordinary Shares you are subscribing for is less than the pound sterling equivalent of €15,000 (approximately £13,000) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU- or UK-regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to take any further action in respect of the Money Laundering Regulation unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU- or UK-regulated financial institution.

Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to section 3 and section 4 respectively of Part III of this document for a fuller description of the requirements of the Money Laundering Regulations.

4.6 *What if I am entitled to Ordinary Shares under an Employee Share Scheme?*

Participants in the Employee Share Schemes will be advised separately of adjustments (if any) to their rights or as to any entitlement to participate in the Rights Issue.

4.7 *What should I do if I live outside the UK?*

Your ability to take up rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the UK should refer to section 8 of Part III of this document – particularly those resident in the United States, Canada, Australia, Japan or the Republic of South Africa.

The Banks have made arrangements under which they will try to find investors to take up your rights and those of other existing Ordinary Shareholders who have not taken up their rights. If the Banks do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched on or around 12 April 2013 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Ordinary Shares jointly). If the Banks cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment.

4.8 *What do I do if I have any further queries about the Rights Issue or the action I should take?*

If you have any other questions, please telephone the Shareholder Helpline on 0870 703 6251 (+44 870 703 6251 if you are calling from outside the UK). This Helpline is available from 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding bank holidays. Please note that calls may be monitored or recorded. For legal reasons, the Shareholder Helpline will only be available to provide you with information contained in this document (other than information relating to the Company's register of members) and as such, will be unable to give advice on the merits of the Rights Issue or to provide financial or investment advice. If you are in any doubt as to the action to be taken you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA, if you are in the UK, or if you are not, from another appropriately authorised financial adviser. Shareholder Helpline staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

**Your attention is drawn to the terms and conditions of the Rights Issue in Part III of this document and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter.**

## PART III

### TERMS AND CONDITIONS OF THE RIGHTS ISSUE

#### 1. DETAILS OF THE RIGHTS ISSUE

The Company is proposing to raise approximately £375 million, net of expenses, by way of the Rights Issue of 156,871,900 New Ordinary Shares. Subject to the fulfilment of the conditions of the Underwriting Agreement referred to below, the New Ordinary Shares will be offered by way of rights at an Issue Price of 245 pence per New Ordinary Share, payable in full on acceptance, to Qualifying Shareholders on the basis of:

#### 2 New Ordinary Shares for every 9 Ordinary Shares

held on the Record Date and so in proportion for any other number of Ordinary Shares then held and otherwise on the terms and conditions set out in this document and, in the case of Qualifying non-CREST Shareholders, the Provisional Allotment Letter.

The Issue Price reflects a discount of 39.5 per cent. to the closing middle market price of William Hill of 404.7 pence per Ordinary Share on 28 February 2013, the latest practical date before the announcement of the Rights Issue and a discount of 34.8 per cent. to the theoretical ex-rights price on the same basis. This represents a 38.3 per cent. discount to that closing middle market price adjusted for the proposed final dividend of 7.8 pence per Ordinary Share, which will be paid to Shareholders on the register of members at the close of business on 15 March 2013, and a discount of 33.7 per cent. to the theoretical ex-rights price on the same basis.

The Nil Paid Rights are entitlements to buy New Ordinary Shares at the Issue Price. The Fully Paid Rights are entitlements to receive New Ordinary Shares for which subscription and payment has already been made.

Holdings of Ordinary Shares in certificated and uncertificated forms will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders. Such fractions will be aggregated and sold in the market as soon as is practicable after the commencement of dealings in the Nil Paid Rights. The net proceeds of such sales (after the deduction of expenses) will be aggregated and will accrue for the benefit of the Company, save that any Qualifying Shareholder will be entitled to receive the proceeds in respect of fractional entitlements of £5.00 or more.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to all future dividends and other distributions declared, made or paid.

**The attention of Overseas Shareholders or any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to section 8 of this Part III below. Subject to the provisions of section 8, Qualifying Shareholders who have a registered address in the United States or any of the Restricted Jurisdictions or who are otherwise located in the United States will not be sent this document or Provisional Allotment Letters and will not have their CREST accounts credited with Nil Paid Rights.**

Application has been made to the FSA for the New Ordinary Shares (nil and fully paid) to be admitted to the premium segment of the Official List and to the London Stock Exchange and for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on its main market for listed securities. It is expected that listing will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on 19 March 2013. The ISIN for the New Ordinary Shares will be the same as the Existing Ordinary Shares, GB003169886. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held certificated or uncertificated via CREST. The ISIN for the Nil Paid Rights is GB00B97SHR57, and the ISIN for the Fully Paid Rights is GB00B8Q6D317.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue on the terms and subject to the conditions set out in this document and, in the case of Qualifying non-CREST Shareholders holding Certificated Shares, any relevant Provisional Allotment Letter.

The Rights Issue is fully underwritten by the Banks and is conditional *inter alia* upon:

- (a) the passing of the Proposed Acquisition Resolution at the Extraordinary General Meeting without material amendment;
- (b) the Company having applied to Euroclear UK & Ireland for admission of the Nil Paid Rights and the Fully Paid Rights to CREST as participating securities and no notification having been received from Euroclear UK & Ireland on or before Admission that such admission or facility for holding and settlement has been or is to be refused;
- (c) Admission becoming effective by not later than 8.00 a.m. on 19 March 2013 (or such later time and/or date, as the Banks and the Company may agree in advance in writing but so that the last date for acceptance is not later than 18 April 2013); and
- (d) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been rescinded or terminated in accordance with its terms prior to Admission.

The Underwriting Agreement is conditional upon certain conditions being satisfied and certain representations, warranties and undertakings not being breached and may be terminated by the Banks prior to Admission upon the occurrence of certain specified events. If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 19 March 2013 or if it is terminated in accordance with its terms, the Rights Issue will be revoked and will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Banks may arrange sub-underwriting for some or all of the New Ordinary Shares.

A summary of the principal terms of the Underwriting Agreement is set out in section 12 of Part VII of this document.

Each of the Banks may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, none of the Banks proposes to make any public disclosure in relation to such transactions.

In connection with the Rights Issue, each of the Banks and any of their respective affiliates, acting as an investor for their own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer to sell such New Ordinary Shares or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to the Banks or any of their respective affiliates acting in such capacity. None of the Banks nor any of their respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Application has been made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST as separate securities. Euroclear UK & Ireland requires the Company to confirm to it that certain conditions (imposed by the CREST Rules) are satisfied before Euroclear UK & Ireland will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Nil Paid Rights and the Fully Paid Rights as soon as admission of the New Ordinary Shares (nil paid) to the Official List has become effective. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK & Ireland.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares; all of the New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject, *inter alia*, to the conditions referred to in paragraphs (a) to (d) above being satisfied and save as provided in section 8 of this Part III below, it is intended that:

- (i) Provisional Allotment Letters (which constitute temporary documents of title) in respect of Nil Paid Rights will be despatched to Qualifying non-CREST Shareholders (other than Qualifying



Shareholders with a registered address in the United States or the Restricted Jurisdictions, or who are otherwise located in the United States; or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) who have validly taken up their Nil Paid Rights at their own risk on 18 March 2013;

- (ii) Computershare, will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Qualifying Shareholders with a registered address in the United States or the Restricted Jurisdictions or who are otherwise located in the United States, or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) with their entitlements to Nil Paid Rights with effect from 19 March 2013;
- (iii) the Nil Paid Rights and Fully Paid Rights will be enabled for settlement by Euroclear UK & Ireland on 19 March 2013, as soon as practicable after the Company has confirmed to Euroclear UK & Ireland that all the conditions for admission of the Nil Paid Rights and the Fully Paid Rights to CREST have been satisfied;
- (iv) the New Ordinary Shares will be credited to the appropriate CREST accounts of Qualifying CREST Shareholders (or relevant renounees who validly take up their Nil Paid Rights) as soon as practicable after 8.00 a.m. on 19 March 2013; and
- (v) share certificates for the New Ordinary Shares will be despatched to Qualifying non-CREST Shareholders (or their nominees) who have validly taken up their Nil Paid Rights at their own risk on or around 12 April 2013.

This document constitutes the offer of New Ordinary Shares to all Qualifying CREST Shareholders (other than Qualifying Shareholders with a registered address in the United States or the Restricted Jurisdictions or who are otherwise located in the United States, or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of enablement of the Nil Paid Rights and the Fully Paid Rights (as set out in paragraph (iii) above); and to Qualifying non-CREST Shareholders (other than Qualifying Shareholders with a registered address in the United States or the Restricted Jurisdictions or who are otherwise located in the United States; or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of a Provisional Allotment Letter (as set out in paragraph (i) above).

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk. Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein and any CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in section 4 of this Part III of this document is deemed to have made the representations and warranties set out in section 9.2 of this Part III of this document.

## 2. ACTION TO BE TAKEN BY QUALIFYING SHAREHOLDERS – INTRODUCTION

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying non-CREST Shareholder with a registered address in the UK, please refer to section 3, sections 5 to 7, section 9.1 and section 10 of this Part III of this document.

If you are a Qualifying CREST Shareholder with a registered address in the UK, please refer to sections 4 to 7, section 9.2 and section 10 of this Part III of this document.

If you are an Overseas Shareholder, please refer to section 8 of this Part III of this document.

**CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary action specified below to take up their entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights.**

### **3. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS REPRESENTED BY PROVISIONAL ALLOTMENT LETTERS**

#### **3.1 GENERAL**

It is expected that Provisional Allotment Letters will be despatched to Qualifying non-CREST Shareholders (other than certain Overseas Shareholders) on 18 March 2013. If the Rights Issue is delayed, or if, for any reason, the Provisional Allotment Letters are posted later than the date of the Extraordinary General Meeting, the expected timetable as set out in this document may be adjusted. References to times and dates in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates and times, and if possible the revised times and dates will be set out in the Provisional Allotment Letters.

The Provisional Allotment Letter will set out:

- (i) the holding of Existing Ordinary Shares on which a Qualifying non-CREST Shareholder's entitlement to New Ordinary Shares has been based;
- (ii) the aggregate number of New Ordinary Shares which have been provisionally allotted to such Qualifying non-CREST Shareholder;
- (iii) the procedures to be followed if a Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement, or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

#### **3.2 Procedure for acceptance and payment**

- (a) Qualifying non-CREST Shareholders who wish to accept in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlements must return the Provisional Allotment Letter, in accordance with the instructions thereon, together with a cheque or banker's draft, made payable to "Computershare – A/C William Hill PLC" and crossed "A/C payee only", for the full amount payable on acceptance, by post or by hand (during normal business hours only) to the address shown on the front of the Provisional Allotment Letter, so as to arrive as soon as possible and in any event so as to be received no later than the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is expected to be 11.00 a.m. on 4 April 2013. If you post the Provisional Allotment Letter within the UK by first class post, it is recommended that you allow at least four days for delivery. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the UK only for this purpose.

- (b) Qualifying non-CREST Shareholders who wish to accept in part

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights should refer to section 3.8 of this Part III of this document.

- (c) Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 4 April 2013, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance as set out herein) be deemed to have been declined and will lapse.

The Company reserves the right (in consultation with the Banks), but shall not be obliged, to accept (a) Provisional Allotment Letters and accompanying remittances which are received through the post not later than 11.00 a.m. on 5 April 2013, being the business day immediately

following the final date for acceptance and payment (with the cover bearing a legible postmark of not later than 11.00 a.m. on 4 April 2013) and (b) applications in respect of which a remittance is received prior to 11.00 a.m. on 4 April 2013; from an authorised person (as defined in section 31(2) of FSMA) identifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter duly completed by not later than 11.00 a.m. on 5 April 2013, being the business day immediately following the final date for acceptance and payment, provided that the Provisional Allotment Letter is lodged by that time.

The Company may, having consulted with the Banks, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions, or not accompanied by a valid power of attorney where required.

Any person who makes a valid acceptance and payment in accordance with section 3 of this Part III of this document is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the memorandum of association of the Company and its Articles.

### **3.3 Payments**

All payments must be made by cheque or banker's draft in pounds sterling drawn on a branch of a bank or building society in the UK, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for the members of either of those companies and must bear the appropriate sorting code number in the top right hand corner. Cheques and banker's drafts should be made payable to "Computershare A/C William Hill PLC" and crossed "A/C payee only". The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Computershare to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments made before they are due but will accrue for the benefit of the Company. Return of the Provisional Allotment Letter with a remittance in the form of a cheque will constitute a warranty that the cheque will be honoured on first presentation. The Company may elect to treat as invalid any acceptances in respect of which cheques or other remittances are notified to it or its agent as not having been so honoured.

All enquiries in connection with Provisional Allotment Letters should be addressed to Computershare telephone number 0870 703 6251.

If New Ordinary Shares have already been allotted to a Qualifying non-CREST Shareholder prior to any payment not being so honoured or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of such Qualifying non-CREST Shareholder. The Company may hold the proceeds of such sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale including, without limitation, any stamp duty or SDRT payable on the transfer of the New Ordinary Shares) of the relevant New Ordinary Shares on behalf of such Qualifying non-CREST Shareholder. None of the Company, Computershare or any of the Banks will be liable to any person for any loss, expense or damage suffered or incurred by such Qualifying non-CREST Shareholder as a result of the exercise of any such discretion or as a result of any sale of relevant New Ordinary Shares.

### **3.4 Money Laundering Regulations**

It is a term of the Rights Issue that to ensure compliance with the Money Laundering Regulations Computershare and/or the Company may in their sole discretion require verification of the identity of the person lodging the Provisional Allotment Letter with payment or, where relevant, its beneficial owner or ultimate controller and/or the person on whose behalf the Provisional Allotment Letter is lodged with payment and, where relevant, its beneficial owner or ultimate controller (which requirements are referred to below as the "verification of identity requirements"). The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, as described above, accept(s) the allotment of the New Ordinary Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in Form Y on such Provisional Allotment Letter), including any person who appears to Computershare or the Company to be acting on

behalf of another person, shall thereby be deemed to agree to provide Computershare and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements. If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Computershare or the Company. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

If Computershare or the Company determines that the verification of identity requirements apply to an acceptance of an allotment and the verification of identity requirements have not been satisfied (which Computershare and/or the Company shall in their absolute discretion determine) by 3.00 p.m. on 4 April 2013, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid or may confirm the allotment of the relevant New Ordinary Shares to the acceptor but (notwithstanding any other term of the Rights Issue) such New Ordinary Shares will not be issued to him or registered in his name until the verification of identity requirements have been satisfied (which Computershare and/or the Company shall in their absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, the Company may (in its absolute discretion as to manner, timing and terms) sell such New Ordinary Shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of the New Ordinary Shares) of the relevant New Ordinary Shares (which shall be issued to and registered in the name of the purchaser(s)) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. Computershare and/or the Company are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any acceptor and whether such requirements have been satisfied. None of the Company, Computershare or any of the Banks will be liable to any person for any loss, expense or damage suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant New Ordinary Shares.

**Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully-paid Provisional Allotment Letter or a share certificate.**

The verification of identity requirements will not usually apply:

- (a) if the acceptor is an organisation required to comply with the EU Money Laundering Directive (no. 2005/60/EC); or
- (b) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (c) if the acceptor (not being an acceptor who delivers his acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor;
- (d) if the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent, approximately £13,000); or
- (e) if the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account of the acceptor) or banker's draft, request the building society or bank to endorse the cheque or draft

with the acceptor's name and the number of an account held in the acceptor's name at such building society or bank. Such endorsement must be validated by a stamp and an authorised signature;

- (ii) if payment is not made by a cheque drawn on an account in the name of the acceptor and (i) above does not apply, the acceptor should enclose with his Provisional Allotment Letter evidence of his name and address from an appropriate third party, for example, a recent bill from a gas, electricity or telephone company or a bank statement (being dated not earlier than 1 January 2013), in each case bearing the acceptor's name and address. The originals of such documents (not copies) are required; such documents will be returned in due course. Computershare may not accept a payment made on a third party cheque;
- (iii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in (a) above or which is subject to anti money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation with the Provisional Allotment Letter that it has such status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to Computershare or the relevant authority; and
- (iv) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and recent evidence of his address.

In order to confirm the acceptability of any written assurance referred to in (iii) above or any other case, the acceptor should contact Computershare.

### **3.5 Dealings in Nil Paid Rights**

Subject to the fulfilment of the conditions set out in section 1 of this Part III of this document, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 19 March 2013. A transfer of Nil Paid Rights can be made by a Qualifying non-CREST Shareholder by way of renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the Nil Paid Rights have been renounced, by delivery of such Provisional Allotment Letter to the transferee.

The last time and date for renouncing Nil Paid Rights is 3.00 p.m. on 28 March 2013.

### **3.6 Dealings in Fully Paid Rights**

After acceptance of the provisional allotment in accordance with the provisions set out in this document and in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and delivery of the same by post or by hand to Computershare at Corporate Actions Projects, Bristol BS99 GAH or by hand only (during normal business hours) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE by 11.00 a.m. on 4 April 2013. Thereafter the New Ordinary Shares will be in registered form and will be transferable by written instrument of transfer in any usual or common form complying with the Articles or in any other written form which the Directors may approve.

To deal in Fully Paid Rights, a Qualifying non-CREST Shareholder will need to have their fully paid Provisional Allotment Letter returned to them after acceptance has been effected by Computershare. However, fully paid Provisional Allotment Letters will not be returned to Shareholders unless their return is requested by ticking Box 4 on page 2 of the Provisional Allotment Letter.

### **3.7 Registration in names of Qualifying non-CREST Shareholders**

A Qualifying Non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such New Ordinary Shares in accordance with the provisions summarised in this document and set out in the Provisional Allotment Letter but need take no further action; a share certificate is expected to be sent to him by post by not later than 12 April 2013.

### **3.8 Renunciation and splitting of Provisional Allotment Letters**

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 2 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it becomes a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may only be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 4 April 2013.

If a Qualifying non-CREST Shareholder wishes either to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (as appropriate) Fully Paid Rights but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must complete and sign Form X on page 2 of the Provisional Allotment Letter. The Provisional Allotment letter must then be lodged by post, with Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand only (during normal business hours) with Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE by not later than 11.00 a.m. on 4 April 2013 when fully paid, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each letter should be stated in a covering letter. If a Qualifying Shareholder wishes to take up any of his rights, he must include a cheque or banker's draft for the correct amount with the covering letter in accordance with section 3.3 of this Part III of this document. If the Qualifying Shareholder wishes to receive a fully paid Provisional Allotment Letter in respect of any rights he has taken up this must be specifically requested in his covering letter. Holders of split Provisional Allotment Letters who wish to take up their entitlements must do so by returning the split Provisional Allotment Letters together with a cheque or banker's draft in accordance with section 3.3 of this Part III of this document. Form X on page 2 of the split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue.

Alternatively, a Qualifying non-CREST Shareholder who wishes to take up only some of his Nil Paid Rights, without transferring the remainder, should complete Form X on page 2 of the Provisional Allotment Letter and return it by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand only (during normal business hours) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker's draft for the appropriate amount to pay for this number of New Ordinary Shares (in accordance with section 3.3 of this Part III of this document). In this case, the Provisional Allotment Letter and cheque must be received by Computershare by 3.00 p.m. on 2 April 2013.

The Company and the Banks reserve the right to refuse to register any renunciation in favour of any person which the Company and the Banks believe may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the UK.

### **3.9 Registration in names of persons other than Qualifying non-CREST Shareholders originally entitled**

In order to register Nil Paid Rights or Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renounee or his agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renounee is a CREST member who wishes to hold such shares in uncertificated form, in which case, Form X and the CREST Deposit Form must be completed – see section 3.10 of this Part III of this document) and lodge the entire Provisional Allotment Letter, when fully paid, by post or by hand with Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand only with Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE not later than 11.00 a.m. on 4 April 2013.

### 3.10 **Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether any such conversion arises as a result of a renunciation of those rights or otherwise). Subject as provided in the next section (or in the Provisional Allotment Letter), normal CREST procedures (including timings) apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address appear(s) on page 1 of the Provisional Allotment Letter, or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) must be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures must be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each letter must be completed and deposited. The consolidation listing form on page 2 of the Provisional Allotment Letter must not be used.

A holder of Nil Paid Rights or (if appropriate) Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or (if appropriate) Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 4 April 2013. **In particular, having regard to normal processing times in CREST and on the part of Computershare, the latest recommended time for depositing a renounced Provisional Allotment Letter, with Form X and the CREST Deposit Form on page 2 of the Provisional Allotment Letter duly completed, with the CCSS (in order to enable the person acquiring the Nil Paid Rights or (if appropriate) Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 4 April 2013 is 3.00 p.m. on 28 March 2013.**

When Form X and the CREST Deposit Form (both on page 2 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by Computershare. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of CREST once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

### 3.11 **Share certificates**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post on or around 12 April 2013 to accepting Shareholders at their registered addresses. After 12 April 2013, Provisional Allotment Letters will cease to be valid for any purpose whatsoever and, pending the issue of share certificates, instruments of transfer will be certified by Computershare against lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, fully paid registration receipt forms (Form Z), duly stamped by Computershare.

### 3.12 **Posting**

All documents and cheques posted to or by Shareholders or renounees or their agents will be posted at their risk.

#### 4. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN RELATION TO NIL PAID RIGHTS AND FULLY PAID RIGHTS IN CREST

##### 4.1 General

It is expected that each Qualifying CREST Shareholder (other than certain Overseas Shareholders) will receive a credit to his CREST stock account of his entitlement to Nil Paid Rights as soon as practicable after 8.00 a.m. on 19 March 2013. The CREST stock account to be credited will be the account with the participant ID and member account ID that applies to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights and Fully Paid Rights will each constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If the Rights Issue is delayed or if, for any other reason, stock accounts of Qualifying CREST Shareholders cannot be credited, or the Nil Paid Rights cannot be enabled, by 8.00 a.m. on 19 March 2013, the expected timetable as set out in this document may be adjusted. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates, but Qualifying CREST Shareholders may not receive any further written communication. Further, in such circumstances the Company, in consultation with the Banks, may choose to send a Provisional Allotment Letter to each Qualifying CREST Shareholder in substitution for the Nil Paid Rights which would have been credited to its stock account in CREST.

**CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer, Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member and wish to take up your entitlement, you should consult your CREST sponsor, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.**

##### 4.2 Procedure for acceptance and payment

###### (a) Many-To-Many Instructions

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many (“**MTM**”) instruction to Euroclear UK & Ireland which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare, under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (ii) the creation of a settlement bank payment obligation (as defined in the CREST Manual), in accordance with the RTGS payment mechanism (as defined in the CREST Manual), in favour of the RTGS settlement bank of Computershare in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

###### (b) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;



- (ii) the participant ID of the accepting CREST member;
  - (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
  - (iv) the participant ID of Computershare, in its capacity as a CREST receiving agent. This is 3RA17;
  - (v) the member account ID of Computershare, in its capacity as a CREST receiving agent. This is WILLIAMH;
  - (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
  - (vii) the amount payable by means of the settlement bank payment obligation (as defined in the CREST Manual) on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
  - (viii) the intended settlement date. This must be on or before 4 April 2013;
  - (ix) the ISIN Number of the Nil Paid Rights. This is GB00B97SHR57;
  - (x) the ISIN Number of the Fully Paid Rights. This is GB00B8Q6D317; and
  - (xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
  - (xii) contact name and telephone numbers in the shares notes field; and
  - (xiii) a priority of at least 80.
- (c) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents as set out in sub-paragraph (b) of this section 4.2 of this Part III will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 4 April 2013; or
- (ii) at the discretion of the Company in consultation with the Banks
  - (A) the MTM instruction is received by Euroclear UK & Ireland by not later than 11.00 a.m. on 4 April 2013;
  - (B) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 4 April 2013; and
  - (C) the relevant MTM instruction settles by 2.00 p.m. on 4 April 2013 (or such later time as the Company and the Banks may determine).

An MTM instruction will be treated as having been received by Euroclear UK & Ireland for these purposes at the time at which the instruction is processed by the Communications Host at Euroclear UK & Ireland of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

(d) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this section 4.2 of this Part III represents, warrants and undertakes to the Company and the Banks that he has taken (or procured to be taken), and will take (or procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 4 April 2013 and remains capable of settlement at all times after that until 2.00 p.m. on 4 April 2013 (or until such later time and date as the Company and the Banks may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 4 April 2013 and at all times thereafter until 2.00 p.m. on 4 April 2013 (or until such later time and date as the Company and the Banks may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III in respect of the acquisition of such New Ordinary Shares) on behalf of such CREST member or CREST sponsored member.

Neither the Company nor any of the Banks nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(e) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures as set out in this section 4.2 of this Part III, (a) undertakes to pay to the Company, or procure the payment to the Company of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism, the creation of a settlement bank payment obligation in pounds sterling in favour of the settlement bank of Computershare in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Company the amount payable on acceptance) and (b) requests that the Fully Paid Rights and/or New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum of association of the Company and its Articles.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any applicable brokerage and commissions and amounts in respect of any value added tax, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such New Ordinary Shares) or an amount equal to the

original payment of the CREST member or CREST sponsored member. Neither the Company nor any of the Banks nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(f) CREST procedures and timings

**CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular corporate action. Normal systems timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 4 April 2013. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

(g) Discretion as to rejection and validity of acceptances

The Company may (having consulted with the Banks and taken into account their reasonable comments):

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings as set out or referred to in this section 4.2 of this Part III. Where an acceptance is made as set out in this section 4.2 of this Part III which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 4 April 2013 (or by such later time and date as the Company and the Banks have determined), the Company and the Banks shall be entitled to assume, for the purposes of its right to reject an acceptance as set out in this section 4.2 of this Part III, that there has been a breach of the representations, warranties and undertakings as set out or referred to in this section 4.2 of this Part III, unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the failure of the MTM instruction to settle;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity as set out or referred to in this section 4.2 of this Part III;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Banks may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid acceptance if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Computershare has received actual notice from Euroclear UK & Ireland of any of the matters specified in regulation 35(5)(a) of the Uncertificated Securities Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare in connection with CREST.

Any person who makes a valid acceptance and payment in accordance with this section 4 of this Part III is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and subject to the memorandum of association of the Company and its Articles.

#### **4.3 Money Laundering Regulations**

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EC regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Computershare before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Computershare any information Computershare may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Computershare as to identity, Computershare, having where time allows, consulted with the Company and the Banks and having taken into account their comments, may at its absolute discretion take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then Computershare will not permit the MTM instruction concerned to proceed to settlement, but without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

#### **4.4 Dealings in Nil Paid Rights**

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 19 March 2013. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 4 April 2013.

#### **4.5 Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 4 April 2013. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 4 April 2013.

#### **4.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear UK & Ireland of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 27 March 2013, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 4 April 2013. You are recommended to refer to the CREST Manual or to your CREST sponsor, if appropriate, for details of such procedures.

#### **4.7 Issue of New Ordinary Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 4 April 2013 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding such Fully

Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Computershare will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next business day (expected to be 5 April 2013).

**4.8 Right to allot/issue in certificated form**

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

**5. PROCEDURE IN RESPECT OF RIGHTS NOT TAKEN UP (WHETHER CERTIFICATED OR UNCERTIFICATED)**

If an entitlement to New Ordinary Shares is not validly taken up by 11.00 a.m. on 4 April 2013, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. Each of the Joint Global Coordinators will, as agent for the Company, endeavour to procure subscribers for all of those New Ordinary Shares by not later than 3.00 p.m. on 8 April 2013 at a price per New Ordinary Share which is not less than the aggregate of the Issue Price and the expenses of procuring such subscribers (including applicable brokerage, commissions and amounts in respect of any VAT). If subscribers can be procured on this basis, such New Ordinary Shares will be reallocated at the Issue Price to such subscribers and any net proceeds (after deduction of the Issue Price and the expenses of procuring such subscribers, including any applicable brokerage, commission and any amounts in respect of VAT thereon) will be paid (without interest) by cheque as set out below.

It will be a term of such subscription that such net proceeds shall be paid (subject as provided in this section 5 of this Part III of this document):

- (i) where the provisional allotment was, at the time of its lapsing, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter; and
- (ii) where the Nil Paid Rights were, at the time of their lapsing, in uncertificated form, to the person registered as the holder of such Nil Paid Rights at the time of their disablement in CREST.

Payments to those persons entitled (as referred to above) will be made pro rata to their lapsed provisional allotments, save that amounts of less than £5.00 will not be paid to such persons but will be aggregated and retained for the benefit of the Company. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as being held by different persons for these purposes. Cheques for the amounts due (if any) will be sent by post at the risk of such persons to their registered addresses provided that, where an entitlement concerned was held in CREST, the amount due will, unless the Company (at its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of a settlement bank payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Notwithstanding the above, the Joint Global Coordinators may at any time after 11.00 a.m. on 4 April 2013 cease to endeavour to procure subscribers if, in their reasonable opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If, and to the extent that, subscribers for New Ordinary Shares cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Banks at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any transactions undertaken pursuant to this section 5 of this Part III of this document will be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments or other entitlements and none of the Company, the Banks nor any person procuring or seeking to procure such subscribers shall be responsible or have any liability for any loss or damage (whether actual or alleged) arising from the terms, amount or timing of any such subscription or any failure to procure such

subscribers or the decision not to endeavour to procure such subscribers. Each of the Joint Global Coordinators will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

## 6. EMPLOYEE SHARE SCHEMES

In accordance with the rules of the Employee Share Schemes, the Board proposes to make adjustments to the terms of outstanding options and awards and to the numerical limits thereof to take account of the Rights Issue. Such adjustments will, for any Employee Share Scheme approved by the HM Revenue & Customs, be subject to the prior approval of HM Revenue & Customs. The Company will notify participants in the Employee Share Schemes of any such adjustment in due course.

## 7. TAXATION

The information regarding UK taxation and US taxation in respect of the New Ordinary Shares and the Rights Issue is set out in sections 10 and 11 respectively of Part VII of this document and is intended only as a general guide to the current tax position in those jurisdictions. **If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the UK or the US, you should consult your professional adviser without delay.**

## 8. OVERSEAS SHAREHOLDERS

### 8.1 General

**The making or acceptance of the Rights Issue to or by persons resident in, or who are citizens of, countries other than the UK may be affected by the laws of the relevant jurisdiction. Such persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**

It is the responsibility of all persons (including, without limitation, nominees, custodians, agents and trustees) resident outside the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares to satisfy themselves as to full observance of the applicable laws of the territory in which they are located, domiciled or resident for securities laws purposes, including obtaining all necessary governmental or other consents which may be required, observing all other requisite formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

**The comments set out in this section 8 of this Part III are intended only as a general guide and any Qualifying Shareholders who are in doubt as to their position should consult their professional adviser without delay.**

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer, and in those circumstances this document and/or the Provisional Allotment Letter should be treated as sent for information only in relation to the EGM and should not be copied or redistributed.

Nil Paid Rights will be provisionally allotted to all Qualifying Shareholders, including Qualifying Shareholders with registered addresses in the United States or the Restricted Jurisdictions or who are otherwise located in the United States. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Qualifying Shareholders with registered addresses in the United States or the Restricted Jurisdictions or who otherwise located in the United States, or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person in any territory other than the UK receiving this document and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST may treat the same as constituting an offer or invitation to him, nor should he in any event use a Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST, unless such an invitation or offer can lawfully be made to him in the relevant territory and the Provisional Allotment Letter, Nil Paid Rights or Fully Paid Rights in CREST can lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Persons (including, without limitation, nominees, custodians agents and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the document or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction or to any citizen of any such jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such territory (or by the agent or nominee of such a person), he must not seek to take up, renounce or transfer the Nil Paid Rights or Fully Paid Rights referred to in the Provisional Allotment Letter or this document unless the Company determines (in consultation with the Banks) that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, any nominee, custodian trustee or agent) who does forward this document or a Provisional Allotment Letter into or credit Nil Paid Rights or Fully Paid Rights into CREST to be received by a person in any such territory (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 8 of this Part III. The Company, in consultation with the Banks, reserves the right to treat as invalid any acceptance or purported acceptance of the offer of New Ordinary Shares, or renunciation or purported renunciation of the offer of New Ordinary Shares, and will not be bound to allot, issue or transfer New Ordinary Shares if it (a) appears to the Company or its agents that the form of acceptance or renunciation has been executed or effected in or despatched from the United States or any Restricted Jurisdiction, by or for the account of a person located in the United States, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) in the case of a Provisional Allotment Letter, provides an address in the United States or any Restricted Jurisdiction or any other jurisdiction outside the UK in which the Company believes it would be unlawful to deliver definitive share certificates for the New Ordinary Shares; (c) in the case of a credit of Nil Paid Rights held in CREST, to a CREST member or CREST sponsored member whose registered address would be in the United States or any of the Restricted Jurisdictions; or (d) purports to exclude any of the warranties contained in this Part III.

The attention of Qualifying Shareholders with registered addresses in the United States or Restricted Jurisdictions, or persons resident in those countries, is drawn to sections 8.2 to 8.5 (inclusive) of this Part III.

Despite any other provisions of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulation giving rise to the restrictions in question. Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in section 3.3 (Qualifying non-CREST Shareholders) and section 4.2 (Qualifying CREST Shareholders) both of this Part III.

**If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your professional advisers immediately.**

## **8.2 United States and Canada**

The Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act, the laws of any state of the United States or the securities legislation of any province or territory of Canada. Subject to certain exceptions, none of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters may be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into the United States or Canada or by any person otherwise located in the United States or Canada. Accordingly, subject to certain exceptions, the Rights Issue will not be made within the United States or Canada and neither this document nor Provisional Allotment Letters will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, any Shareholder with a registered address in the United States or Canada.

Any person in the United States who obtains a copy of this document or a Provisional Allotment Letter and who is not a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act is required to disregard them. Any person in Canada who obtains a copy of this document or a Provisional Allotment Letter is required to disregard them.

Qualifying US Investors that satisfy the Company as to their status may exercise the Nil Paid Rights and the Fully Paid Rights by delivering a properly completed Provisional Allotment Letter to the Receiving Agent in accordance with the procedures set out in section 4.2 of this Part III of this document. Qualifying US Investors must also complete, and return to the Company, an Investor Representation Letter in the appropriate form as described in section 9.3 of this Part III of this document, with a copy to the Banks. Overseas Shareholders who hold Ordinary Shares through a bank, a broker or other financial intermediary, should procure that the relevant bank, broker or financial intermediary submits an Investor Representation Letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed Investor Representation Letter or any other required additional documentation.

Potential purchasers of the New Ordinary Shares in the US are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of such New Ordinary Shares.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

No representation has been, or will be, made by the Company or any of the Banks as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

### 8.3 **Australia**

No prospectus, product disclosure statement or other disclosure document in relation to the New Ordinary Shares has been or will be lodged with the Australian Securities & Investments Commission. Neither the New Ordinary Shares nor the Provisional Allotment Letters nor any Nil Paid Rights or Fully Paid Rights held in CREST may be offered for subscription or purchase, taken up, sold, renounced, transferred or delivered, directly or indirectly, nor may any invitation to subscribe for or buy or sell New Ordinary Shares or any Nil Paid Rights or Fully Paid Rights held in CREST be issued or any draft or definitive document in relation to any such offer, sale or invitation be distributed, in or into Australia or to or for the account or benefit of an Australian Person. Accordingly, no offer of New Ordinary Shares is being made under this document or the Provisional Allotment Letters to shareholders with registered addresses in, or to residents of, Australia. No Provisional Allotment Letters will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, Qualifying Shareholders who have registered addresses in Australia.

### 8.4 **Japan**

The relevant clearances have not been and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan. Therefore, subject to certain exceptions, neither the Provisional Allotment Letters nor any Nil Paid Rights or Fully Paid Rights held in CREST nor the New Ordinary Shares may, directly or indirectly, be offered or sold, taken up, or renounced in or into Japan or its territories or possessions. No Provisional Allotment Letter will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST of, Qualifying Shareholders whose registered address is in Japan.

### 8.5 **Other overseas territories**

Qualifying Shareholders who have registered or who are resident in, or who are citizens of, other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights and/or Fully Paid Rights and/or New Ordinary Shares under the Rights Issue.

**The comments set out in this section 8 of this Part III are intended as a guide only and persons resident in, or who are citizens of, countries other than the UK should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.**



## **9. REPRESENTATIONS AND WARRANTIES**

### **9.1 Qualifying non-CREST Shareholders**

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and each of the Banks that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States or any of the Restricted Jurisdictions (b) such person is not in any territory in which it is unlawful to make or accept an offer to acquire New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it, (c) such person is not acting on a non-discretionary basis for a person located within the United States or any Restricted Jurisdiction or any territory referred to in (b) above at the time the instruction to accept or renounce was given, and (d) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or into any Restricted Jurisdiction or any territory referred to in (b) above or to a person otherwise located in the United States.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company or its agents to have been executed or effected in or despatched from the United States or any Restricted Jurisdiction, by or for the account of a person located in the United States or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement, (b) provides an address in the United States or any Restricted Jurisdiction for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which the Company believes it would be unlawful to deliver such certificates), or (c) purports to exclude the warranty required by this paragraph.

Each subscriber or purchaser acknowledges that the Company and the Banks will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company and the Banks. If such subscriber or purchaser is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

### **9.2 Qualifying CREST Shareholders**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III represents and warrants to the Company and each of the Banks that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction, (a) he is not within the United States or any of the Restricted Jurisdictions, (b) he is not in any territory in which it is unlawful to make or accept an offer to acquire New Ordinary Shares, (c) he is not accepting on a non-discretionary basis for a person located within the United States or any of the Restricted Jurisdictions or any territory referred to in (b) above at the time the instruction to accept was given, and (d) he is not acquiring New Ordinary Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any of the Restricted Jurisdictions or any territory referred to in (b) above or to a person otherwise located in the United States.

The Company reserves the right to reject any MTM instructions sent from the United States or any of the Restricted Jurisdictions or by a CREST member who is acting on a non-discretionary basis for the account or benefit of a person located within the United States or a Restricted Jurisdiction or if it believes the same may violate any applicable legal or regulatory requirements.

Each subscriber or purchaser acknowledges that the Company and the Banks will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations

and agreements deemed to have been made by such subscriber or purchaser by his subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, as the case may be, are no longer accurate, he shall promptly notify the Company and the Banks. If such subscriber or purchaser is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that he has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

### 9.3 **Qualifying US Investors**

Each Qualifying US Investor will further be specifically required to execute an Investor Representation Letter pursuant to which such Qualifying US Investor will acknowledge, represent to and agree with the Company and the Banks, among other things, that:

- (a) it understands and acknowledges that the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares have not been and will not be registered under the Securities Act or any state securities laws;
- (b) it is (a) a “qualified institutional buyer” as defined in Rule 144A under the Securities Act and (b) aware that any offer or sale of the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares to it pursuant to the Rights Issue will be made by way of a private placement in a transaction exempt from, or otherwise not subject to, the registration requirements of the Securities Act;
- (c) in the normal course of its business, it invests in or purchases securities similar to the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares and (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares, (b) it, and any accounts for which it is acting, is able to bear the economic risk of an investment in the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares for an indefinite period and (c) it has concluded on the basis of information available to it that it is able to bear the risks associated with such investment;
- (d) it is acquiring the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue (a) for its own account or for the account of one or more other Qualifying US Investors for which it is acting as duly authorised fiduciary or agent or (b) for a discretionary account or accounts as to which it has complete investment discretion and the authority to make these representations, warranties, agreements and acknowledgements contained in the Investor Representation Letter, in either case, for investment purposes and not with a view to distribution within the meaning of the Securities Act;
- (e) it has received and read a copy of this document, including the documents and information incorporated by reference herein, has had the opportunity to ask questions of representatives of the Company concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares, and has made its own investment decision to acquire the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue on the basis of its own independent investigation and appraisal of the business, financial condition, prospects, creditworthiness, status and affairs of the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;
- (f) it acknowledges and agrees that it has held and will hold this document and any Provisional Allotment Letter in confidence, it being understood that this document and any Provisional Allotment Letter that it has received or will receive are solely for its use and that it has not duplicated, distributed, forwarded, transferred or otherwise transmitted this document, any Provisional Allotment Letter or any other presentational or other materials concerning the Rights Issue (including electronic copies thereof) to any persons within the United States, and acknowledge and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by it within the United States. It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the Nil Paid Rights, Fully Paid Rights and New Ordinary Shares;

- (g) it acknowledges and agrees that it has not acquired the Nil Paid Rights, Fully Paid Rights and/or the New Ordinary Shares in the Rights Issue as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- (h) it acknowledges and agrees that the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares may not be reoffered, sold, pledged or otherwise transferred, and that it will not directly or indirectly reoffer, sell, pledge or otherwise transfer the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, except (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act; (b) with respect to the New Ordinary Shares only, to a qualified institutional buyer pursuant to Rule 144A under the Securities Act; or (c) with respect to the New Ordinary Shares only, pursuant to an exemption from the registration requirements of the Securities Act pursuant to Rule 144 thereunder (if available), or any other exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, subject to delivery to the Company of an opinion of counsel (and such other evidence as the Company may reasonably require) that such transfer or sale is in compliance with the Securities Act and that in each case, such offer, sale pledge or transfer must and will be made in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- (i) it understands that Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain “restricted securities”, the Ordinary Shares may not be deposited into any unrestricted depository facility established or maintained by a depository bank;
- (j) to the extent it has received or does receive a Provisional Allotment Letter, it understands and agrees that it shall bear a legend substantially in the form below:

“THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES OF WILLIAM HILL PLC (THE “**COMPANY**”) TO WHICH THIS PROVISIONAL ALLOTMENT LETTER RELATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NIL PAID RIGHTS, THE FULLY PAID RIGHTS AND THE NEW ORDINARY SHARES MAY NOT, SUBJECT TO CERTAIN EXCEPTIONS, BE OFFERED, SOLD, TAKEN UP OR DELIVERED, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA OR ITS TERRITORIES OR POSSESSIONS.”

- (k) it understands and acknowledges that upon the initial issuance thereof, and until such time as the same is no longer required under the Securities Act or applicable state securities laws, the certificates representing the New Ordinary Shares (to the extent such New Ordinary Shares are in certificated form), and all certificates issued in exchange therefore or in substitution thereof, shall bear a legend substantially in the form below:

“THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. BY ITS ACCEPTANCE OF THESE SECURITIES THE PURCHASER REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (“**QIB**”) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND THAT IT IS EITHER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER PURCHASERS WHO ARE QIBs AND AGREES THAT THE SECURITIES ARE NOT BEING ACQUIRED WITH A VIEW TO DISTRIBUTION AND ANY RESALE OF SUCH SECURITIES WILL BE MADE ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT

TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.”;

- (l) it understands and acknowledges that no representation has been, or will be, made by the Company or any of the Banks as to the availability of Rule 144 under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares;
- (m) it understands and acknowledges that the Company may make notation on its records or give instructions to the registrar and any transfer agent of the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares in order to implement the restrictions on transfer set forth and described herein;
- (n) none of the Banks, their respective affiliates, nor persons acting on behalf of any of them have made any representation to it, express or implied, with respect to the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights or the New Ordinary Shares, or the accuracy, completeness or adequacy of such financial and other information concerning the Company, the Rights Issue, the Nil Paid Rights, Fully Paid Rights and the New Ordinary Shares;
- (o) it understands that this document has been prepared in accordance with UK format and style, which differs from US format and style. In particular, but without limitation, the financial information contained in this document relating to the Rights Issue has been prepared in accordance with IFRS, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles; and
- (p) it acknowledges that the Company, its affiliates, the Banks, their respective affiliates, the registrar and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and understands the Company, its affiliates, the Banks, their respective affiliates, the registrar and others will rely upon the Investor Representation Letters to comply with United States and other securities laws. Accordingly, it authorises the Company or the Banks to produce its Investor Representation Letter or a copy thereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters set forth herein.

#### 10. **WITHDRAWAL RIGHTS**

Where a supplementary prospectus has been published and, prior to publication, a person has agreed to take up some or all of his Nil Paid Rights, he may be able to withdraw his acceptance under section 87Q(4) of FSMA by lodging a written notice of withdrawal, which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Computershare, Corporate Actions Projects, Bristol, BS99 6AH, so as to be sent no later than two Business Days after the date on which the supplementary prospectus is published. If such right to withdraw acceptances under section 87Q(4) of FSMA would apply at any time after the last date for valid acceptance such date shall be postponed to a new date announced by the Company not being earlier than two Business Days beginning with the first Business Day after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Computershare after expiry of such period will not constitute a valid withdrawal.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying non-CREST Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or Computershare will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this section 10 of this Part III are without prejudice to the statutory rights of Qualifying Shareholders. In such event Qualifying Shareholders are advised to seek independent legal advice.

## 11. GENERAL

The dates set out in the timetable of events at the beginning of this document and mentioned throughout the document and the Provisional Allotment Letter may be adjusted by agreement between the Company and the Banks, in which event details of the new dates will be notified to a Regulatory Information Service and, where appropriate, to Qualifying Shareholders. Qualifying Shareholders may not receive any further written communication.

All documents and remittances in connection with the Rights Issue will be sent to or by allottees or their renounees (or their agents) at their risk.

The terms and conditions of the Rights Issue and all other matters in relation thereto as set out in this document and the Provisional Allotment Letter (if applicable) shall be governed by and construed in accordance with English law. The New Ordinary Shares will be created under the Acts.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instruction set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders and any other person who subscribes for New Ordinary Shares irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such courts on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART IV

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION

William Hill is one of the world's leading listed betting and gaming companies by market capitalisation<sup>20</sup>, employing approximately 17,000 people, and is one of the most recognised and trusted brands in the gambling industry, providing betting and gaming services across multiple channels. The Group was founded in 1934 and is the UK's largest bookmaker by number of LBOs, with 2,392 as at 1 January 2013 of the approximately 9,000 LBOs regulated by the Gambling Commission<sup>21</sup>. The LBOs provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines and numbers-based products. The Group's William Hill Online joint venture is the UK's leading online betting and gaming business by revenue<sup>22</sup>, and enables customers to access sports betting, casino games, poker and bingo via all or some of the internet, telephone, mobile devices and by text-based services. The Group established its US operation, William Hill US, in June 2012, offering land-based sports betting in Nevada. Separately, on 20 December 2012, the Group announced that it had reached agreement with GVC and Sportingbet in relation to the proposed acquisition of Sportingbet's Australian business and certain other assets from the Sportingbet group together with the granting of a call option over Sportingbet's Spanish business for total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet's bondholders would increase that amount by £5.5 million, in aggregate to a total of £459.5 million. This acquisition is being made by members of the William Hill Group other than the JVCos comprising William Hill Online and is expected by the Board to complete in the first quarter of 2013.

In the 2012 financial year, the Group's revenue was £1,276.9 million, an increase of 12.3 per cent. compared to the 2011 financial year. Approximately 65.6 per cent. of Group revenue in the 2012 financial year was generated by William Hill's retail segment from LBOs in the UK and 31.9 per cent. of Group revenue by its online segment. Operating profit<sup>23</sup> in the 2012 financial year was £330.6 million, an increase of 19.9 per cent. compared to the 2011 financial year. Of this, approximately 64.0 per cent. and 44.0 per cent. of Group operating profit was generated by William Hill's retail segment and its online segment, respectively.<sup>24</sup>

#### 2. HISTORY OF WILLIAM HILL

William Hill was founded in London in 1934 as a telephone bookmaking business and established its first LBOs in 1966. In 1971, it became part of the Sears Holdings Group. In 1988, it was acquired by Grand Metropolitan and merged with its bookmaking subsidiary, Mecca Bookmakers, under the William Hill brand. The integration of these two businesses was continued by the Brent Walker Group, which purchased William Hill from Grand Metropolitan in 1989. It was then acquired by Nomura International in 1997, which in turn sold it to Cinven and CVC Partners. On 20 June 2002, William Hill was floated on the London Stock Exchange. In 2005, it acquired Stanley Leisure plc's LBOs in the UK and Ireland, which resulted in William Hill becoming the UK's largest bookmaker by number of LBOs. In December 2008, William Hill created its joint venture business, William Hill Online, through the acquisition of certain assets from Genuity Limited and their subsequent combination with William Hill's then existing online business, William Hill Interactive. In June 2012, the Group was licensed by the Nevada Gaming Commission and acquired three US land-based sports betting businesses, AWI, Brandywine and the Cal Neva Assets. In December 2012, the Group announced that it had reached agreement with GVC and Sportingbet in relation to (i) the proposed acquisition of Sportingbet's Australian online business and certain other assets from Sportingbet; and (ii) the grant of a call option to William Hill in respect of Sportingbet's

<sup>20</sup> Source: Based on the market capitalisations as at 28 February 2013 (the latest practicable date prior to publication of this document) of William Hill PLC, Ladbrokes plc, Paddy Power PLC, Lottomatica Group SpA, OPAP SA, Tabcorp Holdings Ltd and Tatts Group Ltd.

<sup>21</sup> Source: Gambling Commission industry statistics from 2009 to 2012, September 2012.

<sup>22</sup> Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

<sup>23</sup> Operating profit is a non-IFRS measure defined by William Hill as pre-exceptional profit before interest and tax, before amortisation of specifically identified intangible assets recognised on acquisitions, and which the Board considers to be a useful indicator of the operating performance of the business because it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items.

<sup>24</sup> The operating profit generated by the Group's retail and online segments exceeds 100 per cent. of Group operating profit primarily because Group operating profit includes the operating loss in the corporate segment resulting from unallocated central corporate costs.

Spanish online business for total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet's bondholders would increase that amount by £5.5 million, in aggregate, to a total of £459.5 million. The Board expects the acquisition to complete in the first quarter of 2013.

### 3. **KEY STRENGTHS**

The Board believes that William Hill has a number of significant competitive advantages and strengths that will be important factors in maintaining and further developing its business, including the following.

#### **Long-established, trusted and widely recognised business and brand**

The Board believes that William Hill's long-established, trusted and widely recognised brand and reputation represent a significant competitive advantage in the development of its betting and gaming activities. In the gambling industry, customers have traditionally taken comfort from the fact that they are dealing with a widely recognised operator with a long-established heritage. The Board believes that the William Hill brand and heritage has also been key in supporting the growth of the Group's online segment in the UK and internationally and expect this will continue to be the case in the future.

#### **Leading multi-channel capability in the UK**

Historically, the Group viewed its retail and online segments as separate channels appealing to different groups of customers. However, as the industry has evolved, the Group's customers are increasingly accessing betting and gaming products across multiple channels, and the Board believes the different channels can complement one another. In line with wider UK gambling trends, revenues generated from the Group's retail segment have continued to increase during the period of the launch and subsequent growth of both online and mobile betting and gaming. William Hill Online has also expanded its offering into new channels, primarily mobile betting and gaming and text betting.

Multi-channel access facilitates more frequent betting, especially given the constant availability of mobile betting and gaming, and William Hill believes it encourages greater customer loyalty. As the UK's largest bookmaker by number of LBOs<sup>25</sup> and leading online betting and gaming business by revenue<sup>26</sup>, the Board believes that the Group is well placed to exploit the growing multi-channel trend amongst UK betting and gaming customers. The Board also believes there are opportunities to apply this multi-channel expertise in certain territories outside the UK and see this as being a route available to the Group for achieving the long-term growth of William Hill.

#### **Sports betting led with a full gaming proposition**

William Hill is recognised for its sport betting expertise and the Group continues to expand its sports betting product range and to offer attractive pricing on high-profile sporting events. It also offers a full range of gaming products in order to provide customers with an exciting gambling experience. Although sports betting margins can fluctuate with sporting results, gaming margins are more predictable and provide a more stable source of revenue for the Group. The combination of betting and gaming also enables the Group to cross-sell multiple products to customers, which William Hill believes increases customer value and retention.

Changes to the Group's product offering in its LBOs have enabled the retail segment to remain attractive to a broad range of customers and to respond effectively to market trends, with gaming machines and football betting proving particularly popular with the younger portion of the customer base. William Hill Online's product range has also been expanded substantially since its creation in 2008. In particular, William Hill Online has introduced new in-play algorithmic models and automated systems to manage its key sports betting products, thereby creating a greater variety of bet types and improving in-play gross win margins in its sportsbook channel. In-play accounted for 10.7 per cent. of William Hill Online's revenue in the 2012 financial year, compared to 6.9 per cent. in the 2010 financial year, representing a compound annual growth rate of 58.7 per cent. William Hill Online also continues to innovate around its gaming products, for instance by launching an enhanced live casino product in the 2012 financial year.

<sup>25</sup> Source: Gambling Commission industry statistics from 2009 to 2012, September 2012

<sup>26</sup> Source: Gambling Data, Regulated European Online Markets Data Report, 2012

### **Growing exposure to regulated international markets**

While the Group's core business is in the UK, it is expanding into other locally licensed territories on a selective and targeted basis. This has the benefit of diversifying its sources of revenue and of reducing its exposure to the UK economy, taxation and regulatory framework. In the 2012 financial year, 91.2 per cent. of the Group's revenues were generated from the UK and 1.7 per cent. from locally licensed territories outside the UK. In the last two years, the Group has launched online businesses in the locally licensed Italian and Spanish markets, and established land-based operations in the US. In furtherance of this strategy, the Group announced on 20 December 2012 that it had reached agreement with GVC and Sportingbet in relation to the proposed acquisition of Sportingbet's Australian business and certain other assets from the Sportingbet group together with the granting of a call option over Sportingbet's Spanish business for total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet's bondholders would increase that amount by £5.5 million, in aggregate, to a total of £459.5 million. This acquisition is being made by members of the William Hill Group other than the JVCos comprising the William Hill Online joint venture and is expected by the Board to complete in the first quarter of 2013.

### **Effective odds setting, trading and risk management system**

William Hill believes that having an effective odds setting, trading and risk management system is essential to operating a profitable betting operation. The Group and its relevant employees have extensive experience in risk management and bookmaking procedures, such as analysing information, imposing bet acceptance limits, hedging and expert odds compilation. In addition, by offering a substantial number of betting opportunities to customers, William Hill is able to spread its risk over a large number of events.

Over the last three years, the Group has enhanced its trading platform, including automating the in-play price management systems. This has both improved risk management, as automation has mitigated the risk of human error in this part of the process, and enabled the Group to expand significantly the breadth and depth of its product offering. For example, it has substantially expanded its in-play product offering in football, to the extent that the online segment now offers up to 123 in-play markets per football match, more than any other online operator. As well as extending the product range, these changes have also driven an improvement in the gross win margin.

### **Strong management team with significant experience in the gambling industry**

William Hill has a well-established senior management team that combines the skills of individuals with broad general and retail management experience with those of individuals with significant experience in the gambling, online and mobile industries. The Group plays an active role in a variety of governing bodies throughout the gambling industry.

The Group's management team is led by Ralph Topping, the Chief Executive, who has over 40 years' experience in the gambling industry having joined William Hill in 1973 and who led the creation of the online sportsbook in 1998.

### **Track record of profit growth, effective management of costs and strong cash generation**

William Hill's focus is on delivering sustainable long-term earnings growth and value for shareholders. Since William Hill was floated on the London Stock Exchange in 2002, it has experienced strong revenue and earnings growth. In the last three financial years, the Group's revenue has increased from £1,071.8 million in the 2010 financial year to £1,276.9 million in the 2012 financial year, representing a compound annual growth rate of 6.0 per cent. in this period. William Hill's effective cost control is evidenced by the fact that, during the same period, its operating profit has increased at a higher rate than revenue, increasing from £276.8 million to £330.6 million, equivalent to a compound annual growth rate of 6.1 per cent.

The Group has been highly and consistently cash generative, generating £294.3 million in net cash inflow from operating activities in the 2012 financial year.



#### 4. STRATEGY

The Group focuses on three areas aimed at expanding its business and delivering value for shareholders: its products, its multi-channel offering to customers and international expansion.

##### **Developing a wider product offering**

William Hill provides a range of betting and gaming products to appeal to a wide customer base and to encourage use of more than one product. In the 2012 financial year, 51.7 per cent. of William Hill's revenue was generated from betting activities while 47.7 per cent. was generated from gaming activities. In William Hill's retail segment, an estimated 30 per cent. of customers use more than one product and two-thirds of gaming customers also bet over-the-counter<sup>27</sup>. In William Hill's online segment, revenues from key cross-sell gaming products (the Vegas, Games, Live Casino and Skill platforms) grew by 15.0 per cent. in the 2012 financial year.

William Hill prices the odds it offers on the most high-profile betting events in a manner which seeks to attract and retain customers. The Group also continually develops and extends its sports betting offering. In the 2012 financial year, for instance, William Hill further extended the quantity of its in-play betting opportunities, in particular in football betting, as well as launching new in-play models for other sports such as volleyball and badminton in time for the London Olympics.

William Hill Online enhanced its gaming offering, for example by introducing its new Live Casino product, launched in 2012, and its range of Flash-based games, whose ease of access make them well-suited to cross-selling sports betting customers into gaming.

##### **Driving greater multi-channel usage**

The Group's goal is to make it easier for customers to access its products wherever and whenever they want to gamble. William Hill believes that a multi-channel operation increases customer loyalty. More than half of online customers are also using LBOs to place bets<sup>28</sup> and, across the industry, 30 per cent. of customers between the ages of 18 and 24 place bets through both retail and online businesses<sup>29</sup>. The Group is continuing to expand its range of channels, beyond its traditional businesses, particularly via mobile devices and text-based services. In the last year, William Hill Online improved its mobile capability with the launch of mobile websites and betting and gaming apps to take advantage of the increased use of mobile devices. The William Hill sportsbook app has been the highest rated betting app since its launch in the Apple App Store in February 2012 and was downloaded more than 668,000 times in the first year. In the 2012 financial year, 26 per cent. of amounts wagered on sportsbook activities in the online segment were placed from mobile devices. Improvements in technology are continuing to transform the potential for mobile gambling. This channel is experiencing fast growth and is a key focus for William Hill Online. In the LBOs, by the end of the 2012 financial year the Group had introduced 650 self-service betting terminals to provide customers with access to a wider product range.

##### **Selective international expansion**

The UK is the Group's core market, representing 91.2 per cent. of Group revenues in the 2012 financial year. Although it is the market leader in the UK LBO market, based on the number of LBOs disclosed by the Gambling Commission, and in the UK online betting and gaming market by revenue, with an estimated 15 per cent. market share, the Group sees opportunities to continue to increase its market share in the UK. However, it is also looking to expand selectively outside the UK to reduce its reliance on a single market.

In a number of countries, governments have changed or are changing their regulation of gambling, particularly online gambling. This presents William Hill with the opportunity to provide its products in countries outside the UK, for instance in Italy and Spain, where William Hill Online has been licensed to provide online gambling. The Group seeks to enter new jurisdictions in a number of ways; for example, through marketing its own brand or through targeted acquisitions, such as in the US, where the Group has recently acquired land-based betting operations. When entering new markets, the Group focuses on its core capabilities in fixed-odds betting and as a multi-channel betting and gaming operator.

<sup>27</sup> Source: Kantar Retail Gambling Tracker April-June 2011.

<sup>28</sup> Source: Kantar Online Gambling Tracker Wave 9.

<sup>29</sup> Source: Kantar Retail Gambling Tracker, 2012.

William Hill is also in the process of acquiring Sportingbet's Australian online business, the completion of which will give the Group exposure to the Australian market. The Company is also being granted a call option over Sportingbet's Spanish online business which, if exercised, would increase the Group's exposure to that jurisdiction.

## 5. **PRODUCT OFFERING**

The Group's business consists of offering betting and gaming products to land-based and online or mobile customers and betting products to telephone customers. These products can be categorised as being either betting or gaming products. In the 2012 financial year, betting products contributed £660.4 million of Group revenue (51.7 per cent.) and gaming products contributed £609.1 million of Group revenue (47.7 per cent.).

### **Betting**

Betting includes products where the Group offers odds on an event occurring. If the customer wins the bet, payment is made to the customer and if the customer loses the bet, the Group retains the stake placed. The odds offered by the Group in such cases vary depending on the nature of the event. The Group generates revenue where the amounts staked by customers and retained by the Group exceed the Group's liability to make payments to customers.

In fixed-odds betting, the liability to make payment is, in principle, unlimited but the Group is not obliged to accept any bet or may accept bets on certain conditions only (for example, to limit maximum exposure), in order to manage its overall liabilities.

The Group's betting products are divided into two categories: sports betting and betting on other events.

#### ***Sports betting***

Sports betting is provided through all of the Group's channels: the LBOs, online, telephone, mobile and text. The most popular sports on which the Group offers odds are horse racing, football, tennis and greyhound racing. The Group also offers odds on many other sports including rugby, cricket, golf, motor racing, darts, snooker, American football, baseball, basketball and ice hockey.

William Hill accepts a range of different types of bets from simple bets on the outcome of a single event to more complex bets, such as accumulator bets on the outcome of a number of different matches or sporting events.

#### ***Betting on other events***

The Group accepts bets on non-sporting events, such as the outcome of political elections, television competitions and popular music chart results, as well as high profile novelty bets, through all of the Group's channels available to UK customers.

The Group also accepts bets on events the outcome of which is based entirely on chance. For example, numbers betting is a type of fixed-odds bet in which customers place bets on the odds of one or more numbers being drawn from a pool of numbers. It is presented in a variety of formats, such as bets on the Irish Lottery, and also provides the basis for the computer-generated virtual racing offered by the Group.

### **Gaming**

The Group offers a number of gaming products such as slot machine games (that can be played on physical slot machines or online), casino games, bingo, poker and other skill games.

Gaming products are further sub-categorised as: (i) games, the outcome of which is dependent on chance, such as roulette, pontoon, blackjack and other table games, or slot machine games; and (ii) skill games for which it is argued that, though partly based on chance, the odds can be changed over the long run based on the application of skill (for example, games between customers such as poker).

Gaming products are offered online and on gaming machines in the Group's LBOs.

With William Hill's gaming products, the customer bets against the house and the Group makes its profit based on probabilities in the long run of different events occurring and uses "house" rules and procedures to apply risk limits. With respect to poker and certain other skills games, as well as bingo, William Hill acts as the host or facilitator for customers who play against one another rather than against William Hill; accordingly, William Hill takes no principal gaming risk. In return for facilitating these games, William Hill charges its customers a type of commission, known in poker as a 'rake', except in tournaments where a one-off entry fee is charged. Poker players can compete online against each other either on individual tables or in tournaments.

## 6. PRINCIPAL SEGMENTS

William Hill delivers its products to customers through two principal segments: its UK retail segment and its online segment, which operates through its William Hill Online joint venture, which includes mobile and text-based services as well as internet-based betting and gaming. In addition, William Hill also delivers products to customers via its telephone betting segment and in June 2012 it established William Hill US, a land-based sports betting business.

### Retail

William Hill is the UK's largest high-street bookmaker by number of LBOs, with the Group operating approximately 27 per cent. of all LBOs in the UK.

LBOs continue to represent the single largest proportion of the UK gambling industry. There are approximately 9,000 operational LBOs in the UK. This number has remained relatively stable over the last six years and the market is continuing to consolidate into the four major operators (William Hill, Ladbrokes, Coral and BetFred), which account for around 80 per cent. of all LBOs in the UK. The Group operates in a highly regulated industry requiring specialist trading expertise, which favours large-scale businesses such as William Hill's. This scale also drives cost efficiency and improved brand awareness. The regulatory environment for LBOs has not changed significantly since the 2005 Gambling Act legalised advertising and restricted the number of gaming machines per LBO to four.

William Hill believes that customers in the LBOs are looking for an entertaining and engaging experience, ranking convenience as their main reason to bet in LBOs and customer service as their reason for choosing a particular LBO. The Group continues to invest in improving the quality of the experience in its LBOs, whether through the use of technology, the product range or customer service, and is expanding its LBO estate on a net basis by around one per cent. annually. William Hill believes its retail segment has successfully stayed attractive to today's younger generation of gamblers by adapting its product range over time, particularly in relation to football betting and the gaming machines. In this way, the Group's retail segment has proven to be relatively resilient both to the advent of online and mobile gambling, and to the recent global economic downturn.

Given the current scale of the retail segment, competition rules prevent the Group from growing it through significant acquisitions. William Hill therefore aims to expand this segment organically and to increase its market share through additional LBOs openings, the competitiveness of its product offering and the attractiveness of its in-shop experience, particularly through the development of technology and the quality of customer service. For example, in the 2012 financial year the LBO estate increased from 2,371 to 2,392.

In the 2012 financial year, William Hill's retail segment generated £837.9 million of revenue (65.6 per cent. of Group revenue) and £211.5 million of operating profit (64.0 per cent. of Group operating profit). In the 2011 financial year, the equivalent figures were £789.7 million of revenue (69.5 per cent. of Group revenue) and £196.8 million of operating profit (71.4 per cent. of Group operating profit).

### Online

William Hill's online business, operated through its William Hill Online joint venture, has established itself as the UK's leading online betting and gaming business by revenue<sup>30</sup>. It innovates its product range and content to provide a competitive sports betting and gaming offering, whether online or by telephone, mobile device, text or mobile.

<sup>30</sup> Source: Gambling Data, Regulated European Online Markets Data Report, 2012.

William Hill Online was established in December 2008 with the combination of William Hill's sportsbook-led interactive business and certain gaming assets acquired from Playtech. It is a joint venture of which 71 per cent. is owned by William Hill and 29 per cent. by Playtech. William Hill has two call options to acquire Playtech's shareholding, exercisable in the first quarter of either 2013 or 2015. The Board now intends to exercise the Call Option and to acquire the remaining 29 per cent. of William Hill Online from Playtech. See sections 5 and 9 of Part I of this document for further detail of the Proposed Acquisition.

At the time William Hill Online was established, the business took an eight-year licence, running until 2016, for Playtech Software's market-leading casino and poker software. The suppliers of William Hill Online's bingo software and mobile betting platform have since been acquired by Playtech Software and the licences for these products run until February 2013 and October 2013, respectively. The parties intend to extend the term of the bingo software licence by conduct while this is being renegotiated. These licensing arrangements will continue irrespective of whether William Hill acquires Playtech's stake in William Hill Online.

The formation of William Hill Online has been a catalyst for the transformation of the Group's online performance. In particular, it led to a scaling up of William Hill Online's operations, the recruitment of personnel with specialist expertise from outside the business and an increase in its level of marketing investment. William Hill Online has also substantially improved its product range by combining specialist sports betting expertise with the latest technology developments and adding improved gaming software.

As part of the Group's multi-channel model, William Hill Online now manages telephone operations as well as internet, mobile and text betting although the Group continues to report the financial results of its telephone operations as a separate segment.

William Hill Online's strategy focuses on maximising its UK market share through product development and channel innovations, such as mobile betting and gaming. Estimates indicate that William Hill Online has successfully increased its market share in the UK to 15 per cent.<sup>31</sup> as a result of its UK revenues growing at a faster rate than the industry average since 2010.

The William Hill online segment is also taking its offering into a small number of other countries, focusing on markets with a strong gambling culture and a competitive tax and regulatory framework in which it has the ability to offer as many products as possible, with sportsbook and casino being the William Hill online segment's most important products. In the 2012 financial year, William Hill Online generated £406.7 million of William Hill's revenue (26.6 per cent. of Group revenue) and £145.3 million of its operating profit (44.0 per cent. of Group operating profit). In the 2011 financial year, the equivalent figures were £321.3 million of revenue (28.3 per cent. of Group revenue) and £106.8 million of its operating profit (38.7 per cent. of Group operating profit).

## **Telephone**

The Group's telephone segment is its longest established channel. It continues to be an important channel for a small group of customers, often sophisticated horse racing customers, who prefer to speak to an individual when placing their bet. In February 2011, the Group closed the UK-based telephone betting business and a new operation was established within William Hill Online in Gibraltar.

## **William Hill US**

In June 2012, 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 gaming licence in Nevada. Thereafter, the Group established William Hill US and completed the acquisitions of AWI, Brandywine and the Cal Neva Assets, for aggregate consideration of approximately US\$49 million (£31 million).

As at 1 February 2013, William Hill US operated in 190 locations in Nevada, both in casino-based sportsbooks and in bar locations. William Hill US 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, as well as providing hardware and software to many of the major Nevada sportsbooks and operating the leading mobile wagering application available in the United States. The Board expects the competitiveness of William Hill

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<sup>31</sup> Source: Gambling Data, UK Data Report, June 2012.

US and its attractiveness as a partner to be enhanced by combining the operational strength of the existing management teams with William Hill's brand, financial strength and extensive product offering, ensuring it is well-placed to capitalise on any regulatory changes, whether land-based or online.

## 7. **COMPETITION**

The Group faces competition primarily from other bookmakers, online betting exchanges and other online operators. The Board does not believe that the Group currently faces significant competition from casinos and bingo halls. Competition in the online marketplace has continued, and is expected to continue, to intensify as new operators enter the market and existing operators improve and expand their product offerings. The competitive environment remains subject to change depending on regulatory and technological developments.

The Group's principal competitors in the UK retail market are Ladbrokes and Coral. The Group's principal competitors in the UK online market are specialist online betting exchanges (such as Betfair) or fixed-odds and gaming operators (such as Bet365), or land-based brands with online operations (such as Paddy Power, Ladbrokes and Coral). In the US, the Group's principal competitor by number of sportsbooks operated is Cantor Gaming.

The Group also competes with companies that may have more brand recognition than William Hill in certain markets outside the UK. There are relatively low barriers for a new company to enter the online market but the Board believes that it is difficult for new competitors to achieve significant market share without significant infrastructure and specialist expertise, for instance sports betting expertise, marketing investment and customer relationship management capabilities.

## 8. **RISK MANAGEMENT**

### **Betting products**

Historically, the dominant portion of the Group's earnings has been derived from bookmaking activities. Bookmakers' odds are determined so as to provide an average return to the bookmaker over a large number of events. There is an inherently high level of variation in actual gross win generated event-by-event and day-by-day. Over an extended period, the gross win margin has remained fairly constant, but in the short term there is less certainty of profitability. In spite of this, significant daily losses at the gross win level are infrequent.

The risk of incurring daily losses on a gross win basis is significantly reduced by the averaging effect of taking a very large number of individual bets over a considerable number of events and is also tightly controlled through a risk management process. The effectiveness of the risk management process relies on expert odds compilation, access to up-to-date information and tightly controlled bet acceptance limits.

### ***Expert odds compilation***

The Group employs a team of more than 250 people within its trading functions. The roles of the employees vary from expert odds compilers and traders to administrative roles. These employees are based in the Group's Leeds, Gibraltar and Nevada offices. Initial odds are compiled from first principles, adjusted for any market information and, if relevant, cross-checked against competitors' prices. For UK domestic football and UK horse racing, the Group uses multiple opinions to provide an initial price. It then uses its applied principles to create a price for advertisement in print and online media. The Group employs outside consultants to assist in this process, usually for other sports and overseas racing if information is of a specialist nature and in respect of which markets can lack liquidity. Once the Group's odds are compiled and published, a real-time risk management process is applied to monitor all bets and adjust the total level of risk on each event. This process applies to all channels: retail, online, telephone, mobile and text. The Board considers William Hill's team of compilers and risk managers to be of high quality with the appropriate knowledge and expertise to operate successfully in the current market.

### ***Up-to-date information***

Access to market information is needed both before odds are compiled and after odds are published. The Group relies on information compiled from its knowledge of the betting and gaming industry, including the sports concerned and participants, both to the extent available in the media generally and from

information at events. The Group also relies on information about its potential liabilities from overall betting patterns and total amounts wagered on particular outcomes drawn from its retail and online segments as well as certain individual bets that are referred before acceptance or notified subsequently, because of the source or size.

The above information enables management to assess the probability of each possible outcome based on a wide range of up-to-date information, to assess potential exposure on each possible outcome and to determine whether bet acceptance should be limited on certain possible outcomes. Management may also change the odds on a particular event or consider whether to hedge to reduce risk.

### ***Bet acceptance limits***

The Group is under no obligation to accept any bet. Where a bet is considered undesirable by management, it will be refused or accepted in part, with or without adjusted odds. For different types of bet, the Group sets limits for LBOs on stake value and potential liability at which bets must be notified (that is, reported after acceptance) or referred. Referred bets are accepted only after management approval, based on latest information about the event, potential liability and the customer's historic betting pattern with the Group (if any). The telephone betting channel operates separately, but in a similar way. The online sports betting system contains an automatic procedure whereby liability limits are pre-set by management on individual events for customers generally and, if appropriate, for specific customers. In practice, the proportion of bets refused is extremely small.

### **Gaming products**

Gaming products have more predictable margins and are increasingly generating a greater proportion of the Group's revenues. There is no trading risk on the Group's poker product as the Group's income comprises a percentage of the total pot in each game known as a 'rake', except in tournaments where a one-off entry fee is charged. There is also no trading risk on the Group's bingo product which operates as a pool betting operation where winnings are determined by the size of the pool and the Group's income is derived from a fee charged to participants. Casino and slot games operate to a specific, predictable average margin over the long run. Therefore, while it is possible to incur losses in the short term, over time the margin reverts to the average.

### **Regulatory Risk**

William Hill has systems and controls in place which seek to ensure that the Group does not accept bets or wagers via the internet from jurisdictions from which it has determined that it does not wish to accept bets or wagers, whether because it is or may be unlawful to do so and William Hill has decided not to take any risk in such regard or for any other reason. The systems and controls include monitoring and analysing information provided by potential customers' registered addresses and of customers' payment methods. A risk exists, however, that a court or other governmental authority in any jurisdiction could take the position that the Group's systems and controls are inadequate or that the Group's current or past business practices in relation to such jurisdiction violated applicable law. Any such determination could expose the Group and its directors to the risk of civil or criminal sanction, as well as reputational damage. See also the Risk Factor entitled "*There can be no assurance that existing or potential laws and regulations in certain jurisdictions including those where the Group's customers reside will not have a material adverse effect on its business, financial condition and results of operations*".

## **9. MARKETING**

The Group undertakes both "online" and "offline" marketing to promote its brand and products to customers in the geographies in which it offers betting and gaming products. Offline marketing typically involves television-based advertising and has been a significant focus for the Group's marketing investment, particularly in the UK, in the last three financial years. Online marketing involves a number of internet-based marketing tools, including: search engine optimisation and "pay-per click" agreements to generate or to buy a higher profile for the Group's websites on relevant search engine searches; banner advertising on other websites; and affiliate agreements whereby potential customers can click through to the Group's websites from other websites in return for remuneration for the owner of the other website. The team that operates this specialist online capability, based in Tel Aviv, Israel, was acquired from

Playtech as part of the establishment of the William Hill Online joint venture at the beginning of the 2009 financial year. William Hill Online's marketing investment has increased significantly, from £61.2 million in the 2010 financial year to £106.4 million in the 2012 financial year.

#### 10. INFORMATION TECHNOLOGY SYSTEMS

The Group is reliant on extensive IT systems for both its retail and online businesses. These are supported by a combination of in-house teams and by external providers often under support agreements tailored to William Hill's needs. The Group has put in place back-up IT systems for business critical systems, generally in different geographical locations from the main system. These back-up arrangements are not intended to be a full duplication of the operational systems as William Hill does not consider this to be cost effective. William Hill regularly reviews and updates the Group's business continuity and disaster recovery plans. The Group's systems to support its retail business are well-established and have been regularly tested, whilst work is ongoing to test its online disaster recovery systems.

The Group outsources the majority of its payment processing functions in respect of its online and telephone channels to Commidea Ltd, which is now part of the VeriFone group, and DataCash Ltd. Debit card payments made by customers in the Group's LBOs are processed by Worldpay UK Limited.

#### 11. SUPPLIER RELATIONSHIPS

William Hill has a number of key suppliers who provide products and services to the Group in respect of the Group's key operations, software systems, marketing and customer services in both the retail and online segments. In the online segment, the online sportsbook is built on OpenBet's technology platform and Playtech Software Limited supports certain of William Hill Online's casino, poker and bingo products, and the mobile channel. In the retail segment, the most significant relationships are with Inspired Gaming, which supplies gaming machines to the Group's LBOs in Great Britain, and Alphameric Solutions Limited (which is now part of the OpenBet group), which supplies and maintains the Group's electronic point of sale systems. SIS, in which William Hill has a 19.5 per cent. shareholding, and TurfTV are the main providers of television pictures, audio and data into the Group's LBOs.

#### 12. INTELLECTUAL PROPERTY

William Hill's copyright, trademarks, domain names, trade secrets, customer databases and other intellectual property are important to its success.

The Group's registered UK and European Union trademarks includes the "William Hill" name which is also either registered or pending registration in appropriate worldwide jurisdictions and is currently subject to licence agreements in favour of the JVCos pursuant to the Framework Agreement. Subject to the completion of the pending acquisition of Sportingbet's Australian and Spanish online businesses, the Group will acquire rights in the names "Sportingbet", "Centrebet" and "*miapuesta*", respectively. The Group takes active measures to protect its trademarks.

The Group's domain name portfolio includes williamhill.com, as well as numerous defensive domain names, and the Group intends to expand this portfolio pursuant, and subject, to the acquisition of Sportingbet's Australian and Spanish online businesses.

The Group uses a mixture of software under licence and internally developed software for which it owns the copyright and retains rights of ownership.

William Hill relies on the protection of trademark and copyright law, trade secret protection, contractual protection and licence agreements with its employees, customers and others to protect its proprietary rights.

#### 13. EMPLOYEES

For the 2012 financial year, which was a 53-week period, the Group's average number of employees was 16,883 (2011 financial year: 15,937, 2010 financial year: 16,935). Pay reviews are held annually.

## PART V

### INDUSTRY AND REGULATORY OVERVIEW

#### 1. OVERVIEW OF THE GAMBLING INDUSTRY

The gambling industry comprises, primarily, casinos, bingo halls, LBOs, track-side betting, lotteries and online betting and gaming.

Land-based activities remain the channel of choice for the majority of gambling customers. In the UK, William Hill believes that land-based gambling falls into two categories: (i) large format gambling, including casinos and bingo halls and (ii) street level gambling, including fixed odds or *pari mutual* betting (pool betting) and gaming machines in LBOs, and lotteries.

Online gambling, including mobile gambling, remains the fastest growing segment of the global gambling industry. The primary drivers for growth include the increase in broadband penetration, a broader customer demographic and an increase in the usage of mobile devices. It is a highly fragmented market with a large number of companies operating in it, although none of these entities has a substantial cross-European market share. William Hill believes that sports betting expertise is increasingly important in these markets, but difficult to replicate in terms of relevant expertise and technologies, as are scale and expertise in online marketing.

Online gambling first started meaningfully in 1998. In countries such as the UK, Italy and France, the long-established private sector retail betting operators, such as William Hill, Sindacato Nazionale Agenzie Ippiche S.p.A, Sisal S.p.A., le Pari Mutuel Urbain and Française des Jeux L.A.M.A Loterie (SARL) CdP, have successfully taken market share in new online markets particularly in their home markets, driven by the strength of their brand profile with the local consumer. However, certain online specialists have also performed well, such as Bet365 and Betfair in the UK, Microgame and Giocco Digitale in Italy, and Betclic in France. In many countries gambling is either state-controlled or restricted to a small number of licences. The key countries where it is possible to take a business-to-consumer approach are the UK, Spain, Italy, Australia and the State of Nevada, where the granting of licences is less limited.

The advent of online gambling has made local governmental restrictions on gambling more difficult to enforce. This has led many governments to review their gambling regulations. This trend has been encouraged by governments seeking to tax the online gambling industry as a new source of tax revenues.

The fastest-growing products today are supported by innovations in technology. In the UK these include in-play betting and mobile gambling. This requires significant investment in innovation and know-how. Many national incumbent operators lack these capabilities, which provides an opportunity for those with such expertise.

The importance of having a large-scale operation is also increasing, for instance to make affordable investments in technology, marketing and core capabilities such as sports betting trading, or to absorb the impact of regulatory changes, or new taxation. International expansion further increases the benefits of scale and minimises the risks associated with exposure to any one country.

William Hill believes that changing regulation is a key feature of the gambling industry today, with many markets now revising their regulatory regime to cater for the internet. A legal framework typically involves the licensing of companies that are required to comply with a domestic regulatory regime and to pay gambling taxes in return for being allowed to advertise locally. This is a complex area, with each country taking a different approach, but William Hill believes that a competitive and regulated environment, such as the environment in the UK, reduces illegal gambling and delivers better value for customers in a safe and responsible way. Many markets are also revising their regulatory regimes and the increasing complexity requires an understanding of licensing and tax obligations by more sophisticated operators. While taxation and product restrictions may impact short-term performance, over the medium to long-term, the Group believes that the ability to advertise in local markets may mitigate this impact.

#### 2. OVERVIEW OF THE UK GAMBLING INDUSTRY

During the period April 2011 to March 2012, the British gambling industry generated a gross gambling yield of £5.8 billion, a rise of £0.2 billion from the same period in 2010/11. LBOs, which combine over-the-



counter sports betting and gaming machines, represented 52 per cent. of this and are the largest single part of the UK gambling industry. LBOs were first legalised by the UK government in 1961. There are currently approximately 9,000 LBOs<sup>32</sup>, having peaked at around 14,000 LBOs in the 1980s. Since then, the market has consolidated into a handful of major providers and a number of small chains and independent providers. Consolidation across the UK retail gambling market continues as independent providers close while the major providers continue to open LBOs, benefitting from the scale of their operations. There are now four major businesses accounting for around 80 per cent. of all LBOs in the UK. Of these, William Hill has the largest estate in the UK, followed by Ladbrokes, Coral and BetFred.

In the past, the retail gambling sector has seen step-changes driven by fiscal and regulatory change. Since the turn of the century, there have been a number of positive changes with the move to a more favourable gross profits-based tax regime, the introduction of gaming machines and, under the 2005 Gambling Act, the legalisation of advertising, including on television. Changing customer habits have resulted in LBOs opening for longer to provide the flexibility customers demand and in bookmakers offering a wider range of betting and gaming products than ever before.

The online gambling sector has been well-established in the UK since about 1998 and has been regulated by the Gambling Commission since 2007. It is estimated to have generated £1.7 billion of gross gambling yield in 2011, of which sports betting is the biggest contributor at £650 million (around 38 per cent. of the total gross gambling yield), with casino at £547 million (around 32 per cent. of the total gross gambling yield), poker at £260 million (around 15 per cent. of the total gross gambling yield) and bingo at £256 million (around 15 per cent. of the total gross gambling yield).

William Hill Online is the single largest provider of online gambling services in the UK with an estimated 15 per cent. market share by revenue<sup>33</sup>. Thereafter, the major competitors are Betfair, Bet365, Paddy Power, Ladbrokes and Poker Stars. The majority of companies offering online gambling services to UK customers are located outside the UK, primarily in Gibraltar.

### 3. REGULATORY AUTHORITIES

The Group is regulated by certain authorities and currently holds gambling licences in the UK, Gibraltar, Malta, the Isle of Man, Jersey, Kahnawake (a territory situated in Quebec, Canada administered by the Mohawks of Kahnawake indigenous people), Italy, Spain, the State of Nevada in the United States and, subject to the completion of the acquisition of Sportingbet's Australian online business, Australia.

The gambling industry in Great Britain is regulated under the provisions of the Gambling Act which, amongst other things, authorises the Gambling Commission to act as the central regulatory body for gambling. The Gambling Commission has a duty to permit gambling where it is reasonably consistent with the pursuit of the three licensing objectives set out in the Gambling Act: (i) preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime; (ii) ensuring that gambling is conducted in a fair and open way; and (iii) protecting children and other vulnerable persons from being harmed or exploited by gambling. William Hill's LBO operations are regulated by the Gambling Commission.

William Hill Online's sportsbook operations and gaming products are regulated in Gibraltar by the Gibraltar Regulatory Authority.

The activities of William Hill US in Nevada are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and numerous local regulatory agencies, collectively referred to as the "**Nevada Gaming Authorities**". William Hill's direct and indirect subsidiaries that conduct gaming in Nevada are licensed to do so by the Nevada Gaming Authorities.

The terms of the licence issued to William Hill by the Nevada Gaming Authorities provide that any person who, individually or in association with others has acquired, directly or indirectly, beneficial ownership of 5 per cent. or more of any class of William Hill voting securities must notify the Nevada Gaming Control Board, in writing, within 10 days after it has knowledge of such acquisition. William Hill must also notify the Nevada Gaming Control Board within 10 days of becoming aware of any such acquisition by any person. In addition, any person who, individually or in association with others, acquires, directly or indirectly, beneficial ownership of 10 per cent. or more of any class of William Hill voting securities must

<sup>32</sup> Source: Gambling Commission industry statistics 2009-2012, September 2012.

<sup>33</sup> Source: Gambling Data, UK Data Report, June 2012.

apply to the Nevada Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada Gaming Control Board mails written notice requiring such a filing. If a shareholder required to apply for a finding of suitability is found to be unsuitable for any reason and continues to hold William Hill Ordinary Shares, they may be guilty of a criminal offence. See the Risk Factor entitled *“A shareholder owning 10 per cent. or more of William Hill’s Ordinary Shares who is found by the Nevada Gaming Commission to be unsuitable could be guilty of a criminal offence if they continue to hold Ordinary Shares, and William Hill could be subject to disciplinary action if it continues to interact with that shareholder”*.

The Board believes that William Hill has established and maintained good relations with the relevant regulators in the jurisdictions in which it holds licences. However, no assurance can be given that the Group’s operating and gaming licences will not be revoked or that any new, renewed or subsequent licences or approvals that may be required of the Group in the future will be granted.

#### 4. **REGULATION**

##### **UK licensing for land-based betting and gaming**

There are three licence types that have been issued to members of the Group and their directors and employees to enable them to operate in Great Britain. The first is an operating licence issued to the relevant trading company by the Gambling Commission. William Hill holds two operating licences in the name of William Hill Organization Limited. The second licence type is a personal management licence. The Gambling Commission specifies certain senior roles within the organisation that must be undertaken by a personal management licence holder. William Hill currently has 42 personal management licence holders. The third licence type is a premises licence which is issued by the relevant local authority. William Hill holds a separate premises licence for each of its LBOs. The Gambling Commission has issued licence conditions and codes of practice for each type of licence with which operators must comply.

Each LBO in Great Britain is licensed to provide up to four category B2 or B3 gaming machines. The operation of gaming machines is subject to both The Gaming Machine (Circumstance of Use) Regulations 2007 and the Gambling Commission’s Machine Standards requirements, all of which William Hill complies with in each LBO where gaming machines are installed.

##### **Online betting and gaming**

A driver of growth in the online gambling market globally is expected to be the trend for countries to regulate their online gambling sectors. The establishment of stable regulatory and tax regimes provides potential opportunities for market participants to grow their businesses. Evidence of this trend is apparent in the regulatory changes that have taken place in a number of European countries over recent years such as Italy and Spain. However, a number of countries have implemented or are considering implementing regimes that are unattractive to commercial operators (for example, by banning particular products or imposing high tax rates on gambling transactions). In some cases countries have tried to prohibit online gambling altogether. Such actions are likely to inhibit market growth. Further changes to tax and regulation, both positive and negative, are likely but the timing and nature of these changes are difficult to predict.

The UK was the first European country specifically to regulate online gambling, pursuant to the Gambling Act. The ease of internet access and issues of effective control have led more EU countries to review their regulatory approach, further encouraged by the European Commission. For example, Italy, France, Denmark and Spain have already done so. Discussions are continuing in other countries such as Greece and Germany.

The unfavourable levels of taxation in the UK have led to significant portions of the industry being based outside the UK, primarily in Gibraltar. As a result, a majority of online businesses owned by UK bookmakers, including William Hill Online, have been established offshore in order to remain competitive. In 2011, the DCMS began a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation is now closed and draft legislation has been published. This approach would require companies transacting with UK residents to be licensed by the Gambling Commission, regardless of where that company was based.

HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross win for online sportsbook activities and net revenue for gaming activities at a rate of 15 per cent. from December 2014.

The William Hill online segment accepts bets and wagers in Gibraltar where it is licensed to do so. However, people accessing William Hill Online's websites may be located in any country. It is the customer's responsibility to ensure that transacting with William Hill Online is legal in the jurisdiction in which they are located, which is made clear in the terms and conditions of the Group's websites.

The Group's legal and regulatory teams actively monitor developments in respect of all jurisdictions in which they believe there are material risks to the Group. William Hill Online has taken the decision that it will not accept online business from customers located in certain jurisdictions, such as the United States and Turkey. The Group takes external legal advice in respect of any jurisdiction that contributes one per cent. or more of William Hill Online revenues or unique active players. The Group does not monitor the legal or regulatory position for all countries in which its customers may be located or from which its advertisements can be accessed via the internet (through the websites of its affiliates or otherwise) and it may therefore be subject to the application of existing laws and regulations of which it is not aware. None of the markets from which the Group accepts bets or wagers without a local licence or, based on legal advice, certainty as to the lawfulness of such acceptance, individually contribute more than one per cent. of Group revenue or more than three per cent. of William Hill Online revenue.

Where considered necessary, the Board obtains independent legal advice concerning the scope and applicability of gambling laws and regulations in respect of particular jurisdictions. This advice is used to modify the Group's default approach in relation to doing business in any particular jurisdiction (as set out above) on a case-by-case basis and, based on the relevant jurisdiction, the Group undertakes procedures in order to mitigate any such risks. William Hill has systems and controls in place which seek to ensure that the Group does not offer gambling products via the internet into jurisdictions from which it has determined it does not wish to accept transactions. The systems and controls include monitoring and analysing information provided by potential customers' registered addresses, IP addresses and payment methods. In particular, William Hill Online does not accept any online transactions from customers in the United States.

William Hill's subsidiary that conducts remote gaming in Nevada has obtained a licence for remote sports betting on mobile devices but only for customers physically located in the state of Nevada. It uses geolocation technology which enables it to ascertain a customer's location and ensures that no bets from customers outside of the state of Nevada are accepted.

### **European online regulation**

As William Hill's online operations are regulated in EU or EEA jurisdictions, the Group is able to advertise in the UK and to benefit from the principles that apply in the EU to the free movement of goods and services.

The Group accepts transactions from customers for certain products from certain European jurisdictions. There are instances of European betting and gaming operators being (i) prosecuted by a relevant authority or (ii) sued by a monopoly right holder or other significant market participant for offering their products and services in a particular European state in which they are not licensed or otherwise regulated. Member States are required to abide by principles of freedom of establishment and free movement of services under EU law. The Board believes that the Group's activities in Member States where the Group is not licensed or otherwise regulated in a manner consistent with applicable EU rules are permitted by such principles. However, the extent to which national courts in European jurisdictions will implement principles of EU law is uncertain as Member States are afforded a degree of discretion in such implementation. As a result, the Group and the Directors may face criminal or civil claims in these jurisdictions as a consequence of their actions regardless of whether such actions are in accordance with EU law. In addition, the relevant regulatory authority, monopoly right holder or other significant market participant could take action against the Group's service providers in such countries. To the extent that the domestic laws or any prosecutions, suits or other determinations of a national court of a Member State do not respect EU law, such actions may fall within the jurisdiction of the ECJ to which reference may be made. On such a reference, the ECJ may scrutinise such domestic laws, prosecutions, suits or other determinations and determine the legality of such operator's activities pursuant to EU law. The ECJ

may determine that the actions of the relevant Member States are proportionate and objectively protect a matter of public policy within the competence of such Member State, such as social responsibility matters or fighting fraud or criminality, in which case such restrictions may be justified. If the ECJ finds that such an authority, monopoly right holder or other significant market participant's actions result from laws which are discriminatory, disproportionate or not objectively justifiable, such restrictions on the operator's activities may be found to be in contravention of EU law.

Although the regulatory regime for land-based gambling operations is well established in many countries, the gambling laws in such countries will not necessarily have been amended to take account of the internet and the ability to offer gambling products online. There is uncertainty as to the legality of online gambling in a number of countries and consequently in some jurisdictions online gambling may be illegal. In certain countries local regulators are willing to license and regulate local and often state-owned operators, but prohibit foreign operators.

Online gaming is a regulated sector for money laundering pursuant to the third EU Money Laundering Directive (no. 2005/60/EC) and in the UK the Group also adheres to the Proceeds of Crime Act 2002. It has put in place a number of processes to detect and report suspicious activity, and to handle requests for assistance from law enforcement agencies and regulators, all of which is overseen by the Group's MLRO. In 2011, the Gibraltar Regulatory Authority implemented its Anti-Money Laundering Code of Practice. William Hill Online has put in place the appropriate systems for training, reporting, customer due diligence, monitoring of customer activity, record keeping and screening of risk customers.

## 5. **UK INDUSTRY ISSUES**

### **Costs of content**

#### ***Horserace Betting Levy***

The British betting industry supports the British horse racing industry via the Horserace Betting Levy, a subsidy now based on the gross win from bets struck in the UK on horse races held in the UK. This levy arrangement has been established on a statutory basis since off-course betting was legalised in 1961. The Horserace Betting Levy is an annual scheme with representatives of all classes of bookmakers (comprising the Bookmakers Committee) responsible to the Horserace Betting Levy Board for recommending the basis of each year's scheme. When the Horserace Betting Levy Board and the Bookmakers Committee cannot agree a basis, the Secretary of State for Culture, Media and Sport ("SCMS") determines the outcome; this last occurred in 2011 for the 2012/13 scheme (effective 1 April 2012 to 31 March 2013). For the 2013/14 scheme, agreement was reached for the Horserace Betting Levy to continue to be 10.75 per cent.

#### ***Greyhound levy***

The Group also voluntarily pays a greyhound racing levy, which is agreed with the Greyhound Association on bets struck in the UK in order to support the greyhound racing industry. The levy is calculated at 0.6 per cent. of amounts wagered in the UK on greyhound racing in the UK.

#### ***Other sports***

Whilst the Group pays licence fees to content suppliers for their established intellectual property rights, the Group does not pay for the right to bet on other sports. The SCMS has in the past raised the issue of bookmakers making contributions to support sport in the UK. To date, there have been no concrete developments affecting the Group from this suggestion.

#### ***Problem gambling***

Problem gambling is an industry-recognised term for what a psychiatrist would call a spectrum disorder covering a range of symptoms associated with gambling, from someone being unhappy about their gambling to a medically diagnosed mental health issue. The issue of problem gambling is taken seriously by the industry. The UK government expects the gambling industry to act in a socially responsible way and to contribute to funding for support for those with gambling problems. The Group encourages a socially responsible attitude within the gambling industry and has been a contributor to the Responsible

Gambling Trust, a charity set up by the industry to fund work on these issues. William Hill has always paid the contribution which it undertook to fund. In addition, William Hill has constituted a Corporate Responsibility Committee to assist the Board in its approach to, amongst other things, problem gambling issues. William Hill works closely with its regulators in the UK and overseas to ensure that high industry standards are adhered to by the Group. William Hill also maintains a regular dialogue with Gamcare, a centre for information, advice and practical help for anyone with gambling problems. Further, the Group recognises the role of both the SCMS and the Gambling Commission in seeking ways of minimising the impact of gambling on young and/or vulnerable people and will continue to work with them.

The 2010 Gambling Prevalence Study was published in February 2011 by the Gambling Commission. It showed no significant increase in overall levels of problem gambling since the last study was undertaken in 2007. The Board believes that the vast majority of the Group's customers enjoy its products responsibly. The Group does not believe there is evidence that supports the proposition that any single product is responsible for causing problem gambling.

### ***Taxation***

In addition to the customary business taxes, the gambling industry is also subject to specific additional taxes. In relation to gambling operators in the UK, these are: (i) betting duty calculated at 15 per cent. of gross win and (ii), since 1 February 2013, Machine Games Duty, charged at 20 per cent. on revenue from gaming machines. The Group's retail operation is subject to these taxes.

The Group's online gambling operations are located in Gibraltar and are subject to the taxes there. In 2011, the DCMS began a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation has now closed and draft legislation has been published. This approach would require companies transacting with UK residents to be licensed by the Gambling Commission, regardless of where the company is based. In March 2012, following the consultation process by the DCMS on the regulation of remote gambling, HM Treasury has commenced a consultation process in respect of the implementation of a point of consumption tax under which bets placed by customers located in the UK would be subject to UK duty regardless of where the bet is settled. The consultation process is ongoing and no definitive legislation has yet been published. HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross profits at a rate of 15 per cent. from December 2014. As a significant amount of William Hill Online's business comes from UK-based customers, implementation of this legislation would have a significant impact on the Group's results of operations.

### ***Impact of the economy***

The Group derives most of its revenues from the UK. The current economic climate and the pressure on consumer incomes make for challenging conditions for companies operating in consumer-facing sectors, such as the betting industry. However, whilst not immune to economic conditions, betting and gaming has traditionally been a low-ticket leisure activity, which has provided some resilience in levels of consumer spending on gambling. Furthermore, economic conditions have not prevented some market sectors of the betting and gaming industry, such as online gambling, from growing.

## PART VI

### OPERATING AND FINANCIAL REVIEW

*The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes for the 52 weeks ended 28 December 2010, the 52 weeks ended 27 December 2011 and the 53 weeks ended 1 January 2013 (the “2010 financial year”, the “2011 financial year” and the “2012 financial year”, respectively) incorporated by reference into this document and with the information relating to the business of the Group included elsewhere in this document. References in the discussion below to the “2013 financial year” are to the 52 weeks ending 31 December 2013. The discussion includes forward-looking statements that reflect the current view of the Group’s management and involve risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in “Risk Factors” and in “General Information – Information regarding forward-looking statements”. Prospective investors should read the whole of this document, including the documents incorporated by reference, and not just rely upon summarised information set out in this Part VI “Operating and Financial Review”.*

*The following discussion focuses on the Group’s audited consolidated financial statements for the 2010, 2011 and 2012 financial years prepared in accordance with IFRS.*

*This document contains a discussion of operating profit, a non-IFRS measure that the Board uses as a key performance indicator of the Group’s business. Operating profit is presented to enhance the understanding of the Group’s financial condition and results of operations. For an explanation of this measure, see “ – Operating Profit” below.*

#### 1. OVERVIEW

William Hill is one of the world’s leading listed betting and gaming companies by market capitalisation<sup>34</sup>, employing approximately 17,000 people, and is one of the most recognised and trusted brands in the gambling industry, providing betting and gaming services across multiple channels. The Group was founded in 1934 and is the UK’s largest bookmaker by number of LBOs, with 2,392 as at 1 January 2013 of the approximately 9,000 LBOs regulated by the Gambling Commission<sup>35</sup>. The LBOs provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines and numbers-based products. The Group’s William Hill Online joint venture is the UK’s leading online betting and gaming business by revenue<sup>36</sup>, and enables customers to access sports betting, casino games, poker and bingo via the internet, telephone, mobile device and by text-based services. The Group established its US operation, William Hill US, in June 2012, offering land-based sports betting in Nevada. Separately, on 20 December 2012, the Group announced that it had reached agreement with GVC and Sportingbet in relation to the proposed acquisition of Sportingbet’s Australian business and certain other assets from the Sportingbet group together with the granting of a call option over Sportingbet’s Spanish business for total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet’s bondholders would increase that amount by £5.5 million, in aggregate, to a total of £459.5 million. This acquisition is being made by members of the William Hill Group other than the JVCos comprising William Hill Online and is expected by the Board to complete in the first quarter of 2013.

The Group delivers its betting and gaming products to customers through two principal channels: retail and online. The Group reports its primary segment information in its consolidated financial statements on the basis of these channels. The Group also reports separate segment information on its telephone betting operations, its US operations (which commenced on 27 June 2012) and its other businesses, comprising on-course activities at horse racing, greyhound racing and other venues, its two greyhound stadia in the north-east of England and the results of any sports betting hedging activity. However, these segments have minimal impact on the Group’s financial performance, having contributed £0.4 million of operating profit in the 2012 financial year and £3.7 million of operating loss in the 2011 financial year.

<sup>34</sup> Source: Based on the market capitalisations as at 28 February 2013 (the latest practicable date prior to the publication of this document) of William Hill PLC, Ladbrokes plc, Paddy Power PLC, Lottomatica Group SpA, OPAP SA, Tabcorp Holdings Ltd and Tatts Group Ltd.

<sup>35</sup> Source: Gambling Commission industry statistics from 2008 to 2012.

<sup>36</sup> Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

In the 2012 financial year, the Group's revenue was £1,276.9 million, an increase of 12.3 per cent. compared to the 2011 financial year. Operating profit in the 2012 financial year was £330.6 million, an increase of 19.9 per cent. compared to the 2011 financial year.

### **Retail segment**

William Hill had a network of 2,392 LBOs in the UK as at 1 January 2013 and is the UK's largest high-street bookmaker by number of LBOs, with the Group operating approximately 27 per cent. of all LBOs in the UK. The Board believes William Hill is one of the most successful operators in terms of profitability per LBO in the UK and the Group aims to maintain and build on this position by maximising opportunities for growth while ensuring careful cost management.

William Hill divides the retail segment between (i) over-the-counter activities, primarily betting on sporting events such as football, snooker and cricket as well as the more traditional horse racing and greyhound racing, as well as numbers betting and betting on virtual sporting events, and (ii) gaming machines activities.

In the 2012 financial year, the retail segment generated £837.9 million of revenue (65.6 per cent. of Group revenue) and £211.5 million of operating profit (64.0 per cent. of Group operating profit).

### **Online segment**

William Hill accepted its first bet via the internet in 1998 and has achieved strong growth in the UK. On 30 December 2008, William Hill established William Hill Online through the acquisition of certain assets, businesses and contracts from Playtech and their subsequent combination with William Hill Interactive, the Group's then existing online business. The Board believes that, as a result of that transaction, William Hill Online has become one of the leading online betting and gaming businesses by profitability.

William Hill divides the online segment between sportsbook activities, primarily pre-match and in-play betting on sporting events, and gaming activities, and further divides gaming activities into casino (which includes traditional casino games, slot machines and skill games), poker and bingo.

In the 2012 financial year, the online segment generated £406.7 million of revenue (31.9 per cent. of Group revenue) and £145.3 million of operating profit (44.0 per cent. of Group operating profit).

## **2. CURRENT TRADING AND RECENT DEVELOPMENTS**

### **Current trading**

The current trading update relates to the seven weeks from 2 January 2013 to 19 February 2013.

Group revenue was up 19.5 per cent., although this was flattered by the transition from a VAT-based taxation regime for retail gaming machines to a Machine Games Duty regime from 1 February 2013. Adjusting the prior year from the date of introduction of the Machine Games Duty to reflect the current taxation regime, the Group's revenues during the seven week period ending 19 February 2013 would have increased by 16.9 per cent. against the comparator period.

In the Group's retail segment, whilst over-the-counter amounts wagered fell 2.9 per cent., over-the-counter revenue grew by 15.6 per cent., benefiting from a very strong gross win margin of 21.7 per cent. Machines gross win grew by 1.4 per cent. The William Hill online segment continues to perform strongly with net revenue up 28.7 per cent. Sportsbook amounts wagered grew by 29.0 per cent. and net revenue grew by 74.8 per cent. with gross win margin, at 11.0 per cent, up 3.0 percentage points.

During the seven weeks ended 19 February 2013, sportsbook amounts wagered were equivalent to 109 per cent. of over-the-counter amounts wagered against a target for sportsbook amounts wagered to equal over-the-counter amounts wagered by the 2014 World Cup (2012 financial year: 87 per cent.), sportsbook mobile weekly amounts wagered averaged £16 million against a target of £15 million by mid-2013 (2012 financial year: £10.9 million) and mobile represented 34 per cent. of sportsbook amounts wagered against a target of mobile representing 40 per cent. of Sportsbook turnover by end 2013 (2012 financial year; 26 per cent.).

At this early stage in the year, the Board is pleased by the Group's trading performance, albeit recognising that the gross win margin in both the retail and online segments continues to be unusually strong over this short period.

### Recent developments

On 20 December 2012, William Hill announced that it had reached agreement with GVC and Sportingbet in relation to (i) the proposed acquisition by William Hill of Sportingbet's Australian online business and certain other assets from the Sportingbet group and (ii) the grant of a call option to William Hill in respect of Sportingbet's Spanish online business for a total cash consideration of £454 million. It was subsequently announced on 13 February 2013 that a revision to the terms being offered to Sportingbet's bondholders would increase that amount by £5.5 million, in aggregate, to a total of £459.5 million. For further information regarding this proposed acquisition, see section 3 of Part I of this document.

On 1 March 2013, William Hill announced its intention to exercise its Call Option to acquire Playtech's 29 per cent. stake in William Hill Online for consideration of approximately £424 million. For further information regarding this proposed acquisition, see section 8 of Part I of this document.

## 3. FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The results of the Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Group's control. This section sets out certain key factors that the Board believes have affected the Group's results of operations in the periods under review or could affect its results of operations in the future. For a discussion of certain factors that may adversely affect the Group's results of operations and financial condition, also see "*Risk Factors*".

### Gross win margin

Gross win margin is a non-IFRS measure defined as gross win divided by amounts wagered and represents the percentage of amounts wagered that is retained by the Group. The Board believes that gross win margin is useful in assessing the Group's ability to generate revenues from the amounts wagered by customers through over-the-counter activities in the retail segment and sportsbook activities in the online segment and that it provides a basis for assessing the profitability of these activities. Gross win margin is less relevant to activities that have fixed odds such as gaming activities.

Gross win, defined as amounts wagered before the deduction of free bets, bonuses and other goodwill gestures (in the online segment) less customer winnings, is a non-IFRS measure which the Board uses primarily to calculate gross win margin for certain activities of the Group, as described in the preceding paragraph. For over-the-counter activities in the retail segment, gross win equates to revenue as free bets, bonuses and goodwill gestures are deducted from amounts wagered, while for sportsbook activities in the online segment gross win is directly related to revenue, with revenue being gross win less fair value adjustments for free bets, bonuses and goodwill gestures. As described below under "*Taxation and Levies*", certain taxes and duties, including betting duty and the Horserace Betting Levy, are levied based on gross win. Also as described in that section, the Company views gross win as being useful in assessing the underlying performance of gaming machines because, in contrast to revenue, machines gross win is not impacted by the new Machine Games Duty regime.

The following table sets out a reconciliation of revenue from sportsbook activities in the online segment to gross win for sportsbook activities in the online segment for the 2010, 2011 and 2012 financial years, respectively.

	Financial Year		
	2010	2011	2012
	£m	£m	£m
Online sportsbook revenue .....	81.6	111.1	166.7
Fair value adjustments (free bets, bonuses) .....	6.8	5.5	11.0
<b>Online sportsbook gross win .....</b>	<b>88.4</b>	<b>116.6</b>	<b>177.7</b>



The following table sets out the gross win margin for over-the-counter activities in the retail segment and sportsbook activities in the online segment for the 2010, 2011 and 2012 financial years, respectively.

	<b>Financial Year</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	%	%	%
Over-the-counter .....	17.9	16.8	18.2
Online sportsbook .....	8.0	7.0	7.9

In the 2010, 2011 and 2012 financial years, gross win margins for over-the-counter activities in the retail segment were higher than gross win margins for online sportsbook activities due to differences in product mix, patterns of customer betting and differences in the theoretical gross win pricing margins applied to football betting in the retail and online segments. For example, over-the-counter activities in the retail segment include a higher proportion of bets in the form of accumulator bets on the outcome of multiple events such as football matches, which produce higher gross win margins as compared to the individual bets that are more typically seen in the online sportsbook.

The gross win margin attributable to the over-the-counter activities in the retail segment and the online sportsbook in the online segment fluctuates in accordance with the outcome of sporting events on which the Group takes bets. Over the short term, the uncertainty in the outcome of sporting events can therefore result in significant volatility, both positive and negative, in the Group's gross win and gross win margin, and therefore in revenues, depending on whether sporting results favour the bookmaker or the customer. There can be a high level of variation in gross win margin event by event and day by day, which can have a significant impact on the Group's results of operations. For example, during the 2012 financial year, the Group's gross win margins were above the average of its longer-term experience, and these trends have continued into the first seven weeks of the 2013 financial year. However, historically, the gross win margins have tended to revert to the average of the Group's experience over the long-term despite short-term volatility.

The Group actively manages its liabilities on individual events and bets which are linked (for example, an accumulator bet) by altering the prices it offers on particular outcomes with a view to minimising any potential losses. In addition the Group may, from time to time, hedge a particular outcome by selling on bets across the market.

Amounts wagered and gross win margin are significantly influenced by customer behaviour, including the amount of "recycled" winnings (being the amount of customer winnings that are used to place further bets), by betting results and by the margins applicable to each betting and gaming product. In general, customers of the Group will earmark an amount of money that they are prepared to lose on a given day or in a certain period of time. If the customers lose that amount rapidly they are unlikely to place further bets over and above the amount of money earmarked. This results in lower amounts wagered but a higher gross win margin. Typically, if customers win they will reinvest their winnings until they have lost the sum originally earmarked as the amount they were prepared to lose, so that amounts wagered will be increased but gross win margin reduced. While such recycling behaviour is typical of retail, online customers typically wager the amount of money they are prepared to lose over an extended period of time whereas retail customers tend to wager the amount they are prepared to lose on a single visit to a LBO. Although recycling of winnings can have a significant effect on amounts wagered and gross win margin, it generally has a smaller impact on revenues.

### **General economic trends**

The Group's results of operations, like those of other participants in the gambling industry, are directly impacted by customer demand for the Group's products and services. Customer demand is influenced in part by general economic trends. It is difficult for the Group to predict the impact that changes in economic conditions will have on the Group's results of operations over an extended period. The Board believes that the continued diversification of the Group's products, including the growth of betting on sporting events other than horse racing and greyhound racing, and the increase in available products on its gaming machines and through its websites, in addition to the continued diversification of the Group's geographical sources of revenue, such as its expansion into the United States and the proposed acquisition of Sportingbet's Australian business, could give the Group a greater resilience than in previous periods of economic downturn or stagnation. In the Board's view, the Group's business has

proved and is continuing to prove to be relatively resilient during the current difficult economic conditions. While the amounts wagered for over-the-counter activities in the retail segment declined by 11 per cent. between the 2008 financial year and the 2010 financial year, as, in the Board's view, customers' discretionary spending was constrained and average bet sizes reduced, they have been relatively stable since. Moreover, revenue from other areas, including gaming machines activities in the retail segment and both sportsbook and gaming activities in the online segment, has continued to grow throughout.

### **Regulatory issues**

The Group is subject, and potentially subject, to various laws and regulations in a number of jurisdictions. The laws and regulations applicable to gambling activities vary considerably amongst these jurisdictions, and gambling operators and their products and services attract varying regulatory status and levels of oversight within these regimes. The Group incurs costs to take advice on and, where applicable, ensure compliance with these laws. Changes to the laws and regulations relevant to the gambling industry in individual jurisdictions worldwide could have a material impact on the Group's results of operations. In the UK, the Group is regulated by the Gambling Commission under the provisions of the Gambling Act. Other jurisdictions in which the Group's activities are regulated include Gibraltar, where William Hill Online is regulated by the Gibraltar Regulatory Authority. The Group also holds licences in Spain and Italy under which it runs locally regulated online sportsbook and casino products. In addition, the Group and certain of its senior managers went through the Nevada Gaming Commission licensing process and licences were awarded by unanimous decision on 21 June 2012.

Although the regulatory regime for land-based gambling operations is well established in many jurisdictions, the gambling laws in such jurisdictions have not necessarily been amended to take account of the internet and the ability to offer gambling products and services online. Consequently, there is uncertainty as to the legality of online gambling in certain jurisdictions, including within the European Union, and in certain others it is illegal. The Group analyses its jurisdictional risk and, where necessary, undertakes procedures in order to mitigate such risk. Such procedures include monitoring and analysing information provided by potential customers, including registered addresses and payment methods. In particular, the Group does not take bets from customers located in a number of countries where online betting is not allowed, such as the United States (other than in Nevada, where the Group is licensed to do so), or where the Group considers that it is exposed to material risk that its activities may be considered to be illegal.

A risk exists, however, that a court or other governmental authority in a jurisdiction where online betting is restricted could take the position that the Group's systems and controls are inadequate, either currently or as the result of technological developments affecting the internet, or that the Group's current or past business practices in relation to such jurisdiction violates or violated applicable law. Any such determination could expose the Group and the Board to the risk of civil or criminal sanction, as well as reputational damage. Moreover, the regulatory regimes in jurisdictions where the Group operates could change, which might require the Group to incur expenses in order to comply or, potentially, to cease operations in one or more jurisdictions.

In 2011, the DCMS began a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation has now closed and draft legislation has been published. This approach would require companies transacting with UK residents to be licensed by the Gambling Commission, regardless of where that company was based.

In recent years the Group has responded to regulatory risk in certain markets by ceasing to accept activity from customers residing in those markets. In particular, the Group closed its online business to customers from France in 2010. Furthermore, in 2012, the Group closed online sports betting to customers in Germany and online gaming and betting sites to customers in Denmark, Australia, Belgium and Greece. The Group estimates that the annualised operating profit impact of these closures is between £7.0 million and £9.0 million. Going forward, changes to the Group's regulatory risk in any jurisdiction in which it operates could impact its results of operations.

### **Taxation and levies**

Like many of its competitors, the Group is subject to significant taxation and levies in the UK. Changes in levels of taxation or levies or changes in tax or levy policy could have a material impact on the Group.

The Group is subject to UK corporation tax with a headline rate of 24 per cent. This was reduced from 28 per cent. to 26 per cent. on 1 April 2011, with a further reduction to 24 per cent. effective from 1 April 2012. The corporation tax rate is due to fall to 23 per cent. with effect from 1 April 2013 and then to 21 per cent. from 1 April 2014. As a result of the changes, the Group benefited from a reduction in the tax charge of £12.2 million and £12.6 million in the 2011 and 2012 financial years, respectively, owing to the remeasurement of non-cash deferred tax liabilities. There is expected to be a tax credit of a similar amount in the 2013 financial year.

The Group is also subject to taxation and levies in relation to betting and gaming activities, including the Horserace Betting Levy and greyhound racing levy discussed below, betting duty of 15 per cent. on the Group's gross win on all bets settled in the UK, and Machine Games Duty of 20 per cent. on revenue from gaming machines.

Machine Games Duty was introduced with effect from 1 February 2013 and replaced the previous regime of VAT and Amusement Machine Licence Duty. Under the previous regime, VAT was deducted from gross win to arrive at revenue. Under the new regime, Machine Games Duty will be a cost of sale. As a result, under the new regime, both revenue and costs of sale will increase. In addition, the Group will no longer be able to recover a proportion of its VAT costs on expenses. The Group expects the overall impact of the change to Machine Games Duty will be in the order of £12.0 million per annum at current levels of activity. Prior to the regime change, VAT was applied at a rate of 20.0 per cent. (17.5 per cent. before 2011) on the revenue from gaming machines, equating to an effective rate of 16.67 per cent. of cash received by the Group (14.89 per cent. of cash received before 2011). In the periods under review, Amusement Machine Licence Duty for a substantial proportion of the Group's gaming machines was an annual fixed fee of £2,215 per gaming machine for the period from 30 December 2009 to 31 March 2010, £2,285 for the period from 1 April 2010 to 31 March 2011, £2,405 for the period from 1 April 2011 to 31 March 2012 and £2,480 for the period from 1 April 2012. These taxes and levies (excluding UK corporation tax), together with royalty costs on gaming machines, are the principal components of the retail segment's cost of sales.

Bets placed with the Group on the internet, telephones and via mobile devices from customers based in the UK are settled in Gibraltar and are currently not subject to UK duty. In March 2012, following the consultation process by the DCMS on the regulation of remote gambling described above, HM Treasury has commenced a consultation process in respect of the implementation of a point of consumption tax under which bets placed by customers located in the UK would be subject to UK duty regardless of where the bet is settled. The consultation process is ongoing and no definitive legislation has yet been published. HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross win for online sportsbook activities and net revenue for gaming activities at a rate of 15 per cent. from December 2014. As a significant amount of William Hill Online's business comes from UK-based customers, implementation of this legislation would have a significant impact on the Group's results of operations.

The Horserace Betting Levy, administered by the Horserace Betting Levy Board, is a statutory levy on bets struck in the UK on horse races held in the UK. The rate is set annually and is effective from 1 April until 31 March the following calendar year. In the periods under review, the levy schemes to which the Group has been subject were set at 10.0 per cent. of gross win for the period from 30 December 2009 to 31 March 2011 and 10.75 per cent. of gross win for the period since 1 April 2011. The levy scheme which will be effective from 1 April 2013 until 31 March 2014 has already been agreed and also sets a levy of 10.75 per cent. of gross win.

The Group voluntarily pays a greyhound racing levy, which is agreed with the Greyhound Association, on bets struck in the UK in order to support the greyhound racing industry. The levy is calculated at 0.6 per cent. of amounts wagered in the UK on greyhound racing in the UK.

The Group is also subject to taxation in Gibraltar and pays corporation tax on profits at the statutory rate of 10 per cent. and betting and gaming duties that are currently capped for the Group at £1.7 million per year.

### **Cost of content**

The Group pays third parties for the distribution of television coverage, audio and other data that are broadcast into the Group's LBOs. The Group's contracts for the provision of content include the contracts with SIS and TurfTV for the provision of live coverage of horse races. The costs of these contracts are reflected in the Group's operating expenses.

### **Development of online segment**

Revenue from the online segment represents an increasingly large portion of the Group's total revenue. Revenue from the online segment represented 23.5 per cent., 28.3 per cent. and 31.9 per cent. of the Group's total revenue for the 2010, 2011 and 2012 financial years, respectively. The Board expects that, over time, revenue from the online segment will continue to represent an increasing percentage of the Group's total revenue. As revenue from the online segment grows as a proportion of the Group's total revenue, the Group's results of operations are increasingly exposed to the uncertainties of online businesses, including in particular regulatory and tax changes, as well as rapid technological changes and technology disruptions or failures.

### **Seasonality and sports schedules**

The Group's results of operations are affected by seasonality and, in particular, the schedule of sporting events on which the Group accepts bets. In recent years, the third quarter of the Group's financial year has often been weaker than other quarters largely due to a lower number of UK Premier League football matches during the quarter and less significant matches in this early part of the season.

The Group's results of operations are also affected by the schedules of significant sporting events that may occur at regular intervals, such as the UEFA European Football Championship and the FIFA World Cup. For example, the absence in the 2011 financial year of a major football tournament negatively impacted the results of operations of the Group for the period in comparison to the 2010 financial year, when the FIFA World Cup was held, and the 2012 financial year, when the UEFA European Football Championship took place. The Group's results of operations may also be affected by the failure of certain teams to qualify for major sporting tournaments. The absence for any reason, including cancellation, of significant sporting events could cause fluctuations in revenue and gross win over the short term, which could have a material impact on the Group's results of operations for a given period.

### **High fixed cost base**

The Group has a relatively high fixed cost base as a proportion of its total costs, consisting primarily of staff and rent costs associated with its extensive LBO estate. For example, the Group's staff costs represented 45.5 per cent., 42.3 per cent. and 39.7 per cent. of the Group's operating expenses for the 2010, 2011 and 2012 financial years, respectively. The profitability of the Group is therefore disproportionately exposed to any decrease in the Group's revenue as the Group is unable, in the short to medium term, to reduce its costs substantially to mitigate the effect of any significant falls in revenue or profit.

### **Financial leverage**

The Group's financial leverage and the associated finance costs can have a significant impact on the Group's profitability.

The Group's finance costs reflect the levels of the Group's indebtedness and terms of its borrowing arrangements, including the applicable interest rates. As at the end of the 2010 financial year, the Group had gross borrowings of £560.0 million, including £260.0 million drawn down on its five-year revolving credit facility provided by a syndicate of banks in November 2010 (the "**2010 Revolving Credit Facility**") and the £300.0 million 7.125 per cent. Guaranteed Notes due 2016 issued in 2009 (the "**7.125 per cent. Guaranteed Notes due 2016**"). As at the end of the 2011 financial year, the Group had gross borrowings of £470.0 million, including £170.0 million drawn down on its 2010 Revolving Credit Facility and the £300.0 million 7.125 per cent. Guaranteed Notes due 2016. As at the end of the 2012 financial year, the Group had gross borrowings of £410.0 million, including £110.0 million drawn down on its 2010 Revolving Facility and the £300.0 million 7.125 per cent. Guaranteed Notes due 2016. See "*Liquidity*

and Capital Resources – Finance Facilities.” In the 2010, 2011 and 2012 financial year, the Group incurred interest under its credit facilities of £13.8 million, £8.3 million and £7.3 million, respectively, before the amortisation of finance fees. Net pre-exceptional finance costs decreased from £53.9 million in the 2010 financial year to £32.7 million in the 2011 financial year, principally owing to the refinancing of the Group’s revolving credit facilities in 2010, lower associated finance costs and a change in the accounting treatment applied to the Group’s interest rate hedging arrangements, which were no longer deemed to be effective for accounting purposes. Net pre-exceptional finance costs increased slightly in the 2012 financial year to £32.9 million as a result of a charge of £0.9 million following the revaluation of a liability to Playtech, which was offset in part by lower average levels of net debt in the 2012 financial year compared to the 2011 financial year following the repayment of £60.0 million under the Group’s 2010 Revolving Credit Facility during the 2012 financial year.

On 20 December 2012, the Group entered into a £325.0 million bridge term credit facility (the “**2012 Bridge Credit Facility**”) provided by Barclays, Lloyds TSB Bank plc and The Royal Bank of Scotland plc, consisting of separate tranches for the purposes of financing part of the cost of acquisition of Sportingbet’s Australian online gambling operations and certain other assets from the Sportingbet group and funding in part the Proposed Acquisition. For further information on the 2012 Bridge Credit Facility, see section 14 of Part VII of this document. As at 1 January 2013 no amounts were drawn under either tranche but they are expected to be drawn on in the first and second quarters of 2013, respectively, when the two acquisitions are expected to complete.

#### 4. **FACTORS AFFECTING COMPARABILITY OF THE GROUP’S RESULTS OF OPERATIONS**

Key factors affecting comparability of the Group’s results of operations in the 2010, 2011 and 2012 financial years include the following:

##### **Extra week of results in the 2012 financial year**

The Group prepares its financial statements on the basis of a 52-week or 53-week financial period, generally ending on the Tuesday closest to 31 December in each year. The 2010 and 2011 financial years were 52-week periods, and the 2012 financial year was a 53-week period. Consequently, the Group’s results for the 2012 financial year included an additional week of trading, which affects comparability with the 2010 and 2011 financial years. The following table sets out the Group’s results for the 53rd week of the 2012 financial year.

<u>Results of 53rd week</u>	<u>£m</u>
Revenue .....	22.0
Cost of sales .....	(2.8)
Gross profit .....	19.2
Net operating expenses .....	(15.1)
Share of results of associates .....	0.1
Operating profit .....	4.2
Amortisation of acquired intangibles .....	(0.1)
Profit before interest and exceptional items .....	4.1
Net interest cost .....	(0.6)
Profit before tax .....	3.5

In the 53rd week of the 2012 financial year, revenue for the retail segment and for the online segment was £12.9 million and £8.2 million, respectively. The Group generated operating profit of £4.2 million in the 53rd week of the 2012 financial year. During that week, operating profit for the retail segment and for the online segment was £1.3 million and £3.2 million, respectively.

##### **Acquisition of US businesses**

The acquisitions of AWI, Brandywine and the Cal Neva Assets, occurred on 27 June 2012 for aggregate consideration of approximately US\$49 million (equivalent to approximately £31 million). This amount

included US\$4 million (equivalent to approximately £2.5 million) for the settlement of debt and preference shares. In addition to this consideration, prior to the acquisition, the Group advanced US\$6.4 million (equivalent to approximately £4.1 million) in arm's-length convertible loans to AWI and Brandywine.

At the date of acquisition, AWI operated 72 sportsbooks and kiosks on behalf of other casino operators under the "Leroy's" brand. Its proprietary technology platform is currently licensed by major casino operators in Nevada, including MGM Resorts, Wynn, Harrah's, South Point and Encore. In the year ended 31 January 2012, its revenues were US\$11.0 million.

At the date of acquisition, Brandywine operated 16 sportsbooks in Nevada under the "Lucky's" brand and one in St. Kitts in the Caribbean. In addition, it is the exclusive odds maker for the Delaware State Sports Lottery, which it operates in partnership with Scientific Games, and, together with Scientific Games, it launched sports betting at three Delaware casinos in September 2009. In the year ended 31 December 2011, its revenues were US\$6.3 million.

The Cal Neva Assets were a part of the Sierra Development Company, a privately-owned casino and hotel business. At the date of acquisition, this business operated 31 sportsbooks in Nevada. In the year ended 31 December 2011, the business delivered revenues of US\$9.7 million.

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 the 2013 financial year. The three acquired US businesses are now reported as the US business segment in the Group's consolidated financial statements.

#### 2010 refinancing

In November 2010, the Group refinanced the borrowings under its then-existing bank facilities (the "2009 Credit Facilities") with its 2010 Revolving Credit Facility. For further information on the refinancing of the 2009 Credit Facilities and the 2010 Revolving Credit Facility, see "– *Liquidity and Capital Resources – Finance Facilities*" below. The interest rate margin applicable under the 2010 Revolving Credit Facility is lower than that which was applicable under the 2009 Credit Facilities. Together with lower levels of net debt, this resulted in lower finance charges following this refinancing. In addition, as a result of this refinancing, the interest rate hedging contracts that the Group had in place were deemed to be ineffective for accounting purposes and, as a result, the deferred portion of gains and losses in respect of the contracts amounting to £14.2 million was reclassified and was charged as a non-operating exceptional item in the 2010 financial statements.

### 5. KEY COMPONENTS OF THE GROUP'S INCOME STATEMENT

The key components of certain line items of the Group's consolidated income statement are described below.

#### Amounts wagered

Amounts wagered represent the total amounts staked by customers in respect of individual bets placed in the relevant period in each of the retail and telephone segments and for sportsbook activities in the online segment and revenue from gaming activity completed in the relevant period for online casino, poker and bingo games.

The following table sets out the amounts wagered for over-the-counter activities and machines activities in the retail segment, sportsbook activities in the online segment and in the Group's other segments (including gaming revenue in the online segment) for the 2010, 2011 and 2012 financial years.

	Financial Year		
	2010	2011	2012
Over-the-counter .....	2,523.0	2,605.4	2,582.4
Machines .....	12,240.0	13,034.6	13,363.4
Sportsbook .....	1,101.9	1,664.0	2,258.5
Other segments <sup>(1)</sup> .....	654.9	607.4	674.8
<b>Total</b> .....	<b>16,519.8</b>	<b>17,911.4</b>	<b>18,879.1</b>

(1) Other segments comprise online gaming (where amounts wagered equate to revenue), the telephone and "other" segments and, in respect of the 2012 financial year only, the US segment.

## Revenue

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for the Group's goods and services net of discounts, marketing inducements, VAT and other sales related taxes, as set out below. The Group also refers to this item as "net revenue" as the amounts reflect this net result and the term is commonly used in the gaming industry. The Group uses the terms "revenue" and "net revenue" interchangeably.

Revenue in the Group's retail segment, its US segment and the telephone segment represents gains and losses from gambling activity in the period. Revenue from bets made in a relevant period in respect of events that will occur after the end of such relevant period ("**open bets**") is recognised in the period that the bet is made based on the estimated fair market value of the bet. The fair market value of an open bet is established by reference to the anticipated outcome of such bet. Any adjustments required as a result of the actual outcome of the bet are recognised in the period in which the relevant event completes.

Revenue in the Group's online segment from sports betting and casino represents gains and losses from gambling activity in the period. Revenue from open bets in the online segment is recognised in the same manner as revenue from open bets from the retail segment.

Revenue in the Group's online segment from poker and bingo, where William Hill facilitates games between players, represents the fees charged for participation from poker games (the "**rake**") and from bingo games completed by the period end. The rake includes any fixed amounts payable by customers for poker tournament entry.

Revenue in the Group's "other" segment represents income arising from the operation of the Group's greyhound stadia, including sales of refreshments and Tote income, revenue from on-course bookmaking and the gains and losses from any sports betting hedging operations.

## Cost of sales

Cost of sales primarily relates to taxes and levies paid by the Group (excluding certain tax charges on the Group's ordinary activities, for example, UK corporation tax), software royalties in the online segment and hardware royalties for gaming machines. Taxes and levies accounted for as cost of sales include the Horserace Betting Levy, greyhound racing levy and betting duty applicable to the Group's gross win on all bets settled in the UK, as well as, until 1 February 2013, Amusement Machine Licence Duty. From 1 February 2013, instead of paying VAT and Amusement Machine Licence Duty on gaming machines, the Group will pay Machine Games Duty of 20 per cent. on gaming machines revenue, which will be accounted for as a cost of sale. Further information regarding the levels of taxation and levies paid by the Group is set out above at "*– Key Factors Affecting the Group's Results of Operations – Taxation and Levies.*" Cost of sales also includes royalties paid in respect of betting and gaming software in the online segment and hardware royalties for gaming machines provided by third parties, both of which are in most cases assessed on the basis of usage.

## Net operating expenses

Net operating expenses comprise the Group's other operating expenses net of its other operating income, which represents items not directly attributable to betting and gaming activities, including rental income from non-trading properties, gains and losses on non-trading asset sales, bookmaking software sales in the United States and income derived from the sale of refreshments to customers in LBOs. Net operating expenses primarily relate to staff costs, which include wages, salaries, bonuses, social security costs and pension costs in connection with schemes operated by the Group. Net operating expenses also include: property costs, including utilities costs, rent and rates; depreciation costs with regard to investment by the Group in its LBO estate and technology and IT systems; content costs associated with providing television coverage, audio and other data; marketing expenses, including advertising and sponsorship costs; finance charges related to the cost of processing customer funds, which are principally comprised of cash handling and debit card fees in the retail segment, as well as credit and debit card fees and e-wallet costs in the online segment; communications costs; and other costs, which primarily consist of legal and consultancy costs, costs of the trading department, specifically costs relating to setting of prices for betting activity and other book-making costs, and travel costs.

## **Share of results of associates**

Share of results of associates represents the Group's share of the after-tax profit or loss of its associates. An associate is an entity over which the Group is in a position to exercise significant influence but that it does not control or jointly control, through participation in the financial and operating policy decisions of the entity. In the 2010, 2011 and 2012 financial years, the only associate of the Group was SIS, in which the Group owns 19.5 per cent. of the equity and holds a seat on the board of directors.

## **Exceptional items**

Exceptional items are those items that the Group considers to be non-recurring or material in nature that are important for an understanding of the Group's financial performance for the period.

### ***Operating exceptional items***

The Group had exceptional operating expenses in the 2012 financial year of £5.3 million relating to acquisition and integration costs for the acquired US businesses, £4.6 million relating to the proposed acquisition of the Australian business of Sportingbet and £4.6 million relating to a self-assessment payment made to the Spanish tax authorities prior to the granting of a Spanish online gambling licence.

The Group had exceptional operating expenses in the 2011 financial year of £46.6 million relating to a write down on goodwill allocated to the telephone business at the time of conversion of the Group's financial reporting to IFRS, £1.9 million relating to the disposal of certain LBOs in the Republic of Ireland and £1.7 million relating to the US acquisition.

The Group had exceptional operating expenses in the 2010 financial year of £6.1 million relating to the closure of the UK-based telephone betting business. In addition, in the 2010 financial year, the Group had an exceptional gain relating to costs of sales attributable to a £5.6 million VAT refund.

### ***Non-operating exceptional items***

The Group had exceptional finance costs in the 2012 financial year of £0.5 million relating to fair value losses on ineffective hedges.

The Group had exceptional finance costs in the 2011 financial year of £1.8 million relating to fair value losses on ineffective hedges.

The Group had exceptional finance costs in the 2010 financial year of £7.2 million of refinancing costs relating to unamortised capitalised finance fees written off in connection with the refinancing of the Group's revolving credit facilities in 2010 and £18.3 million in costs relating to hedging instruments that were deemed to be ineffective following this refinancing, consisting of £4.1 million in fair value losses on ineffective interest rate hedges and £14.2 million in deferred hedging losses transferred to the income statement on refinancing.

## **Net finance costs**

Net finance costs represent the Group's finance costs net of its investment income. Finance costs comprise interest payable and similar charges on bank and bond borrowings together with any interest payable and fair value losses under interest rate hedging arrangements, amortisation of capitalised finance fees, interest on the Group's pension scheme liabilities and other adjustments arising from changes in the Group's discount rate. Investment income comprises interest on cash deposits, interest receivable and fair value gains under interest rate hedging arrangements and the return on the Group's pension scheme assets.

## **Tax**

Tax represents the corporation tax charge on the Group's ordinary activities and any deferred tax credit or charge recognised in the period.



## 6. OTHER FINANCIAL AND PERFORMANCE INDICATORS

### Operating profit

In addition to revenue, the Board considers operating profit to be a key financial indicator of the Group's performance. Operating profit is a non-IFRS measure that William Hill defines as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions. The Board considers operating profit to be a useful indicator of the operating performance of the business because it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items.

The following table sets out a reconciliation of William Hill's profit before interest and tax as calculated in accordance with IFRS to its operating profit for the 2010, 2011 and 2012 financial years.

	Financial Year		
	2010	2011	2012
	£m	£m	£m
Profit before interest and tax .....	272.7	221.9	311.1
Amortisation of identified intangible assets from acquisitions .....	3.6	3.6	5.0
Exceptional operating items .....	0.5	50.2	14.5
<b>Operating profit .....</b>	<b>276.8</b>	<b>275.7</b>	<b>330.6</b>

### Adjusted EPS

Adjusted EPS is a non-IFRS measure that William Hill defines as earnings per share adjusted for exceptional items and the post-tax impact of the amortisation of intangible assets arising from acquisitions. For the same reasons explained above under “– *Operating profit*”, the Board believes that Adjusted EPS is a useful indicator for assessing the value of the Company's Ordinary Shares (for example, by way of price to earnings multiples).

The following table sets out a reconciliation of William Hill's basic EPS as calculated in accordance with IFRS to its Adjusted EPS for the 2010, 2011 and 2012 financial years.

	Financial Year		
	2010	2011	2012
	pence	pence	pence
Basic EPS .....	18.6	16.5	27.0
Amortisation adjustment .....	0.4	0.4	0.6
Exceptional adjustment .....	2.7	7.3	1.8
<b>Adjusted EPS .....</b>	<b>21.7</b>	<b>24.2</b>	<b>29.4</b>

### Key performance indicators

The Group also considers the following key performance indicators to be helpful in understanding the Group's operating performance. These measures are not included in the Group's consolidated financial statements incorporated by reference into this document, but the Group does make this information publicly available.

The following table sets out certain key performance indicators relating to the performance of the Group's retail segment for the 2010, 2011 and 2012 financial years.

	Financial Year		
	2010	2011	2012
Average number of LBOs	2,353	2,374	2,375
Average number of machines	8,831	9,049	9,195
Gross win per machine per week (in £)	847	901	911
Gross win margin across machines (in %)	3.18	3.25	3.32
Machines gross win	389.0	423.8	444.1

The following table sets out certain key performance indicators relating to the performance of the Group's online segment for the 2010, 2011 and 2012 financial years.

	Financial Year		
	2010	2011	2012
Unique active players (in '000s)	1,341.1	1,408.7	1,793.1
Revenue per unique active player (in £)	187.6	228.1	226.8
New accounts (in '000s)	808.7	790.7	1,064.2
Average cost per acquisition (in £)	75.7	108.6	100.1

William Hill defines a "unique active player" as a customer who has staked a bet, performed a gaming transaction or generated rake in the period, a "new account" as an account that has been registered and transacted during the period, and "average cost per acquisition" as total marketing expenses (including expenses related to affiliate agreements, whereby potential customers can click through to the Group's websites from other websites in return for remuneration for the owner of the other website) divided by total new accounts.

The following table sets out certain key performance indicators relating to the performance of the sportsbook activities within the Group's online segment for the 2010, 2011 and 2012 financial years. Management uses these key performance indicators to evaluate performance of the online sportsbook against its expectations.

	Financial Year		
	2010	2011	2012
Amounts wagered for online sportsbook activities (in £m)	1,101.9	1,664.0	2,258.5
Online sportsbook gross win margin (in %)	8.0	7.0	7.9
Online sportsbook pre-match gross win margin (in %)	9.8	8.7	10.1
Online sportsbook in-play gross win margin (in %)	4.8	4.6	4.8

## 7. RESULTS OF OPERATIONS

### 2012 financial year compared to 2011 financial year

The following table sets out certain income statement items for the 2011 and 2012 financial years, respectively:

	Financial Year					
	2011			2012		
	<i>Before exceptional items</i>	<i>Exceptional items</i>	<i>Total</i>	<i>Before exceptional items</i>	<i>Exceptional items</i>	<i>Total</i>
£m	£m	£m	£m	£m	£m	
<b>Amounts wagered</b> . . . . .	17,911.4	-	17,911.4	18,879.1	-	18,879.1
<b>Revenue</b> . . . . .	<b>1,136.7</b>	-	<b>1,136.7</b>	<b>1,276.9</b>	-	<b>1,276.9</b>
Cost of sales . . . . .	(163.6)	-	(163.6)	(172.2)	-	(172.2)
<b>Gross profit</b> . . . . .	<b>973.1</b>	-	<b>973.1</b>	<b>1,104.7</b>	-	<b>1,104.7</b>
Net operating expenses . . . . .	(703.4)	(50.2)	(753.6)	(782.8)	(14.5)	(797.3)
Share of results of associates . . . . .	2.4	-	2.4	3.7	-	3.7
<b>Profit before interest and tax</b> . . . . .	<b>272.1</b>	<b>(50.2)</b>	<b>221.9</b>	<b>325.6</b>	<b>(14.5)</b>	<b>311.1</b>
Net finance costs . . . . .	(32.7)	(1.8)	(34.5)	(32.9)	(0.5)	(33.4)
<b>Profit before tax</b> . . . . .	<b>239.4</b>	<b>(52.0)</b>	<b>187.4</b>	<b>292.7</b>	<b>(15.0)</b>	<b>277.7</b>
Tax . . . . .	(41.5)	0.6	(40.9)	(48.2)	1.5	(46.7)
<b>Profit for the period</b> . . . . .	<b>197.9</b>	<b>(51.4)</b>	<b>146.5</b>	<b>244.5</b>	<b>(13.5)</b>	<b>231.0</b>
<b>Attributable to:</b>						
<b>Equity holders of parent</b> . . . . .	<b>166.6</b>	<b>(51.4)</b>	<b>115.2</b>	<b>202.1</b>	<b>(12.3)</b>	<b>189.8</b>
<b>Non-controlling interest</b> . . . . .	<b>31.3</b>	-	<b>31.3</b>	<b>42.4</b>	<b>(1.2)</b>	<b>41.2</b>

### Revenue

The following table sets out revenue by segment and revenue by segment as a percentage of total revenue for the Group for the 2011 and 2012 financial years, respectively:

	Financial Year			
	2011		2012	
	£m	%	£m	%
Retail . . . . .	789.7	69.5	837.9	65.6
Online . . . . .	321.3	28.3	406.7	31.9
Telephone . . . . .	18.2	1.6	16.0	1.3
US business . . . . .	-	-	8.9	0.7
Other . . . . .	7.5	0.6	7.4	0.6
<b>Total revenue</b> . . . . .	<b>1,136.7</b>	<b>100.0</b>	<b>1,276.9</b>	<b>100.0</b>

Revenue in the 2012 financial year was £1,276.9 million, an increase of £140.2 million, or 12.3 per cent., from £1,136.7 million in the 2011 financial year. This increase in revenue was primarily attributable to revenue growth in both the online and retail segments. In the online segment, revenue from sportsbook

activities increased following the growth of amounts wagered as well as a higher gross win margin following more favourable sporting results in the 2012 financial year. Over-the-counter retail revenue also benefitted from a higher gross win margin due to sporting results in the 2012 financial year. Gaming performance in both segments also contributed positively to the revenue growth.

*Revenue from the retail segment*

The following table sets out the composition of the Group's revenue from the retail segment for the 2011 and 2012 financial years, respectively:

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Over-the-counter .....	437.2	468.8
Gaming machines .....	352.5	369.1
<b>Total retail revenue</b> .....	<b>789.7</b>	<b>837.9</b>

Revenue from the retail segment in the 2012 financial year was £837.9 million, an increase of £48.2 million, or 6.1 per cent., from £789.7 million in the 2011 financial year. This increase in revenue from the retail segment was primarily attributable to the higher gross win margin in over-the-counter activities in the 2012 financial year compared to the 2011 financial year. In addition, gaming machine revenue contributed positively to overall retail revenue growth.

Over-the-counter revenue from the retail segment in the 2012 financial year was £468.8 million, an increase of £31.6 million, or 7.2 per cent., from £437.2 million in the 2011 financial year. This increase in over-the-counter revenue from the retail segment was primarily attributable to the rise in the over-the-counter gross win margin, which rose to 18.2 per cent. in the 2012 financial year from 16.8 per cent. in the 2011 financial year, following more favourable sporting results in 2012.

Gaming machines revenue from the retail segment in the 2012 financial year was £369.1 million, an increase of £16.6 million, or 4.7 per cent., from £352.5 million in the 2011 financial year. This increase in gaming machines revenue from the retail segment reflected the higher overall number of machines in the LBO estate as well as increased gross win per machine and an additional trading week in the 2012 financial year.

*Revenue from the online segment*

The following table sets out the composition of the Group's revenue from the online segment for the 2011 and 2012 financial years, respectively:

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Sportsbook .....	111.1	166.7
Gaming .....	210.2	240.0
<b>Total online revenue</b> .....	<b>321.3</b>	<b>406.7</b>

Revenue from the online segment in the 2012 financial year was £406.7 million, an increase of £85.4 million, or 26.6 per cent., from £321.3 million in the 2011 financial year. This increase in revenue from the online segment was primarily attributable to an increase in amounts wagered in online sportsbook, helped by the popularity of betting via mobile devices. Mobile gaming also contributed to the increased revenue. An improvement in the gross win margin for sportsbook activities in the 2012 financial year as compared to the previous year further contributed to this growth.

### Sportsbook revenue from the online segment

Sportsbook revenue from the online segment in the 2012 financial year was £166.7 million, an increase of £55.6 million, or 50.0 per cent., from £111.1 million in the 2011 financial year. The increase in revenue from the Group's online sportsbook was primarily attributable to the rise in the number of unique active players, driven in particular by the increasing popularity of betting via mobile devices, which drove an increase in amounts wagered of 35.7 per cent. In addition, sportsbook revenue benefited from a rise in the gross win margin from 7.0 per cent. in the 2011 financial year to 7.9 per cent. in the 2012 financial year following more favourable sporting results in the 2012 financial year.

### Gaming revenue from the online segment

The following table sets out the composition of the Group's gaming revenue from the online segment for the 2011 and 2012 financial years, respectively:

	Financial Year	
	2011	2012
	£m	£m
Casino .....	163.6	194.4
Poker .....	23.0	20.4
Bingo .....	23.6	25.2
<b>Total gaming revenue</b> .....	<b>210.2</b>	<b>240.0</b>

Gaming revenue from the online segment in the 2012 financial year was £240.0 million, an increase of £29.8 million, or 14.2 per cent., from £210.2 million in the 2011 financial year. The increase in revenue from gaming activities was primarily attributable to the rise in casino revenues as a result of the increase in unique active players in the 2012 financial year following successful marketing and customer retention activities, offset in part by a decrease in gaming revenue from poker.

Gaming revenue from casino in the 2012 financial year was £194.4 million, an increase of £30.8 million, or 18.8 per cent., from £163.6 million in the 2011 financial year. This increase in gaming revenue from casino was primarily attributable to a higher number of new accounts and an overall increase in unique active players.

Gaming revenue from poker in the 2012 financial year was £20.4 million, a decrease of £2.6 million, or 11.3 per cent., from £23.0 million in the 2011 financial year. This decrease in gaming revenue from poker was primarily attributable to increased competition from US-facing poker rooms, which resulted in lower revenue per unique active player in the 2012 financial year as higher spending players migrated to networks with wider pools of players. The decline was offset in part by slightly higher overall numbers of unique active players.

Gaming revenue from bingo in the 2012 financial year was £25.2 million, an increase of £1.6 million, or 6.8 per cent., from £23.6 million in the 2011 financial year. This increase in gaming revenue from bingo was primarily attributable to a higher number of unique active players following successful marketing and customer retention activities in the 2012 financial year, partially offset by a fall in revenue per unique active player.

### **Cost of Sales**

Cost of sales in the 2012 financial year was £172.2 million, an increase of £8.6 million, or 5.3 per cent., from £163.6 million in the 2011 financial year. This increase in cost of sales was primarily attributable to gaming tax costs arising from betting duty in the retail segment, which rose in line with revenue from over-the-counter activities. In the online segment, software royalties, which are linked to revenue, increased in the 2012 financial year compared to the 2011 financial year particularly following the rise in transactions via mobile devices, as did taxation costs, especially following the introduction of regulation in markets such as Spain and Italy.

The following table sets out cost of sales by segment for the 2011 and 2012 financial years, respectively:

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Retail .....	131.2	137.1
Online .....	28.5	35.6
Telephone .....	2.9	(2.3)
US business .....	-	0.9
Other .....	1.0	0.9
<b>Total cost of sales</b> .....	<b>163.6</b>	<b>172.2</b>

Cost of sales from the retail segment in the 2012 financial year was £137.1 million, an increase of £5.9 million, or 4.5 per cent., from £131.2 million in the 2011 financial year. This increase in cost of sales from the retail segment was primarily attributable to an increase in betting duty on over-the-counter activities in the retail segment, in line with the revenue increase.

Cost of sales from the online segment in the 2012 financial year was £35.6 million, an increase of £7.1 million, or 24.9 per cent., from £28.5 million in the 2011 financial year. This increase in cost of sales from the online segment was primarily attributable to higher software royalties, which are linked to revenue, in particular on mobile device products which saw strong revenue growth in the 2012 financial year. In addition, gaming tax also increased, particularly on revenues generated in jurisdictions where regulation was recently introduced, such as Spain, where licences were granted in mid-2012, and Italy, where licences were granted in 2011.

#### ***Net operating expenses***

The following table sets out the composition of the Group's net operating expenses (before exceptional operating expenses) for the 2011 and 2012 financial years, respectively:

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Other income .....	4.4	4.7
Other operating expenses .....	(707.8)	(787.5)
<b>Total net operating expenses (before exceptional operating expenses)</b> .....	<b>(703.4)</b>	<b>(782.8)</b>

Net operating expenses (before exceptional operating expenses) in the 2012 financial year were £782.8 million, an increase of £79.4 million, or 11.3 per cent., from £703.4 million in the 2011 financial year.

The following table sets out a detailed composition of the Group's other operating expenses (before exceptional operating expenses) for the 2011 and 2012 financial years, respectively.

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Staff costs .....	299.5	312.9
Property costs .....	101.9	111.4
Depreciation .....	37.8	43.7
Content .....	56.4	61.6
Marketing .....	100.7	122.3
Finance charges .....	19.0	21.6
Communications .....	10.4	11.5
Other .....	82.1	102.5
<b>Total other operating expenses (before exceptional operating expenses)</b> .....	<b>707.8</b>	<b>787.5</b>

The principal component of other operating expenses is staff costs. Staff costs in the 2012 financial year were £312.9 million, an increase of £13.4 million, or 4.5 per cent., from £299.5 million in the 2011 financial year. This increase was primarily due to higher staff costs in the retail segment and higher corporate staff costs reflecting increased headcount and bonuses at the corporate level.

In addition to the increase in staff costs, the increase in net operating expenses (before exceptional operating expenses) reflected an increased level of marketing spend, primarily in the online segment, and activity at the corporate level which increased professional services fees, trading department costs and IT costs and other operational costs in the "other" category.

#### *Other operating expenses in the retail segment*

The following table sets out a detailed composition of the Group's other operating expenses in the retail segment (before exceptional operating expenses) for the 2011 and 2012 financial years, respectively.

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Staff costs .....	192.3	199.5
Property costs .....	93.3	100.1
Content .....	56.1	61.0
Depreciation .....	26.2	27.4
Other (including recharges) .....	93.8	101.3
<b>Total other operating expenses in the retail segment (before exceptional operating expenses)</b> .....	<b>461.7</b>	<b>489.3</b>

Other operating expenses in the retail segment (before exceptional operating expenses) in the 2012 financial year were £489.3 million, an increase of £27.6 million, or 6.0 per cent., from £461.7 million in the 2011 financial year. Of this 6.0 per cent. increase, £9.5 million, or 2.1 per cent., is attributable to the additional costs arising from the 53rd trading week in the 2012 financial year.

The principal components of other operating expenses in the retail segment (before exceptional operating expenses) are staff costs, property costs and content costs. The category "other" comprises marketing costs, finance charges, communications costs and other costs, including Group costs such as staff costs provided centrally as a service (for example IT support) which are recharged to the retail segment.

Staff costs in the 2012 financial year were £199.5 million, an increase of £7.2 million, or 3.7 per cent., from £192.3 million in the 2011 financial year. This increase was primarily attributable to the longer average trading hours in the LBOs, which increased by 5.7 per cent. in the 2012 financial year compared to the 2011 financial year. Adjusting for the effect of the 53rd week in the 2012 financial year, the trading hours in the 2012 financial year would have increased by 3.7 per cent. compared to the previous year. In addition, certain retail staff were granted a 2.0 per cent. pay rise in October 2012.

Property costs rose to £100.1 million in the 2012 financial year, an increase of £6.8 million, or 7.3 per cent., from £93.3 million in the 2011 financial year. This rise reflected favourable rent settlements in the 2011 financial year, which resulted in rent provisions being released in that year, as well as higher repair and maintenance costs and higher property rates. There was no comparable release of provisions in the 2012 financial year.

Content costs in the 2012 financial year were £61.0 million, an increase of £4.9 million, or 8.7 per cent., from £56.1 million in the 2011 financial year. This was primarily attributable to higher costs as a result of contractual increases in TurfTV fees and following renegotiation of SIS fees.

Other operating costs falling within the category "other" were £101.3 million in the 2012 financial year, an increase of £7.5 million, or 8.0 per cent., from £93.8 million in the 2011 financial year, primarily attributable to an increase in staff and other costs recharged to the retail segment.

*Other operating expenses in the online segment*

The following table sets out a detailed composition of the Group's other operating expenses in the online segment (before exceptional operating expenses) for the 2011 and 2012 financial years, respectively.

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Marketing .....	85.8	106.4
Staff costs .....	36.9	38.5
Finance charges .....	11.4	14.8
Depreciation and amortisation .....	9.2	12.3
Other (including recharges) .....	42.7	53.8
<b>Total other operating expenses in the online segment (before exceptional operating expenses) .....</b>	<b>186.0</b>	<b>225.8</b>

Other operating expenses in the online segment (before exceptional operating expenses) in the 2012 financial year were £225.8 million, an increase of £39.8 million, or 21.4 per cent., from £186.0 million in the 2011 financial year. Of this 21.4 per cent. increase, £4.6 million, or 2.5 per cent., is attributable to the additional costs arising from the 53rd trading week in the 2012 financial year.

The principal components of other operating expenses in the online segment (before exceptional operating expenses) are marketing costs, staff costs and other costs, which are comprised predominantly of consultancy, IT, site content, legal and travel costs and which include Group costs such as staff costs provided centrally as a service (for example IT support) which are recharged to the online segment.

Marketing costs in the 2012 financial year were £106.4 million, an increase of £20.6 million, or 24.0 per cent., from £85.8 million in the 2011 financial year. Marketing costs comprise affiliate costs, television, print and online advertising. Consistent with the Group's strategy for growth, there was a substantial increase in marketing spend in the online segment in the 2012 financial year.

In addition, other costs rose to £53.8 million in the 2012 financial year, an increase of £11.1 million, or 26.0 per cent., from £42.7 million in the 2011 financial year. This rise reflected higher IT spend, trading department spend and site content costs as the business grew.

Staff costs in the 2012 financial year were £38.5 million, an increase of £1.6 million, or 4.3 per cent., from £36.9 million in the 2011 financial year. The rise in staff costs reflected the higher headcount in the online segment and increases in bonuses, which was partially offset by cost savings following the exit from the business of certain senior managers in the 2011 financial year.



### *Other operating income*

Other operating income in the 2012 financial year was £4.7 million, an increase of £0.3 million, or 6.8 per cent., from £4.4 million in the 2011 financial year. This increase in other operating income was primarily attributable to the inclusion of software sales income from the acquired US businesses.

### *Exceptional operating expenses*

Exceptional operating expenses in the 2012 financial year were £14.5 million. These exceptional operating expenses were £5.3 million of acquisition and integration costs relating to the acquired US businesses, £4.6 million relating to professional services fees in connection with the proposed acquisition of the Australian business of Sportingbet and £4.6 million arising from a self-assessment payment made to the Spanish tax authorities prior to the granting of a Spanish online gambling licence. Exceptional operating expenses in the 2011 financial year were £50.2 million and included a £46.6 million write down on goodwill allocated to the telephone business at the time of the conversion to IFRS, £1.9 million relating to the disposal of certain LBOs in the Republic of Ireland and £1.7 million of costs related to the US acquisition.

### *Share of results of associates*

Share of results of associates in the 2012 financial year was a profit of £3.7 million, an increase of £1.3 million from a share of profit of £2.4 million in the 2011 financial year. This increase in share of results of associates was primarily attributable to improved profitability at SIS in the 2012 financial year following exceptional costs during the prior year.

### *Profit before interest and tax*

Profit before interest and tax in the 2012 financial year was £311.1 million, an increase of £89.2 million, or 40.2 per cent., from £221.9 million in the 2011 financial year. Profit before interest and tax before exceptional operating expenses in the 2012 financial year was £325.6 million, an increase of £53.5 million, or 19.7 per cent., from £272.1 million in the 2011 financial year.

### *Operating profit*

The following table sets out operating profit or loss by segment for the 2011 and 2012 financial years, respectively:

	Financial Year	
	2011	2012
	£m	£m
Retail .....	196.8	211.5
Online .....	106.8	145.3
Telephone .....	(4.3)	0.5
US business .....	-	(0.6)
Other .....	0.6	0.5
Corporate .....	(24.2)	(26.6)
<b>Total operating profit .....</b>	<b>275.7</b>	<b>330.6</b>

The following table sets out a reconciliation of profit before interest and tax as calculated in accordance with IFRS to operating profit for the 2011 and 2012 financial years for the retail segment.

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Profit before interest and tax .....	194.9	211.5
Amortisation of identified intangible assets from acquisitions .....	-	-
Exceptional operating items .....	1.9	-
<b>Operating profit for the retail segment</b> .....	<b>196.8</b>	<b>211.5</b>

Operating profit from the retail segment in the 2012 financial year was £211.5 million, an increase of £14.7 million, or 7.5 per cent., from £196.8 million in the 2011 financial year. This increase was primarily attributable to both the increase in gross win margin from over-the-counter activities and the additional revenue contribution from machines in the 2012 financial year. Given the high fixed cost base in the retail segment, a substantial proportion of these revenue increases is passed through to operating profit.

The following table sets out a reconciliation of profit before interest and tax as calculated in accordance with IFRS to operating profit for the 2011 and 2012 financial years for the online segment.

	<b>Financial Year</b>	
	<b>2011</b>	<b>2012</b>
	£m	£m
Profit before interest and tax .....	103.2	137.1
Amortisation of identified intangible assets from acquisitions .....	3.6	3.6
Exceptional operating items .....	-	4.6
<b>Operating profit for the online segment</b> .....	<b>106.8</b>	<b>145.3</b>

Operating profit from the online segment in the 2012 financial year was £145.3 million, an increase of £38.5 million, or 36.0 per cent., from £106.8 million in the 2011 financial year. This increase in operating profit from the online segment was primarily attributable to the strong rise in amounts wagered coupled with a higher gross win margin on the online sportsbook in the 2012 financial year compared to the 2011 financial year, as a result of which sportsbook revenue grew by 50.0 per cent. The rise in gaming revenue further contributed to this growth, which was offset in part by the increases in operating costs and costs of sale.

#### **Net finance costs**

Net finance costs in the 2012 financial year were £32.9 million, an increase of £0.2 million, or 0.6 per cent., from £32.7 million in the 2011 financial year. This increase in net finance costs was primarily attributable to a fair value charge of £0.9 million following the revaluation of a liability to Playtech, which was in part offset by lower average levels of net debt in the 2012 financial year compared to the 2011 financial year following the repayment of £60.0 million under the Group's 2010 Revolving Credit Facility during the 2012 financial year.

#### **Non-operating exceptional items**

Non-operating exceptional items in the 2011 and 2012 financial years were losses of £1.8 million and £0.5 million, respectively, representing fair value losses on ineffective hedges.

#### **Tax**

Tax in the 2012 financial year was £46.7 million, an increase of £5.8 million, or 14.2 per cent., from £40.9 million in the 2011 financial year. This increase in tax was primarily attributable to the higher profit before tax in the 2012 financial year, offset in part by a deferred tax credit of £12.6 million resulting from lower corporate tax rates. In the 2011 and 2012 financial years, the effect of exceptional items on tax amounted to £0.6 million and £1.5 million, respectively.

The effective tax rate after exceptional items in the 2012 financial year was 16.8 per cent. as compared to the UK statutory rate for the year of 24.5 per cent. consisting of a rate of 26 per cent. until 31 March 2012 and 24 per cent. for the remainder of the financial year. The primary reason for the lower effective tax rate was a £12.6 million deferred tax credit resulting from the reduction in the UK statutory tax rate to 23 per cent. with effect from 1 April 2013. The effective rate was also affected by the lower tax rates applicable to the profits of the online segment, which are subject to taxation in Gibraltar.

The effective tax rate after exceptional items in the 2011 financial year was 21.8 per cent. as compared to the UK statutory rate for the year of 26.5 per cent. consisting of a rate of 28 per cent. until 31 March 2011 and 26 per cent. for the remainder of the financial year. The primary reason for the lower effective tax rate was a £12.2 million deferred tax credit resulting from the reduction in the UK statutory rate of 24 per cent. with effect from 1 April 2012. The effective rate was also affected by the lower tax rates applicable to the profits of the online segment, which are subject to tax in Gibraltar.

### ***Profit for the period***

Profit for the 2012 financial year was £231.0 million, an increase of £84.5 million, or 57.7 per cent., from £146.5 million in the 2011 financial year, as a result of the factors discussed above. Profit for the 2012 financial year before exceptional items was £244.5 million, an increase of £46.6 million, or 23.5 per cent., from £197.9 million profit for the 2011 financial year before exceptional items, as a result of the factors discussed above.

### **2011 FINANCIAL YEAR COMPARED TO 2010 FINANCIAL YEAR**

The following table sets out certain income statement items for the 2010 and 2011 financial years, respectively:

	Financial Year					
	2010			2011		
	<i>Before exceptional items</i>	<i>Exceptional items</i>	<i>Total</i>	<i>Before exceptional items</i>	<i>Exceptional items</i>	<i>Total</i>
£m	£m	£m	£m	£m	£m	
Amounts wagered .....	16,519.8	-	16,519.8	17,911.4	-	17,911.4
<b>Revenue</b> .....	<b>1,071.8</b>	-	<b>1,071.8</b>	<b>1,136.7</b>	-	<b>1,136.7</b>
Cost of sales .....	(154.3)	5.6	(148.7)	(163.6)	-	(163.6)
<b>Gross profit</b> .....	<b>917.5</b>	<b>5.6</b>	<b>923.1</b>	<b>973.1</b>	-	<b>973.1</b>
Net operating expenses .....	(647.6)	(6.1)	(653.7)	(703.4)	(50.2)	(753.6)
Share of results of associates ...	3.3	-	3.3	2.4	-	2.4
<b>Profit before interest and tax</b> ..	<b>273.2</b>	<b>(0.5)</b>	<b>272.7</b>	<b>272.1</b>	<b>(50.2)</b>	<b>221.9</b>
Net finance costs .....	(53.9)	(25.5)	(79.4)	(32.7)	(1.8)	(34.5)
<b>Profit before tax</b> .....	<b>219.3</b>	<b>(26.0)</b>	<b>193.3</b>	<b>239.4</b>	<b>(52.0)</b>	<b>187.4</b>
Tax on profit .....	(44.0)	6.7	(37.3)	(41.5)	0.6	(40.9)
<b>Profit for the period</b> .....	<b>175.3</b>	<b>(19.3)</b>	<b>156.0</b>	<b>197.9</b>	<b>(51.4)</b>	<b>146.5</b>
<b>Attributable to:</b>						
<b>Equity holders of parent</b> .....	<b>149.0</b>	<b>(19.3)</b>	<b>129.7</b>	<b>166.6</b>	<b>(51.4)</b>	<b>115.2</b>
<b>Non-controlling interest</b> .....	<b>26.3</b>	-	<b>26.3</b>	<b>31.3</b>	-	<b>31.3</b>

## Revenue

The following table sets out revenue by segment and revenue by segment as a percentage of total revenue for the Group for the 2010 and 2011 financial years, respectively:

	Financial Year			
	2010		2011	
	£m	%	£m	%
Retail .....	783.1	73.1	789.7	69.5
Online .....	251.5	23.5	321.3	28.3
Telephone .....	30.3	2.8	18.2	1.6
Other .....	6.9	0.6	7.5	0.7
<b>Total revenue</b> .....	<b>1,071.8</b>	<b>100.0</b>	<b>1,136.7</b>	<b>100.0</b>

Revenue in the 2011 financial year was £1,136.7 million, an increase of £64.9 million, or 6.1 per cent., from £1,071.8 million in the 2010 financial year. This increase in revenue was primarily attributable to the revenue growth of £69.8 million in William Hill Online, offset in part by a decrease of £12.1 million in telephone betting.

### Revenue from the retail segment

The following table sets out the composition of the Group's revenue from the retail segment for the 2010 and 2011 financial years, respectively:

	Financial Year	
	2010	2011
	£m	£m
Over-the-counter .....	452.6	437.2
Gaming machines .....	330.5	352.5
<b>Total retail revenue</b> .....	<b>783.1</b>	<b>789.7</b>

Revenue from the retail segment in the 2011 financial year was £789.7 million, an increase of £6.6 million, or 0.8 per cent., from £783.1 million in the 2010 financial year. This increase in revenue from the retail segment was attributable to growth in gaming machine revenue resulting from both a higher number of machines and higher gross win per machine, offset by the impact of the rise in VAT from 17.5 per cent. to 20 per cent. on 4 January 2011.

Over-the-counter revenue from the retail segment in the 2011 financial year was £437.2 million, a decrease of £15.4 million, or 3.4 per cent., from £452.6 million in the 2010 financial year. This decrease in over-the-counter revenue from the retail segment is primarily attributable to lower gross win margin following less favourable sporting results in the period.

Gaming machines revenue from the retail segment in the 2011 financial year was £352.5 million, an increase of £22.0 million, or 6.7 per cent., from £330.5 million in the 2010 financial year. This increase in gaming machines revenue from the retail segment was primarily attributable to higher machine density and benefits arising from the roll-out of new machines with new functionality across the estate resulting in higher revenue per machine.

### Revenue from the online segment

The following table sets out the composition of the Group's revenue from the online segment for the 2010 and 2011 financial years, respectively:

	Financial Year	
	2010	2011
	£m	£m
Sportsbook .....	81.6	111.1
Gaming .....	169.9	210.2
<b>Total online revenue .....</b>	<b>251.5</b>	<b>321.3</b>

Revenue from the online segment in the 2011 financial year was £321.3 million, an increase of £69.8 million, or 27.8 per cent., from £251.5 million in the 2010 financial year. This increase in revenue from the online segment was attributable to successful marketing activity, helped by successful customer retention activity and ongoing development of the online product range. This resulted in an increase in average revenue per unique active player as well as an increase in the number of unique active players.

#### Sportsbook revenue from the online segment

Sportsbook revenue from the online segment in the 2011 financial year was £111.1 million, an increase of £29.5 million, or 36.2 per cent., from £81.6 million in the 2010 financial year. The increase in revenue from the Group's online sportsbook was primarily attributable to the growth in amounts wagered resulting from the expanded breadth and depth of its sports-betting product as well as the increasing popularity of in-play betting, supported by increased marketing spend.

#### Gaming revenue from the online segment

The following table sets out the composition of the Group's gaming revenue from the online segment for the 2010 and 2011 financial years, respectively:

	Financial Year	
	2010	2011
	£m	£m
Casino .....	128.6	163.6
Poker .....	21.5	23.0
Bingo .....	19.8	23.6
<b>Total gaming revenue .....</b>	<b>169.9</b>	<b>210.2</b>

Gaming revenue from the online segment in the 2011 financial year was £210.2 million, an increase of £40.3 million, or 23.7 per cent., from £169.9 million in the 2010 financial year. The increase in revenue from the Group's online gaming products was primarily attributable to increased revenue from casino, which benefited from additional marketing spend that increased customer spend levels.

Gaming revenue from casino in the 2011 financial year was £163.6 million, an increase of £35.0 million, or 27.2 per cent., from £128.6 million in the 2010 financial year. This increase in gaming revenue from casino was primarily attributable to improved marketing and customer retention activity as well as expansion of the product range, as a result of which revenue per unique active player increased in the 2011 financial year, offset slightly by a fall in the number of unique active players.

Gaming revenue from poker in the 2011 financial year was £23.0 million, an increase of £1.5 million, or 7.0 per cent., from £21.5 million in the 2010 financial year. This increase in gaming revenue from poker was primarily attributable to the higher number of unique active players in the 2011 financial year.

Gaming revenue from bingo in the 2011 financial year was £23.6 million, an increase of £3.8 million, or 19.2 per cent., from £19.8 million in the 2010 financial year. This increase in gaming revenue from bingo was principally due to successful marketing campaigns resulting in higher revenue per unique active player.

### **Cost of sales**

Cost of sales (before exceptional costs) in the 2011 financial year was £163.6 million, an increase of £9.3 million, or 6.0 per cent., from £154.3 million in the 2010 financial year. This increase in cost of sales (before exceptional items) was primarily attributable to the increase of cost of sales from the online segment in line with revenue growth.

The following table sets out cost of sales (before exceptional items) by segment for the 2010 and 2011 financial years, respectively:

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Retail .....	127.0	131.2
Online .....	18.7	28.5
Telephone .....	7.7	2.9
Other .....	0.9	1.0
<b>Total cost of sales (before exceptional items) .....</b>	<b>154.3</b>	<b>163.6</b>

Cost of sales (before exceptional costs) from the retail segment in the 2011 financial year was £131.2 million, an increase of £4.2 million, or 3.3 per cent., from £127.0 million in the 2010 financial year. This increase in cost of sales from the retail segment (before exceptional costs) was primarily attributable to higher royalties payable to gaming machine suppliers as a result of increased machines revenue.

Cost of sales from the online segment (before exceptional costs) in the 2011 financial year was £28.5 million, an increase of £9.8 million, or 52.4 per cent., from £18.7 million in the 2010 financial year, primarily attributable to the increase in software royalties as well as duties and levies paid in respect of the online segment as a result of its 27.8 per cent. revenue growth, particularly following the entrance into the newly regulated Italian market.

### **Net operating expenses**

The following table sets out the composition of the Group's net operating expenses (before exceptional operating expenses) for the 2010 and 2011 financial years, respectively:

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Other operating income .....	5.3	4.4
Other operating expenses .....	(652.9)	(707.8)
<b>Total net operating expenses (before exceptional operating expenses) ...</b>	<b>(647.6)</b>	<b>(703.4)</b>

Net operating expenses (before exceptional operating expenses) in the 2011 financial year were £703.4 million, an increase of £55.8 million, or 8.6 per cent., from £647.6 million in the 2010 financial year.

The following table sets out a detailed composition of the Group's other operating expenses (before exceptional operating expenses) for the 2010 and 2011 financial years, respectively.

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Staff costs .....	297.3	299.5
Property costs .....	99.2	101.9
Depreciation .....	37.5	37.8
Content .....	52.5	56.4
Marketing .....	75.0	100.7
Finance charges .....	15.6	19.0
Communications .....	8.8	10.4
Other .....	67.0	82.1
<b>Total other operating expenses (before exceptional operating expenses) .....</b>	<b>652.9</b>	<b>707.8</b>

The principal component of other operating expenses is staff costs. Staff costs in the 2011 financial year were £299.5 million, an increase of £2.2 million, or 0.7 per cent., from £297.3 million in the 2010 financial year. This increase was primarily attributable to a higher number of employees in the online segment in the 2011 financial year compared to the 2010 financial year.

In addition to the increase in staff costs, the increase in net operating expenses (before exceptional operating expenses) was primarily attributable to significantly increased marketing spend across the Group as well as increased professional services fees, trading department costs and IT costs and other operational costs in the "other" category.

*Other operating expenses in the retail segment*

The following table sets out a detailed composition of the Group's other operating expenses in the retail segment (before exceptional operating expenses) for the 2010 and 2011 financial years, respectively.

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Staff costs .....	195.1	192.3
Property costs .....	90.2	93.3
Content .....	52.1	56.1
Depreciation .....	27.3	26.2
Other (including recharges) .....	86.9	93.8
<b>Total other operating expenses in the retail segment (before exceptional operating expenses) .....</b>	<b>451.6</b>	<b>461.7</b>

Other operating expenses in the retail segment (before exceptional operating expenses) in the 2011 financial year were £461.7 million, an increase of £10.1 million, or 2.2 per cent., from £451.6 million in the 2010 financial year. This rise in costs partially reflects the increase in the VAT rate from 17.5 per cent. to 20 per cent. on 4 January 2011. The Group does not fully recover its VAT cost since only a part of its revenue base, specifically gaming machines, attracts VAT. Other cost effects are set out below.

Staff costs in the 2011 financial year were £192.3 million, a decrease of £2.8 million, or 1.4 per cent., from £195.1 million in the 2010 financial year. This decrease was primarily attributable to redundancy costs arising in 2010 relating to the closure of LBOs in the Republic of Ireland and the outsourcing of cleaners.

In addition, property costs rose to £93.3 million in the 2011 financial year, an increase of £3.1 million, or 3.5 per cent., from £90.2 million in the 2010 financial year. This rise was primarily attributable to additional repairs and maintenance spend as well as the rise in VAT costs on certain properties and a rise in the rent base in line with the increased number of LBOs, offset in part by the release of provisions during the 2011 financial year following favourable rent settlements.

Content costs in the 2011 financial year were £56.1 million, an increase of £4.0 million, or 7.7 per cent., from £52.1 million in the 2010 financial year. The increase in content costs was primarily attributable to both the VAT increase and contractual price increases with both SIS and TurfTV in the 2011 financial year as compared to the 2010 financial year.

Other operating costs falling within the “other” category were £93.8 million in the 2011 financial year, an increase of £6.9 million, or 7.9 per cent., from £86.9 million in the 2010 financial year, primarily attributable to an increase in staff and other costs recharged to the retail segment.

*Other operating expenses in the online segment*

The following table sets out a detailed composition of the Group’s other operating expenses in the online segment (before exceptional operating expenses) for the 2010 and 2011 financial years, respectively.

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Marketing .....	61.2	85.8
Staff costs .....	27.6	36.9
Finance charges .....	8.6	11.4
Depreciation and amortisation .....	7.3	9.2
Other (including recharges) .....	37.0	42.7
<b>Total other operating expenses in the online segment (before exceptional operating expenses) .....</b>	<b>141.7</b>	<b>186.0</b>

Other operating expenses in the online segment (before exceptional operating expenses) in the 2011 financial year were £186.0 million, an increase of £44.3 million, or 31.3 per cent., from £141.7 million in the 2010 financial year.

Marketing costs in the 2011 financial year were £85.8 million, an increase of £24.6 million, or 40.2 per cent., from £61.2 million in the 2010 financial year. Marketing costs are comprised of affiliate costs, television and online advertising. Consistent with the Group’s strategy for growth, there was a substantial increase in marketing spend in the online segment in the 2011 financial year.

In addition, other costs rose to £42.7 million in the 2011 financial year, an increase of £5.7 million, or 15.4 per cent., from £37.0 million in the 2010 financial year, reflecting higher IT spend and site content costs as the business grew.

Staff costs in the 2011 financial year were £36.9 million, an increase of £9.3 million, or 33.7 per cent., from £27.6 million in the 2010 financial year. The rise in staff costs in the 2011 financial year as compared to the 2010 financial year was primarily attributable to the higher headcount in the online segment as the business grew.

*Other operating income*

Other operating income in the 2011 financial year was £4.4 million, a decrease of £0.9 million, or 17.0 per cent., from £5.3 million in the 2010 financial year. This decrease in other operating income was primarily attributable to lower rental income and lower vending income.

*Exceptional operating expenses*

Exceptional operating expenses in the 2011 financial year were £50.2 million. These exceptional operating expenses included a £46.6 million write down on goodwill allocated to the telephone business



at the time of the conversion of the Group's financial reporting to IFRS, £1.9 million relating to the disposal of certain LBOs in the Republic of Ireland and £1.7 million of costs related to the US acquisitions. Exceptional operating expenses in the 2010 financial year were £6.1 million. These exceptional operating expenses reflected costs relating to the closure of the UK-based telephone betting business. In addition, there was an exceptional cost of sales credit of £5.6 million relating to a VAT refund.

#### **Share of results of associates**

Share of results of associates in the 2011 financial year was a share of profit of £2.4 million, a decrease of £0.9 million, or 27.3 per cent., from a share of profit of £3.3 million in the 2010 financial year. This decrease in share of results of associates reflected lower levels of profit generated by the Group's associate investment in SIS.

#### **Profit before interest and tax**

Profit before interest and tax in the 2011 financial year was £221.9 million, a decrease of £50.8 million, or 18.6 per cent., from £272.7 million in the 2010 financial year. This decrease in profit before interest and tax was primarily attributable to the impact of the exceptional operating expenses for the period. Profit before interest and tax before exceptional operating expenses in the 2011 financial year was £272.1 million, a decrease of £1.1 million, or 0.4 per cent., from £273.2 million in the 2010 year.

#### **Operating profit**

The following table sets out operating profit or loss by segment for the 2010 and 2011 financial years, respectively:

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Retail .....	204.5	196.8
Online .....	91.1	106.8
Telephone .....	0.9	(4.3)
Other .....	0.1	0.6
Corporate .....	(19.8)	(24.2)
<b>Total operating profit</b> .....	<b>276.8</b>	<b>275.7</b>

The following table sets out a reconciliation of profit before interest and tax as calculated in accordance with IFRS to operating profit for the 2010 and 2011 financial years for the retail segment:

	<b>Financial Year</b>	
	<b>2010</b>	<b>2011</b>
	£m	£m
Profit before interest and tax .....	210.1	194.9
Amortisation of identified intangible assets arising from acquisitions .....	-	-
Exceptional operating items .....	(5.6)	1.9
<b>Operating profit for the retail segment</b> .....	<b>204.5</b>	<b>196.8</b>

Operating profit from the retail segment in the 2011 financial year was £196.8 million, a decrease of £7.7 million, or 3.8 per cent., from £204.5 million in the 2010 financial year. The decrease in operating profit from the retail segment was primarily attributable to the fall in revenues from over-the-counter activities as a result of the lower gross win margin in the 2011 financial year as well as the impact of the rise in the rate of VAT from 17.5 per cent. to 20 per cent. in 2011.

The following table sets out a reconciliation of profit before interest and tax as calculated in accordance with IFRS to operating profit for the 2010 and 2011 financial years for the online segment:

	Financial Year	
	2010	2011
	£m	£m
Profit before interest and tax .....	87.5	103.2
Amortisation of identified intangible assets arising from acquisitions .....	3.6	3.6
Exceptional operating items .....	-	-
<b>Operating profit for the online segment .....</b>	<b>91.1</b>	<b>106.8</b>

Operating profit from the online segment in the 2011 financial year was £106.8 million, an increase of £15.7 million, or 17.2 per cent., from £91.1 million in the 2010 financial year. This rise in operating profit from the online segment resulted predominantly from the increased number of unique active players and revenue per unique active player, which drove revenue up by 27.8 per cent. This increase in the number of unique active players and revenue per unique active player resulted from an increase in marketing activity and an expansion of product range, which was reflected in the increase in operating costs in the 2011 financial year.

#### **Net finance costs**

Net finance costs in the 2011 financial year were £32.7 million, a decrease of £21.2 million, or 39.3 per cent., from £53.9 million in the 2010 financial year. This decrease in net finance costs was primarily due to lower net debt and lower interest rates and fee amortisation following the refinancing of the Group's existing credit facilities in 2010, coupled with the impact of the Group's interest rate hedging contracts being deemed to be ineffective for accounting purposes following this refinancing.

#### **Non-operating exceptional items**

Non-operating exceptional items in the 2011 financial year consisted of £1.8 million fair value loss on the Group's ineffective interest rate hedges. Non-operating exceptional items in the 2010 financial year were £4.1 million in fair value losses on ineffective interest rate hedges, £14.2 million in deferred hedging losses transferred to the income statement on refinancing and £7.2 million written off relating to unamortised capitalised finance fees in connection with the Group's previous bank loan arrangements.

#### **Tax**

Tax in the 2011 financial year was £40.9 million, an increase of £3.6 million, or 9.7 per cent., from £37.3 million in the 2010 financial year. This increase in tax was due to higher levels of non-deductible costs as a result of a write-down of goodwill which did not qualify for a tax deduction. In the 2010 and 2011 financial years, the effect of exceptional items on tax amounted to £6.7 million and £0.6 million, respectively.

The effective tax rate after exceptional items in the 2011 financial year was 21.8 per cent. as compared to the UK statutory rate for the year of 26.5 per cent. consisting of a rate of 28 per cent. until 31 March 2011 and 26 per cent. for the remainder of the financial year. The primary reason for the lower effective tax rate was a £12.2 million deferred tax credit resulting from the reduction in the UK statutory rate of 24 per cent. with effect from 1 April 2012. The effective rate was also affected by the lower tax rates applicable to the profits of the online segment, which are subject to tax in Gibraltar.

The effective tax rate after exceptional items in the 2010 financial year was 19.3 per cent. as compared to the UK statutory rate for the year of 28 per cent. The primary reason for the lower effective tax rate was a £6.0 million deferred tax credit resulting from the reduction in the UK statutory rate of 26 per cent. with effect from 1 April 2011. The effective rate was also affected by a release of prior year tax provisions in the amount of £6.0 million and the lower tax rates applicable to the profits of the online segment, which are subject to tax in Gibraltar.

### ***Profit for the period***

Profit for the 2011 financial year was £146.5 million, a decrease of £9.5 million, or 6.1 per cent., from £156.0 million in the 2010 financial year, as a result of the factors discussed above. Profit for the 2011 financial year before exceptional items was £197.9 million, an increase of £22.6 million, or 12.9 per cent., from £175.3 million in the 2010 financial year, as a result of the factors discussed above.

## **8. LIQUIDITY AND CAPITAL RESOURCES**

The Group's primary sources of liquidity have been its cash flows from operating activities, the amounts drawn down on its bank facilities and the proceeds from the sale of the 7.125 per cent. Guaranteed Notes due 2016. The Group's principal uses of funds in recent years have been to invest in the business (including via acquisitions), pay dividends to shareholders and repay borrowings, as well as paying taxes and financing costs.

### **Finance facilities**

As at 1 January 2013, the Group had total debt facilities of £1,175 million comprising:

- the £550 million 2010 Revolving Credit Facility provided by a syndicate of banks;
- the £300 million 7.125 per cent. Guaranteed Notes due 2016; and
- the £325 million 2012 Bridge Credit Facility provided by a syndicate of banks.

As at 1 January 2013, the Group had gross borrowings under these debt facilities of £410.0 million, including £110.0 million drawn down on its 2010 Revolving Credit Facility and the £300.0 million 7.125 per cent. Guaranteed Notes due 2016, with a total amount of £765.0 million still available under the credit facilities at that date. The £765.0 million of available facilities include the £325.0 million Bridge Credit Facility, of which £225.0 million may be utilised only for the purpose of acquiring Sportingbet's Australian business and certain other assets from the Sportingbet group together with a call option over Sportingbet's Spanish business and £100.0 million may be utilised only for funding the Proposed Acquisition. In addition, as at 1 January 2013, the Group also had an overdraft facility of £5.0 million, which was undrawn at that date. Cash and cash equivalents at the same date amounted to £151.7 million, which included (i) £57.7 million of funds held on behalf of online customers that are matched by liabilities of an equal value and (ii) £5.6 million of restricted funds in the US business that cannot be withdrawn without approval from the local regulator and which match betting and customer liabilities (including £1.1 million of client funds).

As at 28 February 2013, being the most practicable date prior to publication of this document, the Group had gross borrowings of £380 million, with a total amount of £795 million still available under its credit facilities at that date.

### ***2010 Revolving Credit Facility***

On 29 November 2010, the Company, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into the £550.0 million 2010 Revolving Credit Facility. The 2010 Revolving Credit Facility was used to refinance the 2009 Credit Facilities and (after the repayment and cancellation in full of the 2009 Credit Facilities) for general corporate and working capital purposes of the Group and is repayable in November 2015. On 20 December 2012, the 2010 Revolving Credit Facility was amended and put on customary certain funds terms pending the completion of the acquisition of Sportingbet's Australian online gambling operations and certain other assets from the Sportingbet group. This means that, for an agreed period of time pending completion of this acquisition and save in a limited number of agreed exceptional circumstances, the lenders under the 2010 Revolving Credit Facility must lend the amounts requested by William Hill under the facility and will be prevented from cancelling their commitments and accelerating any amounts outstanding under the facility. For further information on the 2010 Revolving Credit Facility, see section 14(a) of Part VII of this document.

The 2009 Credit Facilities provided the Group with debt facilities of £588.5 million and comprised £538.5 million forward-start term and revolving facilities and a £50.0 million incremental forward-start facility. The £538.5 million forward-start term and revolving facilities, which were available from January

2010 and were scheduled to mature in March 2012, were drawn down to repay amounts outstanding under then-existing credit facilities. For each interest period, the rate of interest applicable to amounts that had been drawn under the £538.5 million forward-start term and revolving facilities was the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The applicable margin, which was 2.50 per cent. as at the date of entry into the agreement, was subject to adjustments depending on the ratio of consolidated net debt to consolidated EBITDA (as defined under the agreement), with a maximum applicable margin of 3.0 per cent. To supplement the £538.5 million facilities, from January 2010 William Hill could also draw down a one-year £50.0 million incremental forward-start term facility maturing in February 2011; however, no amounts were drawn under this facility. The entirety of the Group's borrowings under the 2009 Credit Facilities were at floating rates of interest. The Group managed its exposure to interest rates on its forecast net debt by entering into a series of interest rate swaps and collars in accordance with the Group's interest rate risk management policy.

#### **7.125 per cent. Guaranteed Notes due 2016**

In November 2009, the Company issued £300.0 million of 7.125 per cent. Guaranteed Notes. The funds raised were used for general corporate purposes and were also applied to repay borrowings under the Company's other debt facilities. The 7.125 per cent. Guaranteed Notes due 2016 are repayable in November 2016 and the Company's obligations thereunder are guaranteed by William Hill Organization Limited. For further information on the 7.125 per cent. Guaranteed Notes due 2016, see section 14(c) of Part VII of this document.

#### **2012 Bridge Credit Facility**

On 20 December 2012, the Company, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into a £325.0 million Term Credit Facility provided by a syndicate of banks consisting of separate tranches of £225.0 million and £100.0 million. The purpose of the £225.0 million tranche is to finance in part the acquisition of Sportingbet's Australian online gambling operations and certain other assets from the Sportingbet group. The purpose of the £100.0 million tranche is to finance in part the Proposed Acquisition. The 2012 Bridge Credit Facility is repayable in June 2014. The two tranches of the facility are on customary certain funds terms pending the completion of the relevant acquisitions. This means that, for an agreed period of time pending completion of the relevant acquisitions and save in a limited number of agreed exceptional circumstances, the lenders under the 2012 Bridge Credit Facility must lend the amounts requested by William Hill under the facility and will be prevented from cancelling their commitments and accelerating any amounts outstanding under the facility. As at 1 January 2013, no amounts were drawn under either tranche but the Group expects to draw down on the two tranches in the first and second quarters of 2013, respectively, when the two acquisitions are expected to complete. For further information on the 2012 Bridge Credit Facility, see section 14(b) of in Part VII.

As part of its ongoing financing strategy the Board anticipates accessing the corporate debt markets, such as bond markets, in due course to refinance the 2012 Bridge Credit Facility and for longer term financing needs.

#### **Cash Flows**

The following table sets out the Group's cash flows for the 2010, 2011 and 2012 financial years, respectively:

	<b>Financial Year</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	£m	£m	£m
Cash and cash equivalents at the start of the period . . . . .	119.8	109.4	114.3
Net cash from operating activities . . . . .	223.9	241.7	294.3
Net cash used in investing activities . . . . .	(34.0)	(56.1)	(81.8)
Net cash used in financing activities . . . . .	(200.3)	(180.7)	(175.1)
Net increase/(decrease) in cash and cash equivalents in the period . . . .	(10.4)	4.9	37.4
<b>Cash and cash equivalents at the end of the period . . . . .</b>	<b>109.4</b>	<b>114.3</b>	<b>151.7</b>

## **2012 financial year compared to 2011 financial year**

### *Net cash from operating activities*

Net cash from operating activities in the 2012 financial year was £294.3 million, an increase of £52.6 million, or 21.8 per cent., from £241.7 million in the 2011 financial year. This increase was primarily attributable to a 19.9 per cent. increase in operating profit in the 2012 financial year compared to the 2011 financial year as well as a favourable working capital inflow of £25.9 million during the period.

### *Net cash used in investing activities*

Net cash used in investing activities in the 2012 financial year was £81.8 million, an increase of £25.7 million, or 45.8 per cent., from £56.1 million in the 2011 financial year. In the 2012 financial year, cash outflows for investing activities included £45.8 million for investments in property, plant and equipment, primarily in the retail estate, £20.5 million for investments in IT and computer software predominantly for William Hill Online and £19.4 million for the acquisition of the three US businesses. These cash outflows were offset in part by cash inflows from investing activities of £2.0 million of dividends received from associates, £1.3 million from the sale of freehold properties and £0.6 million of interest income. In the 2011 financial year, cash outflows for investing activities included £40.9 million invested by the Group in property, plant and equipment, which predominantly reflected spend on refurbishments, resites and new LBOs in the retail estate and £14.6 million spent by the Group on computer software predominantly for William Hill Online, as well as £4.1 million in loans to the US businesses AWI and Brandywine, which at that time had not yet been acquired by the Group. These cash outflows were offset in part by cash inflows from investing activities of £1.6 million from the sale of freehold properties, and £1.4 million of dividends received from associates and £0.5 million of interest income.

### *Net cash used in financing activities*

Net cash used in financing activities in the 2012 financial year was £175.1 million, a decrease of £5.6 million, or 3.1 per cent., from £180.7 million in the 2011 financial year. In the 2012 financial year, cash outflows for financing activities principally reflected £60.0 million for repayment of borrowings relating to the Group's 2010 Revolving Credit Facility, £71.1 million paid in dividends, £38.5 million in distributions paid to non-controlling interests relating to William Hill Online, £7.5 million in debt paid on behalf of the acquired US businesses and £1.2 million of debt facility issue costs. These cash outflows were offset in part by cash inflows from financing activities of £3.2 million of proceeds on the issue of shares under employee share schemes. In the 2011 financial year, cash outflows for financing activities principally reflected £90.0 million for repayment of borrowings relating to the Group's 2010 Revolving Credit Facility, £60.9 million paid in dividends and £31.0 million in distributions to non-controlling interests relating to William Hill Online. These cash outflows were offset in part by cash inflows from financing activities of £1.2 million of proceeds on the issue of shares under employee share schemes.

## **2011 financial year compared to 2010 financial year**

### *Net cash from operating activities*

Net cash from operating activities in the 2011 financial year was £241.7 million, an increase of £17.8 million, or 7.9 per cent., from £223.9 million in the 2010 financial year. This increase in net cash from operating activities was primarily attributable to a reduction in interest paid as a result of lower outstanding debt levels and lower interest rates following the refinancing of the Group's revolving credit facility in 2010.

### *Net cash used in investing activities*

Net cash used in investing activities in the 2011 financial year was £56.1 million, an increase of £22.1 million, or 65.0 per cent., from £34.0 million in the 2010 financial year. In the 2011 financial year, cash outflows for investing activities included £40.9 million invested by the Group in property, plant and equipment, which predominantly reflected spend on refurbishments, resites and new LBOs in the retail estate and £14.6 million spent by the Group on computer software predominantly for William Hill Online, as well as £4.1 million in loans to the US businesses AWI and Brandywine, which at that time had not yet

been acquired by the Group. These outflows were offset in part by cash inflows from investing activities of £1.6 million from the sale of freehold properties, £1.4 million of dividends received from associates and £0.5 million of interest income. In the 2010 financial year, cash outflows for investing activities included the Group's £22.4 million purchase of property, plant and equipment, which reflected spend on refurbishments, resites and new LBOs in the retail estate, and £14.3 million spent by the Group on computer software predominantly for William Hill Online. These cash outflows were offset in part by cash inflows from investing activities of £2.1 million from freehold property sales and £0.6 million in interest received.

#### *Net cash used in financing activities*

Net cash used in financing activities in the 2011 financial year was £180.7 million, a decrease of £19.6 million, or 9.8 per cent., from £200.3 million in the 2010 financial year. In the 2011 financial year, cash outflows for financing activities principally reflected £90.0 million for repayments of borrowings under the Group's 2010 Revolving Credit Facility, £60.9 million paid in dividends and £31.0 million for distributions to non-controlling interests relating to William Hill Online. These outflows were offset in part by cash inflows from financing activities of £1.2 million of proceeds on the issue of shares under employee share schemes. In the 2010 financial year, cash outflows for financing activities principally reflected £734.1 million for repayments of borrowings relating to the settlement of previous banking facilities, £52.3 million paid in dividends, £27.0 million for distributions to non-controlling interests relating to William Hill Online and £6.2 million in new debt facility issue costs. These outflows were offset in part by cash inflows from financing activities of £619.0 million, reflecting amounts drawn down under the 2009 Credit Facilities, borrowings under the 2010 Revolving Credit Facility and £0.3 million of proceeds on the issuance of shares under employee share schemes.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise the Group's cash deposits at banks and other short-term, highly liquid investments made by the Group with a maturity of three months or less. Cash and cash equivalents of the Group are held primarily in pounds sterling, Euros and US dollars. As at the end of the 2012 financial year, the Group had £151.7 million in cash and cash equivalents, which included (i) £57.7 million of funds held on behalf of online customers that are matched by liabilities of an equal value and (ii) £5.6 million of restricted funds in the US business that cannot be withdrawn without approval from the local regulator and which match betting and customer liabilities (including £1.1 million of client funds). The Group had cash and cash equivalents of £109.4 million at the end of the 2010 financial year and of £114.3 million at the end of the 2011 financial year. Included in these figures are funds held on behalf of online customers of £43.4 million and £49.1 million in the 2010 and 2011 financial years, respectively.

#### **Capital expenditure**

The Group's net capital expenditure was £65.0 million, £53.9 million and £34.6 million for the 2012, 2011 and 2010 financial years, respectively. The majority of the Group's capital expenditure in each of the three financial years related to refurbishments, resites and new openings in the LBO estate in the amounts of £37.9 million, £29.2 million and £18.9 million in the 2012, 2011 and 2010 financial years, respectively, as well as significant spend within William Hill Online, predominantly on IT, totalling £19.9 million, £20.3 million and £13.0 million in the 2012, 2011 and 2010 financial years, respectively. Other capital expenditure totalled £8.5 million, £6.0 million and £4.8 million in the 2012, 2011 and 2010 financial years, respectively. Offsetting these amounts were the proceeds on sale of freehold properties, totalling £1.3 million, £1.6 million and £2.1 million in the 2012, 2011 and 2010 financial years, respectively.

The Group plans to continually invest in its LBO estate, including the opening of new LBOs, LBO extensions and resites and LBO refurbishments. The Group has budgeted capital expenditures for its 2013 financial year of approximately £83 million, including £41 million for investment in its LBO estate, as well as £30 million for investment in William Hill Online, primarily further IT investment, and £8 million for investment in its information systems. Of this £83 million, the Board believes that, as at 1 January 2013, the Group was legally committed to spend approximately £14.2 million. The Group expects to fund the capital expenditures from its current cash, cash flows from operating activities and funds available under its existing bank facilities.

## Contractual commitments and off balance sheet arrangements

### Contractual commitments

The following table sets out the Group's contractual obligations, commercial commitments and principal payments scheduled as at 1 January 2013.

	<i>Payments due by period</i>				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>More than 5 years</i>
	£m	£m	£m	£m	£m
Long-term debt obligations .....	410.0	-	-	410.0	-
Capital leases .....	0.2	0.1	0.1	-	-
Operating leases .....	430.5	49.9	92.5	75.6	212.5
Purchase obligations <sup>(1)</sup> .....	21.4	21.4	-	-	-
Other obligations <sup>(2)</sup> .....	64.8	10.3	21.8	21.8	10.9
<b>Total</b> .....	<b>926.9</b>	<b>81.7</b>	<b>114.4</b>	<b>507.4</b>	<b>223.4</b>

(1) Includes trade creditors payable, amounts owed for goods and services received but for which the Group has not yet been invoiced and the Group's committed capital expenditures.

(2) Obligations relating to the deficit repair recovery plan agreed with the trustees of the Group's defined benefit pension scheme. A formal valuation of the scheme is due in the second half of 2013, after which time these figures may be revised.

Long-term debt obligations represent the debt drawn down on the Group's banking facilities and the 7.125 per cent. Guaranteed Notes due 2016.

Operating leases predominantly relate to rental payments on the Group's LBO estate. Rental property in the estate is generally contracted on the basis of 15-year leases, with a break clause at 5 and 10 years.

As at 1 January 2013, the Group had no other long-term liabilities reflected on its balance sheet under IFRS, other than amounts owed to non-controlling interests and deferred tax liabilities.

On 20 December 2012, the Group reached agreement with GVC and Sportingbet in relation to the proposed acquisition, which is currently ongoing, of Sportingbet's Australian business and certain other assets from the Sportingbet group together with the granting of a call option over Sportingbet's Spanish business for total cash consideration of £454.0 million. It was subsequently announced on 13 February 2013 that the revision to the terms being offered to Sportingbet bondholders would increase that amount by £5.5 million in aggregate, to a total amount of £459.5 million. This acquisition is expected by the Board to complete in the first quarter of 2013. In addition, on 1 March 2013, William Hill announced its intention to exercise its Call Option to acquire Playtech's 29 per cent. stake in William Hill Online for consideration of approximately £424 million. This acquisition is expected by the Board to complete in the second quarter of 2013.

As part of the acquisition of the Australian business of Sportingbet, the Group has committed to provide to GVC a loan facility of up to £15.0 million at completion (subject to a further post-completion increase or decrease of up to £5.0 million depending on the levels of cash in Sportingbet's Australian and European business at completion of this acquisition). This facility will be reduced by up to £3.0 million if as a result of Sportingbet shareholder elections additional cash sums are not required to provide Sportingbet shareholders with a cash consideration of 55 pence per Sportingbet share. If GVC draws down on this facility, it will be repaid under an agreed mechanism ending 30 June 2016.

### Off-balance sheet arrangements

The Board believes that the Group does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Group's financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

## 9. CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following tables set out the capitalisation and indebtedness of the Group as at 1 January 2013:

	£m
Total current debt	
Guaranteed	-
Secured	-
Unguaranteed/unsecured <sup>(1)</sup>	57.8
<b>Total</b>	<b>57.8</b>
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	410.0
Secured	-
Unguaranteed/unsecured	0.1
<b>Total</b>	<b>410.1</b>
Shareholders' equity	
Share capital	392.0
Retained earnings	653.1
Other reserves	(22.7)
<b>Total</b>	<b>1,022.4</b>

(1) Includes £57.7 million of funds held on behalf of online customers.

The following table sets out the net financial indebtedness of the Group as at 1 January 2013:

	£m
Cash	72.4
Cash equivalents <sup>(1)</sup> (short-term deposits and restricted cash)	79.3
Trading securities	-
<b>Liquidity</b>	<b>151.7</b>
Current bank debt	-
Current portion of non-current debt	-
Other current financial debt	(57.8)
<b>Current financial debt</b>	<b>(57.8)</b>
<b>Net current financial indebtedness</b>	<b>93.9</b>
Non-current bank loans	(110.0)
Bonds issued	(300.0)
Other non-current financial debt	(0.1)
<b>Non-current financial indebtedness</b>	<b>(410.1)</b>
<b>Net financial indebtedness</b>	<b>(316.2)</b>
Non-controlling interest share of cash	(12.8)
Guarantees, allowances and letter of credit	(9.5)
<b>Net financial indebtedness for covenant purposes</b>	<b>(338.5)</b>

(1) Cash equivalents includes £57.7 million of funds held on behalf of online customers.

## 10. DISCLOSURES ABOUT MARKET AND CREDIT RISKS

The Group is exposed to market risks, including liquidity, credit, interest rate and currency risks.

### 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 is strongly cash generative with a high conversion of accounting profits into cash flow. The Group aims to maintain sufficient cash balances for its working capital requirements



looking ahead using 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 revolving credit loan facility. The Group maintains adequate committed but undrawn facilities to meet such requirements.

### **Credit risk**

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss. It primarily arises in relation to 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 cash deposit 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. The Group mitigates its credit risk with respect to derivative transactions by using a number of different counterparties. Credit risk from customers is managed through the use of credit verification procedures and regular ongoing monitoring of customer receivables.

### **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. Under the current interest rate risk management treasury policy, the Board has approved a central fixed/floating interest rate exposure target of 50 per cent. but with substantial flexibility to allow for changing circumstances. At 1 January 2013, approximately 73 per cent. of the Group's gross borrowings were at fixed rates and 27 per cent. were at floating rates. In the past, the Group also managed its interest rate exposure through the use of interest rate derivatives. As at 1 January 2013, the Group was not party to any such interest rate hedging contracts.

Based on the level of borrowings and cash balances as at 1 January 2013, a 100 basis points change in interest rates would have the following impact on the Group's financial results.

	<u>Increase of 100 basis points</u>	<u>Decrease of 100 basis points</u>
	£m	£m
(Decrease)/increase in profit .....	0.5	0.5
(Decrease)/increase in equity reserves .....	0.5	0.5

Both an increase and a decrease in interest rates would have a positive impact on the Group's financial results because as at 1 January 2013, the Group's cash balances exceeded its borrowings at floating interest rates. As the Group earns less than 100 basis points on its cash balances, were interest rates to fall by 100 basis points, the lost interest on the cash balances would be more than offset by the saving on floating rate borrowings. Conversely, a 100 basis point rise in interest rates would generate more interest income on the Group's cash balances than would be payable on the Group's floating rate borrowings.

### **Currency risk**

The Group's reporting currency is pounds sterling. A number of transactions, however, are conducted in other currencies and, as a result, the Group is exposed to currency risk. The Group's principal currency exposure is to Euros, US dollars and Israeli shekels through William Hill Online and to US dollars through its operations in Nevada. The Group has smaller exposure to a number of other currencies which it normally seeks to manage by matching assets and payment obligations. Due to the cost of its operations in Israel, the Group is not generally able to achieve this natural hedge and it therefore enters into forward purchase contracts to hedge its cash flow exposure to Israeli shekels. The Group's exposure to currency risk has not however had a material impact on the Group's results of operations or financial condition.

The Group's exposure to currency risk could increase as a result of the growth of its online business overseas and through the proposed acquisition of the Australian online gambling business of Sportingbet. The Board assesses and monitors currency risk regularly and the Group may undertake currency

hedging to manage this risk. As at 1 January 2013, it had contracts outstanding for a total of ILS60.7 million at an average rate (weighted by size of contract) of ILS6.328 to £1 with final expiry on 12 August 2013.

## 11. CRITICAL ACCOUNTING POLICIES

The Group's consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

The Group's accounting policies are summarised in the introduction to the notes to the audited consolidated financial statements incorporated by reference into this document. The Board considers the following policies to be the most significant policies that require management to make subjective and complex judgments or to consider matters that are inherently uncertain.

### **Impairment of goodwill and intangible assets**

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. In addition, the Group performs an impairment assessment for such assets whenever there is an indication that the asset may be impaired. The carrying value of the assets is compared to the recoverable amounts to determine if an impairment is necessary. The recoverable amounts are based on the estimated value in use of the assets. Management is required to make estimates of future cash flows, which are impacted by discount rates and growth rates, in determining the value in use. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the operating divisions. The Group prepares cash flow forecasts using the future period's budget and the forecasts are then extrapolated by a growth rate. Any changes in the estimates could result in impairments in future periods.

### **Fair value of derivatives**

In the past, the Group has used interest rate swaps and collars to manage its exposure to interest rate movements on its floating rate bank borrowings and may do so again if the Board feels it is appropriate. The Group also enters into forward purchase contracts for foreign currencies where the exposure is significant. The Board uses its judgment, supported by counterparty confirmations, in selecting appropriate valuation techniques and in making certain assumptions, based on quoted market rates adjusted for specific features of the instrument, necessary to determine the valuations for these financial derivatives.

### **Retirement benefit costs**

The Group operates an occupational pension scheme called The William Hill Pension Scheme (the "**Scheme**") which is open to eligible employees in the United Kingdom and Gibraltar. The Group also has personal pension arrangements in Jersey and the Isle of Man.

The Scheme has a defined benefit section and a defined contribution section. The defined benefit section of the Scheme was closed to new members in April 2002, apart from board or senior members for whom the relevant sections closed in April 2006. On 1 April 2011, the defined benefit scheme was closed to further accrual. Employed members of this scheme were automatically transferred into the defined contribution scheme. The defined contribution section of the Scheme, to which both the employee and employer contribute to fund benefits, is available for all eligible employees.

The financial accounts for the 53 weeks ended 1 January 2013 record a deficit of £21.2 million calculated in accordance with IFRS in respect of the defined benefits section of the Scheme. The actuarial valuation of the Scheme as at 30 September 2010 revealed that the Scheme had a funding deficit of (i) £58.1 million, determined on an on-going basis, and (ii) £132.9 million, determined on a buy-out basis (i.e. the cost of purchasing annuities to cover the Scheme's liabilities), as at the valuation date. The valuation also revealed that the Scheme is 92.4 per cent. funded on a PPF (Pension Protection Fund) basis.

The amount of contributions required from the Company may increase to cover any increase in the cost of funding future pension benefits or to cover funding shortfalls under the defined benefit section of the Scheme.

**Valuation of open bets**

In assessing the fair value of open bet positions, the Board uses its judgment in selecting appropriate valuation techniques and inputs, based upon actual experience and the profile of the bets placed. The outcomes of bets are inherently uncertain; consequently, any difference will be reflected in subsequent accounting periods.

## PART VII

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

William Hill and its Directors (as set out in section 8 of this Part VII) accept responsibility for the information contained in this document. To the best of the knowledge of William Hill and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omissions likely to affect the import of such information.

#### 2. INCORPORATION

2.1 William Hill was incorporated and registered in England and Wales on 8 May 2001 with registered number 4212563 under the 1985 Act as a private limited company with the name Troniclong Limited.

2.2 On 10 May 2002 the Company changed its name to William Hill Limited.

2.3 On 28 May 2002 the Company re-registered as a public limited company and changed its name to William Hill PLC. William Hill has not changed its name since this date. The principal legislation under which William Hill operates, pursuant to which the New Ordinary Shares will be created and under which its securities have been created, are the Acts and regulations made thereunder.

2.4 The registered office and the principal place of business in the UK of William Hill is at Greenside House, 50 Station Road, Wood Green, London, N22 7TP (telephone number 020 8918 3600 or, if dialling from outside the UK, +44 20 8918 3600).

#### 3. SHARE CAPITAL

3.1 As at 29 December 2009, the first day covered by the historical financial information incorporated by reference into this document, 701,646,200 Ordinary Shares, including 701,000 treasury shares, were in issue fully paid or credited as fully paid. Since 30 December 2009, there have been the following changes in the issued and fully paid share capital of William Hill:

(a) during the period from 30 December 2009 to 28 December 2010, no shares were issued or cancelled, and as at 28 December 2010 a total of 701,646,200 Ordinary Shares were in issue;

(b) during the period from 29 December 2010 to 27 December 2011, 551,447 shares were issued to employees under employee remuneration and sharesave schemes, and as at 27 December 2011 a total of 702,197,647 Ordinary Shares were in issue;

(c) during the period from 28 December 2011 to 1 January 2013, 3,655,792 shares were issued to employees under employee remuneration and sharesave schemes; and

(d) as at 28 February 2013, being the latest practicable date prior to publication of this document, a total of 705,923,552 Ordinary Shares were in issue.

3.2 The following tables show the issued ordinary share capital of William Hill as at 28 February 2013, being the latest practicable date prior to the publication of this document, and the issued share capital as it is expected to be immediately following Admission.

#### Existing number of issued and fully paid up Ordinary Shares before Admission

Nominal value (£)	Number
70,592,355.20	705,923,552

#### Proposed number of Ordinary Shares issued and fully paid up after Admission

Nominal value (£)	Number
86,279,545.20	862,795,452

- 3.3 Pursuant to the Rights Issue, 156,871,900 New Ordinary Shares will, subject to Admission, be issued at the Issue Price of 245 pence per New Ordinary Share.
- 3.4 Following the issue of the New Ordinary Shares pursuant to the Rights Issue, Qualifying Shareholders who take up their entitlement in full will suffer no dilution to their interests in William Hill (other than in relation to fractional entitlements if considered necessary by the Board). Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares pursuant to the Rights Issue will suffer an immediate dilution of 18 per cent. in their interests in William Hill.
- 3.5 The Listing Rules and the provisions of section 561(1) of the 2006 Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 560(1) of the 2006 Act) which are, or are to be, paid up in cash and which are not the subject of disapplication approved by the Shareholders in general meeting of the Company.
- 3.6 Other than pursuant to the Rights Issue, the Proposed Acquisition and the settlement of awards under the Employee Share Schemes, the Board has no present intention to issue any additional Shares of William Hill.
- 3.7 The New Ordinary Shares are in registered form and, subject to the provisions of the Uncertificated Securities Regulations, the Directors may permit the holding of Ordinary Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.
- 3.8 The Ordinary Shares are admitted to trading on the main market of the London Stock Exchange. The ISIN number for the Ordinary Shares is GB0031698896 and the Sedol for the Ordinary Shares is 3169889.

#### 4. SUMMARY OF THE ARTICLES OF ASSOCIATION

- 4.1 The Articles were adopted pursuant to a special resolution passed on 12 May 2009 at the Annual General Meeting. The Articles contain provisions, *inter alia*, to the following effect:

(a) *Voting rights*

Subject to any rights or restrictions attached to any shares and to the provisions of the Acts, on a show of hands every member who is present in person (or for a corporation present by a duly elected representative) or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

A resolution put to the vote of a general meeting shall be decided on a show of hands unless, before or on the declaration of the result of a vote on the show of hands, a poll is duly demanded. Subject to the provisions of the Acts, a poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least five members present in person or by proxy having the right to vote on the resolution; or
- (iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares held as treasury shares); or
- (iv) any member or members present in person or by proxy holding shares conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any shares conferring a right to vote on the resolution which are held as treasury shares).

A demand by a person as proxy for a member shall be the same as a demand by the member.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names of the holders stand in the register.

No member shall (unless determined otherwise by the Board) be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of William Hill, either in person or by proxy or to be counted in a quorum, in respect of any share held by him unless all monies presently payable by him if any call or other sum presently payable by him to the Company in respect of such share(s) remains unpaid.

Unless the Board determines otherwise, a member or any other person appearing to be interested in shares held by such member who has been served with a notice under section 793 of the 2006 Act and is in default for a period of 14 days in supplying William Hill the information thereby required or has made a statement which is false or inadequate in a material particular, shall not be entitled to be present or vote in respect of the shares in relation to which the information has not been supplied.

(b) *Dividends and distribution of assets on liquidation*

Subject to the provisions of the Acts, William Hill may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Acts, the Board may pay such interim dividends as the Board thinks fit. The Board may also pay the fixed dividends payable on any shares half-yearly or otherwise on fixed dates. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other monies payable on or in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to or the terms of issue of the shares.

Except as otherwise provided by the rights and restrictions attached to any class of shares including the Acts and the Articles, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

The Board may, if authorised by an ordinary resolution of the members of William Hill, direct payment of such dividend by the distribution of specific assets such as paid up shares or debentures of another body corporate instead of cash in respect of the whole or some part of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

In relation to untraced shareholders, the Company shall be entitled to sell, at the best price reasonably obtainable, the shares of a member or the shares to which a person is entitled by transmission if, for a period of 12 years before the date of the publication of the advertisements referred to in the Articles (or, if published on different dates, the first date) no cheque, warrant or order sent by the Company in the manner authorised under the Articles in respect of such share has been cashed and no communication has been received by the Company from the member or person entitled by transmission provided that at least three dividends in respect of the shares in question have been declared and no such dividend during that period has been claimed.

If William Hill is wound-up, a liquidator may, with the sanction of a special resolution and any other sanction required by law and subject to the Acts, including the Insolvency Act 1986, (i) divide among the members in specie the whole or any part of the assets of William Hill and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members, (ii) vest the whole or any part of the assets in trustees for the benefit of the contributories as the liquidator shall think fit, but no member shall be compelled to accept any shares or securities or other asset on which there is liability.

(c) *Transfers*

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

In relation to the transfer of any share (whether certificated or uncertificated), the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Subject to the provisions of the Uncertificated Securities Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in William Hill from taking place on an open and proper basis. The Board may likewise refuse to register any transfer of a share (whether certificated or uncertificated) jointly in favour of more than four persons. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- (i) is lodged at the registered office or at another place appointed by the Board, duly stamped (if stampable) and such other evidence of the right to transfer as the Board may require and accompanied by the certificate for the share to which it relates; and
- (ii) is in respect of one class of share only.

Notice of refusal to register a transfer and (except in the case of fraud), the instrument of transfer must, in the case of a certificated share, be sent to the transferee within two months after the date on which the instrument of transfer was lodged with William Hill and in the case of an uncertificated share the Board must notify such person as may be required under the Uncertificated Securities Regulations and the relevant system concerned.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

(d) *Variation of class rights and alteration of capital*

If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares may (subject to the provisions of the statutes and whether or not William Hill is wound up), be varied or abrogated with the written consent of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

William Hill may from time to time by ordinary resolution increase, consolidate or, subject to the Acts, subdivide its share capital or cancel shares which, at the date of passing the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. Subject to the provisions of the Acts, William Hill may by special resolution reduce its share capital, capital redemption reserve, share premium account and any redenomination reserve in any way.

Subject to the provisions of the Acts and the Uncertificated Securities Regulations, and without prejudice to any rights attached to any existing shares or class of shares, shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder on such terms and in such manner as may be provided by the Articles.

(e) *General meetings*

All general meetings of William Hill other than annual general meetings shall be called extraordinary general meetings. The Board shall convene and William Hill shall hold annual general meetings in accordance with the requirements of the Acts.

Unless otherwise provided, the quorum for every general meeting of the holders of any class of shares in the capital of William Hill shall be two members present or represented by proxy and entitled to vote.

An annual general meeting shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. The notice shall be sent to such persons as are entitled to receive such notices from the Company. The notice shall specify the date, time and place of the meeting and, in the case of special business, the general nature of that business. In the case of an annual general meeting, the notice shall specify the meeting as such. In the case of a meeting to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution and shall include the text of the resolution.

Any corporation which is a member of the Company (the “**grantor**”) may, by resolution of its directors or other governing body, authorise a person or persons to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares. A person so authorised shall be entitled to exercise the same power on behalf of the grantor as the grantor could exercise if it were an individual member of the Company. The grantor shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present at it.

(f) *Directors*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be not less than two but shall not be subject to any maximum number.

The Company may by ordinary resolution from time to time vary the minimum number and/or the maximum number of directors.

The directors may determine the quorum necessary for the transaction of business. Unless otherwise determined, two directors shall constitute a quorum.

A director shall, notwithstanding that he is not a member, be entitled to receive notice of and to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the capital of the Company.

Unless any director voluntarily retires, the directors shall retire by rotation in order of those who have held the position of director longest since that last appointment or re-appointment. A director retiring at a meeting will be eligible for re-appointment without any additional notice. Any other person must either be, unless recommended by the directors, proposed by a member by notice in writing left at the office of the Company no less than seven nor more than 42 days before the date of the general meeting, along with written notice of that person's willingness to be appointed.

There shall be no age limit for directors.

Any director (other than an alternate director) may appoint any other director, or any other person approved by resolution of the Board and willing to act, to be an alternate director and may remove, by giving notice in writing, from office an alternate director so appointed by him.

The Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets (both present and future) and uncalled capital or any part or parts thereof and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate principal amount for the time being remaining outstanding of all monies borrowed by the Group, and for the time being owing to persons outside the Group, shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of £2,000,000,000 and the profit on ordinary activities before financing charges, tax, depreciation, share remuneration charges and amortisation and excluding exceptional items and goodwill of the Group.



The ordinary remuneration of the directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £750,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

The remuneration of any managing director or other executive director shall, subject as provided in contract, be such as the directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widows or other dependants, of a pension on retirement from office or employment, and for the participation in pension and life assurance and other benefits.

The Board may (by establishment of, or maintenance of, schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to (or to any person in respect of) any past or present director or employee of the Company or any of its past or present subsidiary undertakings or any body corporate which is or was associated with, or any business acquired by, any of them, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

A director shall not vote in respect of any contract, arrangement or transaction in which he has a material (to his knowledge) interest, other than by virtue of interests in shares or other securities in or through the Company and will likewise not count in the quorum except in respect of any resolution concerning:

- (i) the giving to him or a person connected with him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him or such a person at the request of or for the benefit of, the Company or any subsidiary undertaking;
- (ii) the giving to a third party of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any subsidiary undertaking for which the director or a person connected with him has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities, or in the underwriting or sub-underwriting;
- (iv) any contract, arrangement or transaction concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he does not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the 2006 Act) representing one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company;
- (v) in any way an arrangement in whole or in part for the benefit of the employees of the Company or any subsidiary undertakings which does not award him as such any privilege or advantage not generally awarded to the employees to whom such arrangement relates;
- (vi) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for, or for the benefit of, any directors or person including directors, or for the giving of an indemnity to meet any expenditure incurred in defending any proceedings in respect of any discharge of his duties or provision of funds to avoid the director incurring any expenditure of the nature contemplated by section 205(1) or 206 of the 2006 Act.

If a Director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the Company, he must declare the nature and extent of that interest to the other Directors.

## 5. EMPLOYEES

The table below sets out the average number of people employed by the Group per month in each of the last three financial years, all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia:

Financial year ended		
1 January 2013	27 December 2011	28 December 2010
16,883	15,937	16,935

## 6. EMPLOYEE SHARE SCHEMES

### 6.1 The William Hill Performance Share Plan 2010 (the “2010 PSP”)

#### (a) Eligibility

Any employee (including an executive director) of any member of the Group is eligible to participate in the 2010 PSP. The Remuneration Committee may in its absolute discretion grant awards to such eligible employees as it shall select.

#### (b) Awards under the 2010 PSP

An award may take one of two forms:

- (i) a “**Contingent Share Award**” meaning a contingent right to receive Ordinary Shares; or
- (ii) a “**Nil-Cost Option Award**”, meaning a right to exercise an option in respect of a specified number of Ordinary Shares at no cost.

Participants may be granted any combination of awards, whether in a single grant or pursuant to a series of grants.

No payment is required for the grant or realisation of an award.

Awards may normally only be granted within the period of eight weeks commencing on: (a) the approval of the 2010 PSP by the Company in general meeting; (b) the day after the announcement of the Company’s results for any period; or (c) the day after the person to whom it is granted first becomes an eligible employee for the purposes of the 2010 PSP. Awards may also be granted at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of an award. No award may be granted after 11 May 2020 (ten years after the date on which the 2010 PSP was approved by the Company in general meeting) nor at any time at which a dealing would not be permitted under the Model Code.

Subject to the limit set out in paragraph (e) below, awards may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

#### (c) Conditions on vesting or exercise

An award may be granted subject to such performance condition or conditions as the Remuneration Committee in its discretion sees fit, which must be satisfied before an award may be exercised or vests. The performance period is determined by the Remuneration Committee in setting the performance condition(s). Awards made in 2010 are subject to a four year performance period, however, awards made in subsequent years are and will ordinarily be subject to a three year performance period. The Remuneration Committee determines whether or not a performance condition has been satisfied and its decision is final and binding.

The Remuneration Committee regularly monitors the continuing suitability of the performance conditions to ensure they are appropriate having regard to prevailing market conditions.

(d) *Individual limit*

The maximum total market value of Ordinary Shares over which awards may be granted to any employee during any financial year of the Company is 225 per cent. of his salary as at the date of grant (where salary means base salary). This limit may be increased to 300 per cent. where the Remuneration Committee considers the circumstances to be exceptional, for example, for the purposes of recruitment or retention.

(e) *Overall dilution limit*

No award may be granted under the 2010 PSP on any date if, as a result, the aggregate number of Ordinary Shares issued or transferred from treasury, or committed to be issued or transferred from treasury, pursuant to awards made under the 2010 PSP and pursuant to grants or appropriations made during the previous ten years under the 2010 PSP or any other employees' share scheme established by the Company would exceed 10 per cent. of the issued ordinary share capital of the Company on that date.

(f) *Exercise of awards*

In normal circumstances, an award will vest on the third anniversary of the date of grant (although awards made in 2010 will vest on the fourth anniversary), subject to the achievement of performance conditions, as determined by the Remuneration Committee. Having vested, a Nil-Cost Option Award may be exercised at any time provided it does not exceed the period of ten years following the date on which the Nil-Cost Option Award is made or such other date as is specified by the Remuneration Committee.

If a participant ceases to be employed within the Group before the expiry of the performance period by reason of:

- (i) death;
- (ii) injury or disability (as agreed by the Remuneration Committee); or
- (iii) any other reason where the Remuneration Committee so determines in its absolute discretion,

awards will ordinarily vest on the third anniversary of the date of grant (although awards made in 2010 will vest on the fourth anniversary), subject to the achievement of performance conditions. Having vested, a Nil-Cost Option Award may be exercised for a period of six months following the vesting date of that Nil-Cost Option Award and a Contingent Share Award shall be satisfied as soon as reasonably practicable. The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over the performance period and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period.

The Remuneration Committee may at its discretion, in appropriate circumstances decide that the award will vest on the participant ceasing to be employed by a member of the Group. The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over a reduced performance period selected by the Remuneration Committee at its discretion and will then be pro-rated to reflect this shortened period.

If a participant is summarily dismissed or ceases to be employed by a member of the Group for any other reason than those listed above, an award will lapse immediately on such cessation.

(g) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement, the voluntary winding-up of the Company or demerger occurring before the expiry of the performance period, an award may vest early. In the case of a general offer, an award will vest on the date on which the offer becomes or is declared unconditional in all respects. A Nil-Cost Option Award would remain exercisable for a period of

one month from the date of such vesting. In the case of a scheme of arrangement, an award will vest conditionally on the scheme of arrangement being either approved by the shareholders' meeting or sanctioned by the court (as determined by the Remuneration Committee). A Nil-Cost Option Award may be conditionally exercised between the date of the court's direction and twelve noon on the day immediately preceding the date for which the shareholders' meeting is convened. In the case of a voluntary winding-up of the Company, an award will vest when notice of the resolution for a voluntary winding-up of the Company is given and a Nil-Cost Option Award would remain exercisable for a period of one month from the date of vesting. The Remuneration Committee shall specify the period in which any Nil-Cost Option Awards must be exercised. In the case of a demerger where the Remuneration Committee determines that the interests of award holders would or might be substantially prejudiced, an award will vest. A Nil-Cost Option Award would remain exercisable for a period of one month from the date of vesting.

The number of Ordinary Shares which vest will, in these circumstances, be determined by reference to the extent to which the performance conditions have been fulfilled over the reduced performance period and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period. The Remuneration Committee may at its discretion adjust the number of Ordinary Shares which will vest in these circumstances if it determines that the vesting outcomes do not reflect the underlying financial performance of the Company.

(h) *Variation of share capital*

In the event of any variation in the ordinary share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Remuneration Committee as it may determine to be appropriate.

(i) *Voting, dividend and other rights*

Until awards are exercised or vest, participants have no voting or other rights in respect of the Ordinary Shares subject to those awards.

Ordinary Shares issued or transferred pursuant to the 2010 PSP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any rights attaching to the Ordinary Shares by reference to a record date falling prior to the date of exercise or vesting of the relevant award.

Benefits obtained under the 2010 PSP shall not be pensionable.

Awards are not assignable or transferable.

(j) *Administration and amendment*

The Remuneration Committee may amend the 2010 PSP provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of existing or new participants to those provisions of the 2010 PSP relating to eligibility, the limitations on the number of Ordinary Shares or to the basis for determining a participant's entitlement under the 2010 PSP, the terms of the Ordinary Shares to be provided under the 2010 PSP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the 2010 PSP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and
- (ii) no amendment may be made which would materially prejudice the rights of participants under the 2010 PSP without their prior approval.

## 6.2 **The William Hill Performance Share Plan 2005 (the "2005 PSP")**

The rules of the 2005 PSP are similar to those described above in respect of the 2010 PSP. No awards have been (or will be) granted under the 2005 PSP following the introduction of the 2010 PSP although some awards are still outstanding under the 2005 PSP.

### 6.3 The William Hill 2012 Savings Related Share Option Plan (the “2012 SAYE Plan”)

(a) *General*

The 2012 SAYE Plan has been approved by HM Revenue & Customs (“HMRC”) under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. The operation of the 2012 SAYE Plan is supervised by the Remuneration Committee.

(b) *Eligibility*

All employees (including directors working at least 25 hours per week, excluding meal breaks) of the Company or any participating member of the Group who have completed a period of service determined by the Remuneration Committee (such period not to exceed five years), who are UK tax resident and who have not at the date of grant of an option, and have not had within the preceding 12 months, a material interest in the Company or a member of the Group which is a close company, are eligible to participate in the 2012 SAYE Plan. The Remuneration Committee may in its discretion extend participation to other employees or directors of the Company or any participating members of the Group who do not meet the first two requirements.

(c) *Savings contract*

Participating employees must enter into a Save-As-You-Earn savings contract with an approved savings carrier under which they agree to make monthly contributions from net salary for a period of either three or five years. On maturity of the savings contract, a tax-free bonus is added to the employee’s savings. Monthly savings contributions must be between £5 and £250.

(d) *Grant of options*

Each employee who joins the 2012 SAYE Plan and enters into a savings contract is granted an option to acquire Ordinary Shares in the Company. The number of Ordinary Shares under option is equal to that number of Ordinary Shares which may be acquired at the option price with the proceeds of the savings contract (including the bonus) upon exercise. The Remuneration Committee may impose a limit on the number of Ordinary Shares over which options may be granted in which case applications from employees may be scaled down.

The option price per Ordinary Share shall be determined by the Remuneration Committee, being not less than the market value of an Ordinary Share when invitations to participate in the 2012 SAYE Plan are issued, less a discount of up to 20 per cent. (or, in the case of an option to subscribe, the nominal value of an Ordinary Share if lower). Market value is determined as the closing mid-market price of an Ordinary Share, as derived from the daily official list of the London Stock Exchange on the last dealing day before invitations to participate in the 2012 SAYE Plan are sent out or, if the Ordinary Shares are not fully listed on the London Stock exchange, in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with HMRC.

No option may be granted later than ten years after the adoption of the 2012 SAYE Plan by the Remuneration Committee.

(e) *Timing of invitations*

Invitations to participate in the 2012 SAYE Plan may only be issued (a) within six weeks after the approval of the 2012 SAYE Plan by HMRC; (b) within the period of six weeks after the day after the announcement of the Company’s results for any period; or (c) at any other time at which the Remuneration Committee determines that there are exceptional circumstances which justify the grant of options.

(f) *Limit on issue of new Ordinary Shares*

On any date, no option may be granted under the 2012 SAYE Plan if, as a result, the aggregate number of Ordinary Shares issued or committed to be issued pursuant to grants made under the 2012 SAYE Plan and during the previous ten years under all other employee share schemes

established by the Company would exceed 10 per cent. of the issued ordinary share capital of the Company on that date. Ordinary Shares which have been the subject of options or rights granted under any employee share scheme established by the Company which have lapsed shall not be taken into account for the purposes of this limit.

(g) *Exercise and lapse of options*

In normal circumstances, an option may be exercised within six months following the date on which a bonus is payable under the savings contract (the “**Bonus Date**”) and any option not exercised within that period will lapse.

An option may be exercised earlier than the Bonus Date on the death of a participant or on his ceasing to hold office or employment with the Group by reason of injury, disability, redundancy, retirement or the sale or transfer out of the Group of his employing company or business, for a period of six months from the date of such cessation (or 12 months in the case of death).

An Option is also exercisable for a period of six months by a participant who reaches age 60 but remains in employment.

Options may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

(h) *Takeovers and liquidations*

Rights to exercise options early for a limited period also arise if another company acquires control of the Company as a result of a takeover or a scheme of arrangement. An option may be exercised within the period of six months from (a) the date on which the person making the general offer obtains control of the Company and any condition subject to which the offer is made has been satisfied or waived, or (b) the date on which the Court sanctions a scheme of arrangement. An option may be exchanged for an option over shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If the Company passes a resolution for a voluntary winding-up, any subsisting option must be exercised within two months of the passing of that resolution or it lapses.

(i) *Alterations of share capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to options and the exercise price may be made by the Remuneration Committee in such manner and with effect from such date as the Remuneration Committee may determine to be appropriate. The prior approval of HMRC is required for any such adjustment.

(j) *Voting, dividend and other rights*

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares subject to their options.

Ordinary Shares issued or transferred pursuant to the 2012 SAYE Plan rank pari passu in all respects with the Ordinary Shares already in issue except that they do not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Options are not assignable or transferable.

(k) *Administration and amendment*

The 2012 SAYE Plan will be administered by the Remuneration Committee which may amend the 2012 SAYE Plan by resolution provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the 2012 SAYE Plan relating to

eligibility, the limitations on the number of Ordinary Shares subject to the 2012 SAYE Plan, a participant's maximum entitlement or the basis for determining a participant's entitlement under the 2012 SAYE Plan, the transferability of options and the adjustment thereof in the event of a variation in capital or reserves, except in the case of minor amendments to benefit the administration of the 2012 SAYE Plan and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group;

- (ii) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the 2012 SAYE Plan without the prior approval of such number of participants who, if they realised their awards would become entitled to no less than 75 per cent. of all Ordinary Shares subject to the 2012 SAYE Plan; and
- (iii) no amendment may be made to any key feature of the 2012 SAYE Plan without the prior approval of HMRC.

No cash or other non-share benefits are available under the 2012 SAYE Plan.

#### 6.4 **The William Hill Savings Related Share Option Plan (the "SAYE Plan")**

The rules of the SAYE Plan are similar to those described above in respect of the 2012 SAYE Plan. The SAYE Plan expired in 2012 and no further options can be granted under it, although there are still a number of options outstanding under the SAYE Plan.

#### 6.5 **The William Hill Executive Bonus Matching Scheme (the "EBMS")**

##### (a) *General*

The EBMS replaced the 2005 PSP and a deferred share bonus plan in 2008. The EBMS is administered by the Remuneration Committee.

##### (b) *Eligibility*

Any employee or executive director of any member of the Group is eligible to participate in the EBMS.

##### (c) *Deferred shares*

Under the EBMS, participants will receive a proportion of their annual bonus (on a gross basis) in Ordinary Shares on deferred terms ("**Deferred Shares**"). Unless otherwise determined by the Remuneration Committee, executive directors may receive 70 per cent. of their annual bonus for the relevant financial year in Deferred Shares and all other senior executives and employees may receive 50 per cent. of their annual bonus in Deferred Shares under the EBMS.

An award of Deferred Shares ("**Deferred Award**") may only be granted within the period of eight weeks commencing on: (a) the approval of the EBMS by the Company; (b) the day of the announcement of the Company's results for any period; or (c) any day on which the Board resolves that exceptional circumstances exist which justify the grant of an award.

##### (d) *Matching shares*

At the same time as Deferred Shares are awarded, participants will be granted an award of further Ordinary Shares ("**Matching Shares**"). The number of Matching Shares subject to an award ("**Matching Award**") will be no more than the number of Deferred Shares acquired. No payment is required for the grant of an award of Matching Shares. No Deferred Awards or Matching Awards may be granted after 17 May 2017.

##### (e) *Conditions on vesting*

An award (the "**Award**") comprising the Deferred Shares and Matching Shares will normally vest at the end of a three year period ("**Retention Period**") provided the participant remains employed

by the Group. In addition to the Retention Period requirement, the vesting of a Matching Award is normally subject to performance conditions measured over a three year performance period.

(f) *Dividend accrual payments*

The number of Deferred Shares and Matching Shares which vest will be increased by such number of additional Ordinary Shares as is equal to the number of Ordinary Shares which could have been purchased if each dividend (grossed up where relevant) paid on the vested shares prior to vesting, had been reinvested in additional shares on the payments of each such dividend.

(g) *Overall limits*

No Deferred Award or Matching Award may be granted under the EBMS if, as a result, the aggregate number of Ordinary Shares in the Company issued or committed to be issued under subsisting awards or options granted during the previous ten years under the EBMS or any other employees' share scheme established by the Company, would exceed 10 per cent. of the issued ordinary share capital of the Company on that date.

(h) *Exercise and lapse*

In normal circumstances, an Award will vest at the end of the Retention Period (subject to performance conditions being satisfied in the case of a Matching Award).

An Award will lapse automatically on the participant ceasing to be an employee of a member of the Group, unless he ceases to be employed within the Group by reason of:

(i) death;

(ii) injury or disability; or

(iii) any other reason which the Remuneration Committee so decides in its absolute discretion,

in which case the Award will continue to be subject to the provisions of the EBMS as though the Participant had remained employed until the end of the Retention Period. In these circumstances, the Deferred Shares will be released to the participant within one month after the end of the Retention Period and the Matching Shares will vest to the extent to which the performance conditions have been fulfilled over the performance period (and will then be pro-rated according to the length of the reduced performance period when compared to the original performance period), unless the Remuneration Committee determines in its absolute discretion that there are exceptional circumstances which justify the early vesting of the Deferred Shares and Matching Shares.

The Remuneration Committee may also release a greater number of Matching Shares if it considers the participant's contribution to the business of the Group would not otherwise be recognised.

(i) *Variation of share capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to an Award may be made by the Remuneration Committee in such manner as it, in its absolute discretion, thinks fit.

(j) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring before the expiry of the performance period, the Deferred Award and, subject to the performance conditions being met, the Matching Award will be released to the Participant as soon as practicable after the change of control of the Company.

The performance conditions applying to a participant's Matching Shares will be tested as at such date prior to the change of control as the Remuneration Committee concludes that the conditions



can appropriately be applied. The number of Matching Shares, in these circumstances, will be determined by reference to the extent to which the performance conditions have been fulfilled over the reduced performance period and will normally then be pro-rated according to the length of the reduced performance period when compared to the original performance period.

The Remuneration Committee has discretion to adjust the vesting level if it considers that the performance condition would have been met to a greater or lesser extent at the end of the full performance period.

(k) *Voting, dividend and other rights*

Until Awards vest, participants have no voting or dividend rights in respect of the Ordinary Shares subject to their Awards.

Benefits obtained under the EBMS shall not be pensionable.

Awards are not assignable or transferable.

(l) *Administration and amendment*

The Remuneration Committee may amend the EBMS by resolution provided that:

- (i) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the EBMS relating to eligibility, the limits on individual participation and the number of Ordinary Shares subject to the EBMS, the basis for determining a participant's entitlement under the EBMS, the terms of the Ordinary Shares to be provided under the EBMS and the adjustment thereof in the event of a variation in capital; and
- (ii) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the EBMS without the prior approval of such number of participants who, if they realised their Awards in full will become entitled to no less than 75 per cent. of all Ordinary Shares subject to the EBMS.

Prior shareholder approval is not required in the case of minor amendments to benefit the administration of the EBMS or to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group.

## 6.6 **The William Hill Long Term Incentive Plan 2002 (the "LTIP")**

(a) *General*

The LTIP expired in 2012 and no further options can be granted under it, although a number of awards are still outstanding under the LTIP. Principal features of the outstanding options are set out below.

(b) *Awards under the LTIP*

An award takes the form of a conditional award (the "**Basic Award**") over a specified number of Ordinary Shares, the market value of which could not exceed 50 per cent. of the eligible employee's salary (including any bonus but excluding any benefits in kind). An award of matching shares ("**matching award**") could also have been granted at a ratio of not more than one to one to the Basic Award.

(c) *Conditions on vesting or exercise*

Awards were granted subject to such performance condition or conditions as the Remuneration Committee determined and measured over a period of three financial years (the "**Performance Period**").

(d) *Exercise or vesting of awards*

An award may normally be exercised between the third and tenth anniversary of the date of grant provided that any performance conditions to which it is subject have been met and the participant remains employed by the participating company.

If a participant ceases to be employed within the Group before the expiry of the Performance Period by reason of:

- (i) death;
- (ii) injury or disability;
- (iii) redundancy;
- (iv) pregnancy;
- (v) retirement at normal retirement age, or early retirement by agreement with the participant's employer; or
- (vi) any other reason at the discretion of the Remuneration Committee,

an award may be exercised within six months from the date of termination to the extent to which the Performance Conditions have been satisfied. The number of Ordinary Shares over which awards are exercisable will, in these circumstances, be determined by the Remuneration Committee by reference to the extent to which the Performance Conditions have been fulfilled over the reduced Performance Period and will then be pro-rated according to the length of the reduced Performance Period when compared to the original Performance Period.

An award will lapse on the participant ceasing employment by gross misconduct and, in any event, on the tenth anniversary of its date of grant, if not previously vested or exercised.

(e) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring, the Board shall within seven days of becoming aware of the relevant event notify the participant and an award may be exercised within six months (or such shorter period as the Board may specify) of the occurrence of the relevant event. The number of Ordinary Shares over which an award is exercisable will, in these circumstances, be determined by reference to the extent to which the Performance Conditions have been fulfilled over the reduced Performance Period and will then be pro-rated according to the length of the reduced Performance Period when compared to the original Performance Period.

(f) *Variation of share capital*

In the event of any variation in the share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Board in such manner as it may determine.

(g) *Voting, dividend and other rights*

Ordinary Shares issued or transferred pursuant to the LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any rights attaching to Ordinary Shares by reference to a record date falling prior to the date of exercise of the relevant award.

Awards are not assignable or transferable.

## 6.7 The William Hill Online Long Term Incentive Plan 2008 (the “2008 LTIP”)

### (a) General

The 2008 LTIP was adopted by the Remuneration Committee on 17 December 2008. Awards were granted in 2010 (following certain amendments to the 2008 LTIP being adopted by the Remuneration Committee) to employees of William Hill (International) Limited (“**WHG (International)**”) (including directors of WHG (International) but excluding those who are also directors of the Company). No awards have been made before or since 2010 or will be made in future. There are, however, a number of outstanding awards. Principal features of the 2008 LTIP as they apply to the outstanding awards are set out below including those amendments which are required to ensure compliance with the Listing Rules and best practice for the purpose of seeking the approval of Shareholders of the 2008 LTIP.

### (b) Awards under the LTIP

Awards are each in the form of a nil-cost option to acquire Ordinary Shares.

Currently, awards may only be satisfied by the transfer of existing Ordinary Shares from the trustee of an employee benefit trust established by the Company or other member of the Group. However, subject to the approval of Shareholders of the 2008 LTIP, it is intended to issue new Ordinary Shares to satisfy outstanding awards.

### (c) Conditions on vesting or exercise

Awards under the 2008 LTIP have been granted subject to the following performance condition which must be satisfied before an award may vest or become exercisable.

Awards will vest only if the operating profit of WHG (International) (the “**Operating Profit**”) for the financial year ending 31 December 2012 is equal to or exceeds £117 million.

Each award comprises both a “**Basic Award**” and a “**Top Up Award**” subject to the satisfaction of the performance condition, and calculated by reference to the “**Pool**”, being 20 per cent of the increase in Operating Profit over the performance period which commenced on 1 January 2009 and ended on 31 December 2012, as determined by the Remuneration Committee.

The Basic Award is an award in respect of a fixed number of Ordinary Shares, calculated as the product of: (a) the “**2012 Target Unit Value**” (being £500); and (b) the number of units (representing an amount of cash by reference to the pool) held by the participant; divided by (c) the market value of an Ordinary Share at the beginning of the performance period (taken as an average over the period from 1 December 2009 to 31 December 2009, being 188.5 pence), but subject to the number of Ordinary Shares comprised in a Basic Award being scaled back if the 2012 Target Unit Value is not achieved.

The Top Up Award is an award in respect of a number of Ordinary Shares to be calculated at the end of the performance period by reference to the actual “**Unit Value**” achieved (being equal to the Pool divided by 22,150). The number of Ordinary Shares in respect of which a Top Up Award vests shall be calculated as the product of: (a) the Unit Value less the 2012 Target Unit Value; and (b) the number of units held by the participant; divided by (c) the market value of an Ordinary Share taken as an average over the period from 1 December 2012 to 31 December 2012. However, if the Unit Value is less than or equal to the 2012 Target Unit Value, the Top Up Award will lapse and the Basic Award will be reduced in proportion to any shortfall.

### (d) Individual limit

No participant has been granted an award of an aggregate number of units of more than 3,000.

### (e) Overall dilution limit

The aggregate number of units granted pursuant to awards made under the 2008 LTIP does not exceed 22,150. In addition, to ensure compliance with best practice, the rules of the 2008 LTIP have been amended, subject to Shareholders approving the 2008 LTIP, so that the aggregate number of Ordinary Shares issued or transferred from treasury, or committed to be issued or transferred from treasury, pursuant to awards made under the 2008 LTIP and pursuant to grants or appropriations made during any ten year-period under the 2008 LTIP or any other employees’ share scheme established by the Company will not exceed ten per cent of the issued ordinary share capital of the Company on that date.

(f) *Exercise and vesting of awards*

In normal circumstances, an award will not vest until the Pool has been determined, once the results of the Company have been announced following the end of the performance period and unless: (a) the performance condition has been satisfied at the end of the performance period; and (b) the participant remains employed by the Group and has not given notice of his intention to cease such employment. 50 per cent of the Ordinary Shares subject to the award will be exercisable immediately after the award has vested and the remaining 50 per cent of the award will be exercisable following the first anniversary of the date upon which the award vested. As set out in the Chairman's letter, the success of WHG (International) has been such that the performance condition has been exceeded, so that the Basic Awards will be delivered in full, and Top-Up Awards will also vest.

If a participant ceased to be employed within the Group before the expiry of the performance period by reason of:

- (i) death;
- (ii) ill-health; or
- (iii) any other circumstances at the discretion of the Remuneration Committee,

provided the performance condition has been satisfied, an award will vest at the end of the performance period. 50 per cent of the Ordinary Shares subject to the award will be exercisable immediately after the award has vested and shall remain exercisable for a period of 12 months. The remaining 50 per cent of the award will be exercisable following the first anniversary of the date upon which the award vested and will remain exercisable for a period of 12 months therefrom. The number of Ordinary Shares which vest will, in these circumstances, be pro-rated according to the length of the performance period whilst the participant was employed by the Group when compared to the original performance period, unless the Remuneration Committee determines otherwise.

An award will lapse on the participant ceasing employment for any reason other than those set out above and, in any event, an award will lapse on the tenth anniversary of the beginning of the performance period (being 1 January 2009), if not previously exercised.

(g) *Cash alternative*

Where a participant exercises an award and the corresponding Ordinary Shares have not yet been issued or transferred to the participant, the Remuneration Committee may determine that the participant shall be paid a sum equal to the cash value of that number of Ordinary Shares as at the date he serves a valid notice of exercise on the Company.

(h) *Takeover, scheme of arrangement and liquidation*

In the event of a takeover, scheme of arrangement or the voluntary winding-up of the Company occurring before awards become exercisable, if the Remuneration Committee so determines, an award will become exercisable and remain exercisable for such period as the Remuneration Committee shall determine, in respect of such number of Ordinary Shares as the Remuneration Committee may determine.

If the Remuneration Committee does not determine that awards should become exercisable on the occurrence of any such event, then the 2008 LTIP continues in full force and effect, provided that entitlements pursuant to awards shall be settled in cash.

Where any such event occurs as part of an internal reorganisation of the Company, participants will be invited to accept an exchange of their subsisting awards for new awards granted by the acquiring company. Such invitation will remain open for a period of 21 days and at the end of this period all subsisting awards shall lapse and cease to be exercisable.

In the event of a change in control, demerger or voluntary winding up of WHG (International), unless the Remuneration Committee determines otherwise, an award will become exercisable and remain exercisable for such period as the Remuneration Committee shall determine, in respect of such number of Ordinary Shares as the Remuneration Committee may determine.

(i) *Variation of share capital*

In the event of any variation in the share capital of the Company, such adjustments to the number of Ordinary Shares subject to awards may be made by the Remuneration Committee in such manner as it may determine, provided that, except in the case of a sub-division, consolidation or capitalisation issue, any such adjustment is confirmed in writing by such auditor or other independent advisor appointed by the Remuneration Committee to be in their opinion fair and reasonable.

(j) *Voting, dividend and other rights*

Ordinary Shares issued or transferred pursuant to the 2008 LTIP will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the relevant award.

Benefits obtained under the 2008 LTIP shall not be pensionable.

Awards are not assignable or transferable.

(k) *Administration and amendment*

The Remuneration Committee may amend the 2008 LTIP. However, to ensure compliance with the Listing Rules for the purpose of seeking the approval of Shareholders of the 2008 LTIP, the rules have been amended, subject to shareholders approving the 2008 LTIP, so that prior approval of the Company in general meeting will be required for any amendment to the advantage of existing participants to those provisions of the 2008 LTIP relating to eligibility, the individual and overall limits on the making of awards or to the basis for determining a participant's entitlement under the 2008 LTIP and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the 2008 LTIP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group.

No amendment may be made which would alter to the disadvantage of participants any rights already acquired by them under the 2008 LTIP without the prior approval of the affected participants. The Remuneration Committee is required to give notice to all affected participants as soon as is reasonably practicable after the making of such amendment.

**6.8 The William Hill Restricted Stock Contract 2011 (the "2011 RSC")**

(a) *General*

The 2011 RSC was put in place by the Company as a means to retain Ralph Topping as Chief Executive of the Company during a period where the Company needed clear and certain executive leadership. The Remuneration Committee considered that the implementation of the 2011 RSC to provide a special incentive to Ralph Topping linked to his continued retention best served the Company's shareholders' interests.

(b) *Eligibility*

Ralph Topping is the only person eligible to participate in the 2011 RSC.

(c) *Awards under the 2011 RSC*

The Company granted to Ralph Topping on 10 June 2011 a one-off nil-cost option award in respect of 552,995 Ordinary Shares in the Company (the "**Award**"). The number of shares subject to the Award had an aggregate market value (as determined by the Remuneration Committee) equivalent to 200 per cent. of Ralph Topping's base salary.

No payment was or is required for the grant or exercise of the Award.

(d) *Vesting and exercise of the Award*

In normal circumstances, the Award will vest on 31 December 2013 provided Ralph Topping remains employed by the Group. Having vested, the Award may be exercised in such manner as the Remuneration Committee may from time to time prescribe. No new Ordinary Shares shall be issued in the Company and no Ordinary Shares shall be transferred from treasury in order to satisfy the Award.

There are no performance conditions attaching to the Award.

The Award will lapse automatically on Ralph Topping ceasing to hold office or employment within the Group or, if earlier, when he gives or receives notice to terminate his office or employment within the Group unless he ceases to hold office or employment with the Group by reason of:

- (i) death;
- (ii) injury or disability (as agreed by the Remuneration Committee); or
- (iii) any other reason which the Remuneration Committee so decides in its absolute discretion,

in which case the Award may be exercised as follows:

- (iv) where the reason for Ralph Topping ceasing to hold office or employment is death the Award may be exercised in respect of all of the Ordinary Shares subject to the Award;
- (v) where the reason is ill health or disability then:
  - (A) where Ralph Topping leaves the Group on or after 1 January 2012, the Award may be exercised in respect of all of the Ordinary Shares subject to the Award;
  - (B) where Ralph Topping leaves the Group on or before 31 December 2011, the Award may be exercised in respect of such number of Ordinary Shares subject to the Award as the Remuneration Committee determines appropriate provided that the number shall not be less than the pro-rated proportion of the Ordinary Shares subject to the Award calculated in accordance with the amount of service Ralph Topping performed from the date of grant of the Award until leaving;
- (vi) where there is some other reason and the Remuneration Committee exercises its discretion, the Award may be exercised in respect of such number of Ordinary Shares subject to the Award as the Remuneration Committee determines appropriate.

(e) *Takeover, scheme of arrangement and liquidation*

In the event of a demerger, takeover, scheme of arrangement or voluntary winding-up of the Company the Award may vest early. In the case of a demerger where the Remuneration Committee considers that the interests of Ralph Topping would or might be substantially prejudiced, Ralph Topping may exercise the Award within one month of receiving notice of the demerger in respect of such number of Ordinary Shares subject to the Award as the Remuneration Committee determines appropriate. In the case of a takeover, scheme of arrangement or voluntary winding-up Ralph Topping may exercise the Award in respect of all of the Ordinary Shares subject to the Award unless the Remuneration Committee determines that the Award may only be exercised in respect of a time pro-rated proportion of the Ordinary Shares subject to the Award.

(f) *Variation of share capital*

In the event of any variation in the ordinary share capital of the Company, such adjustments to the number of Ordinary Shares subject to the Awards may be made by the Remuneration Committee as it may determine to be appropriate.

(g) *Voting, dividend and other rights*

Until the Award has vested, Ralph Topping has no voting or other rights in respect of the Ordinary Shares subject to the Award.

Ordinary Shares transferred pursuant to the 2011 RSC will rank *pari passu* in all respects with Ordinary Shares already in issue except that they will not rank for any rights attaching to Ordinary Shares by reference to a record date falling prior to the date of vesting of the Award.

The Award is not pensionable.

The Award is not assignable or transferable.

(h) *Administration and amendment*

The 2011 RSC may be amended at any time by the execution of a deed made between the Company and Ralph Topping.

## 7. CORPORATE GOVERNANCE AND COMMITTEES

- 7.1 It is the policy of William Hill to comply with current best practice in UK corporate governance as set down in the UK Corporate Governance Code (the “Code”) (as amended from time to time). As at the date of this document, William Hill is in full compliance with the provisions of the Code.
- 7.2 The Senior Independent Non-executive Director’s 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, 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. No one individual has unfettered powers of decision-making. Mr. Davis satisfied the independence criteria detailed in provision A.3.1 of the Code on his appointment as chairman.
- 7.3 The Code recommends that at least half the members of the Board (excluding the chairman) should be independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. William Hill considers six of the eight members of the Board to be independent.
- 7.4 The Board has established Nomination, Remuneration, Audit and Risk Management and Corporate Responsibility Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.
- 7.5 The terms of reference of the committees, including their objectives and the authority delegated to them by the Board, are available upon request or via the Group’s investor relations website and are reviewed at least annually by the relevant committee and the Board. All committees have access to independent expert advice. Appointments to Board committees are for three year terms extendable by no more than two additional three year terms.
- 7.6 The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors, and will make appropriate recommendations to the Board on such matters. All of the members of the committee are independent Non-executive Directors and the committee is chaired by Gareth Davis. Other members comprise Mr. Edmonds, Ms. Harvey, Mr. Highfield, Mr. Lowden and Ms. Walsh. William Hill therefore considers that it complies with the Code recommendations regarding the composition of the Nomination Committee.
- 7.7 The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on William Hill’s policy and framework on executive remuneration and the remuneration of the Chairman, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below Board level. The Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent Non-executive Directors. The membership of William Hill’s Remuneration Committee comprises four members, all of whom are independent Non-executive Directors (namely Mr. Edmonds, Ms. Harvey, Mr. Lowden and Ms. Walsh). The chairman of the Remuneration Committee is Ms. Walsh. In determining the directors’ remuneration, the Remuneration Committee appointed New Bridge Street to provide advice on structuring remuneration packages for the executive directors and senior management. New Bridge Street did not provide any other services to the Group, however, AON Corporation, New Bridge Street’s parent company is also the worldwide insurance broker for the Company. William Hill considers that it complies with the Code recommendations regarding the composition of the Remuneration Committee.
- 7.8 The Audit and Risk Management Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing William Hill’s annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of William Hill’s internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The membership of William Hill’s Audit and Risk Management Committee comprises four members, all of whom are independent Non-executive Directors (namely Mr. Edmonds,

Mr. Highfield, Mr. Lowden and Ms. Walsh). Mr. Lowden is chairman of the Audit and Risk Management Committee. William Hill therefore considers that it complies with the Code recommendation regarding the composition of the Audit and Risk Management Committee.

7.9 The Corporate Responsibility Committee (the “**CR Committee**”) assists the Board in ensuring compliance with existing laws, regulations and codes of conduct relating to responsible gambling, underage gambling and protection of the vulnerable, prevention of crime and disorder related to gambling, and product integrity issues, the ongoing training, development and motivation of employees to retain the widest possible range of talented staff, provision of a safe and healthy workplace in accordance with relevant legislation and providing a competition beating level of customer service. The CR Committee reports regularly to the Board. The CR Committee is assisted by the Health and Safety and Charities Committees. The chairman of the CR Committee is Mr. Highfield. The membership of William Hill’s CR Committee comprises Mr. Edmonds, Ms. Harvey, Mr. Highfield, Ms. Walsh, Ralph Topping and Thomas Murphy.

7.10 In addition to the above committees, the Board has established a Compliance Committee comprising members of senior management to, *inter alia*, (i) monitor ongoing compliance by the Group with applicable law and regulation, (ii) advise the Board of any gambling law compliance issues and (iii) provide assistance to the Board in this regard.

## 8. DIRECTORS’ AND OTHER INTERESTS

### 8.1 Directors’ Shareholdings

As at 28 February 2013 (being the latest practicable date prior to the publication of this document), the interests of the Directors in the share capital of William Hill (all of which are beneficial values unless otherwise stated), including the interests of persons connected with the Directors for the purposes of section 252 of the 2006 Act, as notified to William Hill pursuant to section 809 of the 2006 Act and entered in the register maintained pursuant to section 809 of the 2006 Act, were and are expected to be immediately following the Rights Issue as follows:

Director	Number of Existing Ordinary Shares	Percentage of existing issued ordinary share capital prior to Admission (1)	Number of Ordinary Shares following the Rights Issue (2)	Percentage of ordinary issued share capital following the Rights Issue (2)
Gareth Davis	94,000	0.01%	114,888	0.01%
Ralph Topping	395,399	0.06%	483,265	0.06%
Neil Cooper	2,345	0.00%	2,866	0.00%
David Edmonds	24,000	0.00%	29,333	0.00%
Georgina Harvey	10,000	0.00%	12,222	0.00%
Ashley Highfield	5,848	0.00%	7,147	0.00%
David Lowden	10,000	0.00%	12,222	0.00%
Imelda Walsh	10,000	0.00%	12,222	0.00%

(1) Not including Ordinary Shares held in treasury by William Hill.

(2) Assumes that the Directors take up their rights to New Ordinary Shares pursuant to the Rights Issue. Also assumes no exercise of options or awards under the Employee Share Schemes between the date of this document and the completion of the Rights Issue.

Save as set out in this section 8.1 of this Part VII, none of the Directors have any interest in the share capital of William Hill.



## 8.2 Employee Share Schemes

As at 28 February 2013 (being the latest practicable date prior to the publication of this document) the following options and awards over Existing Ordinary Shares have been granted to the Directors under the Employee Share Schemes:

Director	Number of Ordinary Shares subject to award/option	Exercise period
Gareth Davis	-	-
Ralph Topping	2,521,223	March 2012 – March 2022
Neil Cooper	902,931	March 2014 – March 2022
David Edmonds	-	-
Georgina Harvey	-	-
Ashley Highfield	-	-
David Lowden	-	-
Imelda Walsh	-	-

8.3 So far as William Hill is aware, as at 28 February 2013 (being the latest practicable date prior to the publication of this document), the following persons (other than the Directors) had notifiable interests in three per cent. or more of the issued share capital of William Hill:

Shareholder	Number of Ordinary Shares prior to Admission	Percentage of existing issued share capital prior to Admission(1)	Number of Ordinary Shares following the Rights Issue (2)	Percentage of issued share capital following the Rights Issue (2)
Schroders PLC	70,066,134	9.93%	85,636,386	9.93%
The Capital Group Companies, Inc.	64,196,588	9.09%	78,462,496	9.09%
BlackRock Inc.	35,453,595	5.02%	43,554,660	5.05%
Massachusetts Financial Services Company	34,380,109	4.87%	42,020,133	4.87%

(1) Not including Ordinary Shares held in treasury by William Hill.

(2) Assumes that the shareholders take up their rights to New Ordinary Shares pursuant to the Rights Issue. Also assumes no exercise of options or awards under the Employee Share Schemes between the date of this document and the completion of the Rights Issue.

Save as set out in this section 8.3 and in section 8.1 of this Part VII, William Hill is not aware of any person who has or will immediately following Admission have a notifiable interest in three per cent. or more of the issued share capital of William Hill.

8.4 William Hill is not aware of any person who either as at the date of this document or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over William Hill.

8.5 None of the major shareholders of William Hill set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

8.6 The Directors are set out in section 8.7 of this Part VII. The following tables set out the Directors' fees for the 2012 financial year as well as the key provisions of the Directors' service contracts or letters of appointment (as appropriate) together with a summary of the executive Directors' pension arrangements.

(a) *Executive Directors*

Name	Current Annual Salary £	Maximum bonus as per cent. of Salary	Benefits £	Notice Period	Date of Contract	Expiry date of contract
<b>Ralph Topping</b>	650,000	165	28,926	12 months	14 May 2007	N/A
<b>Neil Cooper</b>	380,000	120	14,174	12 months	23 November 2009	N/A

The executive Directors' service contracts have no express provisions for the payment of compensation on termination of their respective appointments other than in the form of notice and payment in lieu of notice provisions, the latter of which is stated to be in full and final settlement of any claims the executive may have against the Company arising from the employment or termination thereof.

The Company may, in its sole discretion, pay the executive Director a sum in lieu of notice (or the remainder thereof) equal to the aggregate of up to 12 months' basic salary, Company pension contributions, the cost to the Company of providing all other benefits the executive Director would have been entitled to receive in this notice period (or in the discretion of the Company a sum equivalent to 10 per cent. of basic salary in lieu of the cost of such benefits), and pro-rated annual bonus. In relation to benefits only, the Company may in its absolute discretion continue to provide the executive's contractual benefits for the period equivalent to the notice period (or the remainder thereof.) The executive Director must use his best efforts to secure alternative employment and, in the event he does so and the Company has elected to pay the executive Director in lieu of notice in instalments, any such instalment shall be reduced by an amount equal to 80 per cent. of 1/12th of the basic annual salary/fee from such alternative appointment.

(b) *Non-executive Directors*

Name	Basic fee £	Committee Chair fee £	Senior Independent Director fee £	Total £	Effective date of appointment	Notice Period
<b>Gareth Davis</b>	250,000	-	-	250,000	1 September 2010	Mr Davis: 6 months; the Company: 12 months
<b>David Edmonds</b>	50,000	13,000	5,000	68,000	1 January 2005	3 months
<b>Georgina Harvey</b>	50,000	-	-	50,000	1 November 2011	3 months
<b>Ashley Highfield</b>	50,000	13,000	-	63,000	1 November 2008	3 months
<b>David Lowden</b>	50,000	18,000	-	68,000	1 April 2011	3 months
<b>Imelda Walsh</b>	50,000	-	-	50,000	1 November 2011	3 months

Save in respect of Mr Davis, Non-executive Directors are appointed for an initial term of three years and in normal circumstances, and subject to satisfactory performance and re-election at AGMs, they would be expected to serve for an additional three-year term. Non-executive Directors may be requested to serve for a further three-year term subject to review at the relevant time and agreement with the relevant director. Mr Davis' appointment is for a term of three years, subject to re-election where appropriate by the Company in a general meeting.

The appointments of the Non-executive Directors may be terminated before the expiry of the initial terms by the service of notice by either party as set out in the table above. Upon termination, the Non-executive Directors are not contractually entitled to damages for loss of office and no fees are payable in respect of the unexpired portion of the term of their respective appointments.

(c) *Pension Arrangements**Ralph Topping*

Mr Topping is a member of the defined benefit section of the William Hill Pension Scheme (the "Scheme"). Mr Topping elected to draw his pension with effect from 1 April 2008 and is therefore accruing no further pension benefits. Mr Topping receives an annual cash supplement of 25 per cent. of his base salary in lieu of pensions contributions. He is entitled to a lump sum on death in service of four times his salary, subject to a cap equal to the standard lifetime allowance (as within the meaning of section 218 of the Finance Act 2004).

*Neil Cooper*

Mr Cooper is a member of the Company's Pension Savings Plan, a money purchase scheme. As Group Finance Director he receives a company contribution into the plan at a rate of 20 per cent. per annum of the earnings cap (currently £135,000).

8.7 As at the date of this document, the Directors:

- (a) save as set out below, have not held any directorships of any other company or been a partner in any partnership (other than companies in the Group and companies which are subsidiaries of companies of which the Directors are also directors) at any time in the five years prior to the date of this document:

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Position still held? Y/N</b>
Gareth Davis	Chairman	Wolseley PLC	Y
	Chairman	DS Smith PLC	Y
	Chief Executive	Imperial Tobacco Group PLC	N
Ralph Topping	Chairman	The Scottish Premier League	Y
	Non-executive Director	The Scottish Football Association Ltd	Y
Neil Cooper	Non-executive Director	Satellite Information Services (Holdings) Limited	Y
	Director	Bovis Homes Group PLC	N
David Edmonds	Director	Keele University Science and Business Park Ltd	N
	Director	NHS Shared Business Services Ltd	Y
	Chairman	Wincanton Plc	N
	Non-executive Director	The Social Market Foundation	N
	Non-executive Director	Hammerson Plc	N
	Director	Hammerson Pension Schemes Trustees Ltd	Y
	Director	Barchester Healthcare LTD	Y
	Chairman	Swanton Care and Community Ltd	Y
	Director	South and East London Education & Community Trust Ltd	N
	Director	London Legacy Development Corporation	Y
Georgina Harvey	Governor	Kingston University	N
	Director	Crace Consulting Ltd	N
	Director	Fish4Trading Ltd	N
	Director	Fish4Jobs Ltd	N
	Director	Fish4Cars Ltd	N
	Director	Fish4Homes Ltd	N
	Director	Fish4 Ltd	N
Ashley Highfield	Chief Executive	Johnston Press PLC	Y
	Director	BAFTA	Y
	Director	British Film Institute	Y
	Director	Microsoft UK	N
David Lowden	Director	David Lowden Associates Ltd	Y
	Non-executive Director	Berendsen PLC	Y
	Non-executive Director	Michael Page International PLC	Y
	Director	Schemetype Ltd	N
	Director	Taylor Nelson Sofres PLC	N
	Director	Cable & Wireless Worldwide plc	N

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Position still held? Y/N</u>
Imelda Walsh	Trustee	Comic Relief	Y
	Director	Institute of Employment Studies	Y
	Trustee	Now Pension Ltd	Y
	Director	The Mentoring Foundation	Y
	Director	Sainsbury's Bank PLC	N

- (b) have no convictions relating to fraudulent offences within the last five years;
- (c) have not within the previous five years been a director or a member of the administrative management or supervisory bodies or a member of senior management of any company at the time of any bankruptcy, receivership or liquidation; and
- (d) have not within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a director or a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- 8.8 Save for the directorship of Satellite Information Services (Holdings) Limited (“**SIS Holdings**”) held by Mr Cooper, none of the Directors has any potential conflicts of interests between their duties to William Hill and their private interests or other duties to third parties. Satellite Information Services Limited, a subsidiary of SIS Holdings, is a key supplier of pictures and data to the Group and therefore the potential for a conflict of interest arises between Mr Cooper’s duties as a director of SIS Holdings and his duties as a director of the Company, but both the Company and SIS Holdings have procedures in place to ensure that no actual conflict of interest arises as a result of Mr Cooper’s positions.
- 8.9 None of the Directors have agreed to waive future emoluments nor has there been any waiver of emoluments during the 2012 financial year.
- 8.10 The total aggregate of the Directors’ remuneration paid (including fees payable to Non-executive Directors) in the 2012 financial year was £4,853,184 comprising emoluments, gains on the exercise of share options and pensions contributions.
- 8.11 None of the Directors were appointed either as a member of the administrative, management or supervisory bodies of the Company, or as a member of senior management of the Company, pursuant to an arrangement or understanding with major shareholders, customers, suppliers or others.
- 8.12 **Further information regarding the Directors**

*Gareth Davis (62), Chairman* was appointed a Director of the Company on 1 September 2010. Mr. Davis is also Chairman of the Nomination Committee and a member of the Corporate Responsibility Committee and Remuneration Committees. Mr. Davis previously served as the Chief Executive of Imperial Tobacco Group PLC. He is currently the Chairman of Wolseley PLC and DS Smith PLC.

*Ralph Topping (61), Chief Executive* was appointed a director in May 2007 and Chief Executive in February 2008. Mr. Topping has been with William Hill since 1973 and has held various roles within William Hill. Mr. Topping is responsible for the Group’s overall strategic direction and the day-to-day management and profitability of the Group’s operations. Mr. Topping is currently Non-executive Chairman of the Scottish Premier League and a Non-executive Director of the Scottish Football Association Ltd.

*Neil Cooper (45), Group Finance Director* was appointed on 10 May 2010 as the Group Finance Director responsible for finance, strategic planning and investor relations. Mr. Cooper previously was the Finance Director for Bovis Homes Group Plc, Group Finance Controller for Whitbread Plc, Commercial Finance Director for Whitbread Hotels & Restaurants division, a Consultant for PricewaterhouseCoopers and held finance and project management roles for Reckitt & Colman Plc. Mr. Cooper is a qualified management accountant.

*David Edmonds, CBE (68), Senior Independent Non-executive Director* was appointed on 1 January 2005. He is a member of the Remuneration Audit and Risk Management, Corporate Responsibility and Nomination Committees. Mr. Edmonds was Director General of Telecommunications at Ofcom from 1998 to 2003 and Managing Director, Group Central Services at National Westminster Group Plc from 1991 to 1997. He previously held positions as Chief Executive of The Housing Corporation, Managing Director of Group Central Services at National Westminster Bank Plc, Non-executive Director of Hammerson plc and as parliamentary private secretary to the Secretary of State for the Environment. He is a former Board Member of Office of Communications and English Partnerships. Mr. Edmonds is currently Chairman of NHS Shared Business Services, Chairman of the Legal Services Board, Chairman of Swanton Care and Community Limited, a board member of Barchester Healthcare Limited and the London Legacy Development Corporation.

*Georgina Harvey (48), Independent Non-executive Director* was appointed in November 2011. She is a member of the Remuneration, Corporate Responsibility and Nomination Committees. Ms. Harvey has previously held roles as Managing Director of Wallpaper Group, IPC Media, Managing Director of IPC Advertising, IPC Media, and Sales Director of IPC Magazines. Ms. Harvey was previously Managing Director Regionals at Trinity Mirror and has also held various sales and advertisement roles at Express Newspapers.

*Ashley Highfield (47), Independent Non-executive Director* was appointed in November 2008. Mr. Highfield is Chairman of the Corporate Responsibility Committee and a member of the Nomination and Audit and Risk Management Committees. He is currently Chief Executive at Johnston Press PLC. Previously, he was the Managing Director and Vice President of Consumer and Online UK at Microsoft and CEO of Project Kangaroo – the proposed three way joint venture between the BBC, ITV and Channel 4. Prior to his appointment to the Board in 2008, he worked at the BBC for eight years as Director, New Media & Technology and was a member of the executive board and management board. Between 1996 and 2000 he was Managing Director of Flextech Interactive Limited and an executive board member of Flextech plc. He is currently a Member of BAFTA, a Fellow of the Royal Society of Arts and a Director of the British Film Institute.

*David Lowden (55), Independent Non-executive Director* was appointed in April 2011. He is Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committees. Mr. Lowden is currently a non-executive director at Berendsen PLC and at Michael Page International plc and previously held numerous roles at Taylor Nelson Sofres Plc, including Chief Executive Officer. He was also previously a Non-executive Director at Cable & Wireless Worldwide Plc, the Group Finance Director of Asprey Plc, Chief Financial Officer of A.C. Nielsen Corporation and held various senior finance roles in Norcross Plc, Federal Express Corporation and KPMG. Mr. Lowden is a chartered accountant.

*Imelda Walsh (49), Independent Non-executive Director* was appointed in November 2011. She is Chairman of the Remuneration Committee and a member of the Audit and Risk Management, Nomination and Corporate Responsibility Committees. Ms. Walsh is the former Human Resources Director of J Sainsbury Plc and Barclays Bank Plc and has also held roles with Coca Cola & Schweppes Beverages Ltd and Diageo Plc. Ms. Walsh is currently a trustee of Comic Relief, a trustee of Now Pensions Ltd, a Non-Executive Director of The Mentoring Foundation and a Board member of the Institute of Employment Studies.

## 9. **WORKING CAPITAL**

William Hill is of the opinion that, taking into account available bank borrowings and other borrowings and the net proceeds of the Rights Issue receivable by William Hill, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

## 10. **UK TAXATION**

### 10.1 **General**

The following statements are intended as a general guide only to current UK tax legislation and to what is understood to be the current published practice of HM Revenue & Customs (“HMRC”) in each case at the date of this document and both of which are subject to change at any time, possibly with retrospective effect.

The following statements relate only to persons who are the absolute beneficial owners of Ordinary Shares and New Ordinary Shares and any dividends paid in respect of them, are resident and (if individuals) ordinarily resident in the UK for tax purposes (except where otherwise stated) and who hold their Ordinary Shares and New Ordinary Shares as investments (other than under an individual savings account) and not as trading stock. They may not apply to certain Shareholders, such as dealers in securities, insurance companies, broker dealers, intermediaries and collective investment schemes, and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment as trading stock.

**The tax position of a UK resident tax-exempt entity, or an individual who is not UK domiciled, is not dealt with below and specific advice should be sought. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK, is strongly recommended to consult his professional advisers immediately.**

## 10.2 Taxation of chargeable gains

### (a) *Acquisition of New Ordinary Shares*

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares under the Rights Issue should be regarded as a reorganisation of William Hill's share capital. Accordingly, to the extent that a Qualifying Shareholder takes up all or part of his entitlement under the Rights Issue in respect of his existing holding of Ordinary Shares, he should not be treated as having disposed of any part of that shareholding. Instead, his Existing Ordinary Shares and the New Ordinary Shares issued to him in respect of those Ordinary Shares should be treated as a single asset (the "**New Holding**") acquired at the time he acquired his Existing Ordinary Shares. For the purpose of computing any gain or loss on a subsequent disposal by a Qualifying Shareholder of any shares comprised in his New Holding, the Issue Price paid for the New Ordinary Shares will be added to the base cost of his Existing Ordinary Shares.

If a Qualifying Shareholder disposes of all or some of his rights to subscribe for New Ordinary Shares under the Rights Issue, or if he allows all or part of those rights to lapse and receives a cash payment in respect of this, he may, depending on his circumstances, incur a liability to UK taxation of chargeable gains. If, however, the proceeds resulting from the disposal or lapse are "small" (currently interpreted by HMRC as not exceeding the greater of £3,000 or five per cent. of the market value (as at the date of the disposal or lapse) of the holding of Existing Ordinary Shares in respect of which the rights arose) the Shareholder will be treated as not making a disposal for the purposes of UK taxation of chargeable gains provided the proceeds received do not exceed the acquisition cost of those Existing Ordinary Shares. No liability to tax on capital gains will then arise as a result of the disposal or lapse of the rights, but the proceeds will be deducted from the acquisition cost of those Ordinary Shares and accordingly will be taken into account when computing any chargeable gain or allowable loss arising on a future disposal of those Existing Ordinary Shares.

### (b) *Disposal of Ordinary Shares or New Ordinary Shares by a UK resident Shareholder*

A subsequent disposal or deemed disposal of Ordinary Shares or New Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, may, depending on the Shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. In the case of individual Shareholders, depending on the level of a Shareholder's taxable income in the relevant UK tax year and the availability of any exemptions or reliefs, the Shareholder is likely to be liable to capital gains tax (using current rates) at a rate of either 18 or 28 per cent.

An individual Shareholder who has ceased to be resident or ordinarily resident in the UK for tax purposes for a period of less than five complete tax years of assessment and who disposes of all or part of his New Holding during that period of temporary non-residence may be liable on his return to the UK to UK taxation of chargeable gains arising during the period of absence subject to any available exemption or relief.

In addition, in the case of a Shareholder within the charge to UK corporation tax, indexation allowance on the cost apportioned to the New Ordinary Shares may be available to reduce the amount of chargeable gain realised on a subsequent disposal. Indexation allowance may not, however, create or increase an allowable loss and indexation allowance is not available to individuals, personal representatives or trustees.

(c) *Disposal of Ordinary Shares or New Ordinary Shares by a non-UK resident Shareholder*

A Shareholder who is not UK resident but carries on a trade, profession or vocation in the UK through (in the case of an individual) a branch or agency or (in the case of a corporate Shareholder) through a permanent establishment to which the Ordinary Shares or New Ordinary Shares are attributable will be subject to the same rules as those which apply to UK resident Shareholders.

### 10.3 Dividends

(a) *William Hill*

William Hill will not be required to withhold tax at source on any dividends it pays to Shareholders in respect of the Ordinary Shares and New Ordinary Shares.

(b) *UK resident Shareholders*

Any individual Shareholder who is resident in the UK for tax purposes will generally be subject to UK income tax on the dividend received in respect of the Ordinary Shares and New Ordinary Shares. Such Shareholders will be entitled to a tax credit equal to one-ninth of the amount of the dividend, which is equivalent to 10 per cent. of the aggregate of the dividend received and the related tax credit (the “**gross dividend**”), and will be subject to income tax on the gross dividend. An individual Shareholder who is subject to income tax at the basic tax rate will be liable to tax on the gross dividend at the rate of 10 per cent. Therefore, the tax credit will satisfy the income tax liability of such a Shareholder in full. To the extent that a UK resident individual Shareholder does not receive taxable income in excess of £150,000 per annum (a “**higher rate taxpayer**”), such a Shareholder will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such sum, when treated, broadly speaking, as the top slice of that Shareholders’ income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to an additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. To the extent that a UK resident individual Shareholder receives taxable income in excess of £150,000 per annum (an “**additional rate taxpayer**”), he will be subject to a rate of income tax of 50 per cent. with a rate of 42.5 per cent. applying to dividend income, resulting in an effective rate of tax on dividends of 36.1 per cent. for additional rate taxpayers. From 6 April 2013, for additional rate taxpayers, the rate of income tax is to fall to 45 per cent. and rate of tax on dividends to fall to 37.5 per cent., which would result in an effective rate of tax on dividends of 30.55 per cent. for additional rate taxpayers. For these purposes, dividend income will generally be treated as the top slice of an individual’s income.

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the New Ordinary Shares are held in an individual savings accounts or personal equity plans) may be claimed by UK resident Shareholders (including pension funds and charities).

Subject to certain exceptions for traders and insurance companies and provided dividends are not received for tax avoidance reasons, a UK resident corporate Shareholder will generally not be subject to UK corporation tax on dividends received from William Hill. Such Shareholders will not generally be able to claim repayment of tax credits attaching to dividends. Corporate Shareholders within the charge to corporation tax are advised to consult their independent professional tax advisers in relation to the implications of receiving dividends in respect of the New Ordinary Shares.

#### 10.4 **Non-UK resident Shareholders**

Non-UK resident Shareholders are not generally entitled to claim repayment of any part of the tax credit although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. Non-UK resident Shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

#### 10.5 **UK stamp duty and stamp duty reserve tax (“SDRT”)**

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by certain categories of persons (including depositaries and clearance devices), who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters or on the issue of definitive share certificates or crediting of CREST member accounts in respect of such allotment letters. Similarly, no stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renounees.

Persons who purchase rights to subscribe for New Ordinary Shares represented by a Provisional Allotment Letter or split Provisional Allotment Letters (whether nil paid or fully paid) on or before the last time for registration of renunciation will not be liable to stamp duty but will be liable to SDRT, generally at the rate of 0.5 per cent. of the amount or value of the consideration payable.

A purchase of Ordinary Shares or New Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares or New Ordinary Shares and SDRT will arise on the entry into an agreement to sell such Ordinary Shares or New Ordinary Shares.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer). In the case of transfers within CREST, any SDRT due will be collected through CREST in accordance with the CREST rules.

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the consideration paid (although stamp duty only applies where such consideration is £1,000 or more and is rounded up to the nearest £5). A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

Paperless transfers of Ordinary Shares or New Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. Paperless transfers of Nil Paid Rights or Fully Paid Rights within the CREST system are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

#### 10.6 **Inheritance tax**

UK inheritance tax may be chargeable on the death of, or on a gift of Ordinary Shares or New Ordinary Shares by, a Shareholder. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to trustees of settlements who hold Ordinary Shares or New Ordinary Shares. Potential investors should consult an appropriate professional adviser if they make a gift or transfer at less than full market value or if they intend to hold Ordinary Shares or New Ordinary Shares through trust arrangements.



## 11. US TAXATION

The following is a discussion of the material US federal income tax consequences of the acquisition, ownership and disposition of the Rights and New Ordinary Shares that are applicable to you if you are a US Holder, as defined below, that acquires Rights and New Ordinary Shares pursuant to this offering. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold Rights and New Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time, 10 per cent. or more of the total combined voting power of all classes of the Company's stock entitled to vote. In addition, this description of the material US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt entities;
- insurance companies;
- persons holding the Rights and New Ordinary Shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle";
- persons who acquired the Rights and New Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services;
- US expatriates;
- persons subject to the alternative minimum tax;
- dealers or traders in securities or currencies;
- persons who are (or have been) residents of the United Kingdom or otherwise have any contacts with the United Kingdom other than holding their Rights and New Ordinary Shares; and
- holders whose functional currency is not the US dollar.

This summary does not address estate and gift tax consequences or tax consequences under any state, local or foreign laws other than as provided in "*UK Taxation*" above. In addition, this summary does not address the consequences to equity holders in a US Holder.

For purposes of this section, you are a "US Holder" if you are: (1) an individual citizen of the United States or a resident alien of the United States; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury regulations to be treated as a US person.

If a partnership or other pass-through entity (including any entity or arrangement treated as a partnership or pass-through entity for US federal income tax purposes) is a beneficial owner of Rights and New Ordinary Shares, the tax treatment of a partner or other owner in the partnership or pass-through entity will generally depend upon the status of the partner (or other owner) and the activities of the partnership

or pass-through entity. If you are a partner (or other owner) of a pass-through entity that acquires the Rights and New Ordinary Shares, you should consult your tax advisor regarding the tax consequences of acquiring, owning and disposing of the Rights and New Ordinary Shares.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the “**Code**”), US judicial decisions, administrative pronouncements, existing and proposed Treasury regulations and any applicable tax treaty, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling from the US Internal Revenue Service (the “**IRS**”) with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions it has reached and that are described herein.

This discussion assumes that the Company is not, has not and will not become, a passive foreign investment company (a “**PFIC**”) for US federal income tax purposes during any period when any US Holder owns shares in the Company, which the Company believes to be the case. The Company’s possible status as a PFIC must be determined annually and may be affected by changes in the Company’s activities, revenues and assets, including any acquisitions of other companies or ventures subsequent to this Rights Issue. If the Company were to be treated as a PFIC for any taxable year when particular US Holders own or owned the shares, materially adverse consequences could result to such US Holders for that year and all future years during which such US Holders retain their shares.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of the Rights and New Ordinary Shares and no opinion or representation with respect to the US federal income tax consequences to any such holder or prospective holder is made. Prospective purchasers are urged to consult their tax advisors as to the particular consequences to them under US federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of the Rights and New Ordinary Shares.

**IRS Circular 230.** To ensure compliance with IRS Circular 230, each holder and/or purchaser of the Rights and New Ordinary Shares is hereby notified that: (a) any discussion of tax issues herein is not intended or written to be relied upon, and cannot be relied upon, by a holder and/or purchaser for the purpose of avoiding penalties that may be imposed on such holder and/or purchaser under applicable tax law; (b) such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the offer to sell the Rights and New Ordinary Shares by the Company; and (c) a holder and/or purchaser of any Rights and New Ordinary Shares should seek advice based on its particular circumstances from an independent advisor.

## 11.1 **Taxation in respect of Rights**

### ***Receipt of Nil Paid Rights***

The tax consequences of the receipt of Nil Paid Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale of Nil Paid Rights by the Underwriters, and the remittance of the proceeds from that sale to certain US Holders whose Nil Paid Rights were sold, should be treated as a sale and distribution by the Company, or as a distribution of Nil Paid Rights by the Company and a subsequent sale of those Nil Paid Rights by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Nil Paid Rights could be taxable as a dividend to US Holders, regardless of whether they take up the Nil Paid Rights or not, to the extent of the Company’s current or accumulated earnings and profits, as described below under “*Taxation in Respect of New Ordinary Shares – Dividends*”. However, the remainder of this discussion assumes that the receipt of the Rights will not be a taxable dividend for US federal income tax purposes. It is possible that the IRS will take a contrary view and require a US Holder to include in income the fair market value of the Nil Paid Rights on the date of their distribution. US Holders should consult their own tax advisers regarding the US federal income tax treatment of the receipt of the Nil Paid Rights.

### ***Tax basis in Nil Paid Rights***

If, on the date of receipt, the fair market value of such Nil Paid Rights is 15 per cent. or more of the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received,

then the basis in the US Holder's Existing Ordinary Shares with respect to which the Nil Paid Rights were received must be allocated among the Existing Ordinary Shares and the Nil Paid Rights in proportion to their fair market values on the date of receipt. This rule will apply only if the Nil Paid Rights are exercised or sold. If, however on the date of receipt, the fair market value of such Nil Paid Rights is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which the Nil Paid Rights were received then unless a US Holder elects to allocate a portion of the basis of such Existing Ordinary Shares to the Nil Paid Rights (in the manner described above), and makes such election in its tax return for the taxable year in which the Nil Paid Rights are acquired, such US Holder's tax basis in the Nil Paid Rights generally will be zero and its tax basis in its Existing Ordinary Shares will remain unchanged as a result of the Rights Issue. If a US Holder allows the Nil Paid Rights to expire without selling or exercising them and does not receive any proceeds, the US Holder will not recognise any loss upon the expiration of the Nil Paid Rights, and the US Holder will not be entitled to allocate any basis to the Nil Paid Rights.

#### ***Sale or other disposition of Nil Paid Rights***

Upon a sale or other disposition of the Nil Paid Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Nil Paid Rights. Any gain or loss will be US-source, and will be long-term capital gain or loss if the US Holder's holding period in the Nil Paid Rights exceeds one year. A US Holder's holding period in the Nil Paid Rights will include the holding period in the shares with respect to which the Nil Paid Rights were distributed.

A US Holder that receives a payment from the Underwriters on account of the sale of New Ordinary Shares at a premium over the Issue Price will be treated either as having sold the Nil Paid Rights or as having exercised the Nil Paid Rights and sold the New Ordinary Shares (as described below under "*Taxation in respect of New Ordinary Shares – Sale, exchange or other taxable disposition*"). A US Holder that receives such a payment should consult its own tax advisers about the US federal income tax treatment of those amounts.

The amount realised on a sale or other disposition of the Nil Paid Rights for an amount in a currency that is not the US dollar (for the purpose of this section such non-US dollar currency shall be referred to as "**foreign currency**") will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US-source foreign currency exchange gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of the Nil Paid Rights traded on an established securities market (as defined under the applicable Treasury regulations) that are sold by a cash basis US Holder (or an accrual basis US Holder that properly elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no foreign currency exchange gain or loss will be recognised at that time. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. It is unclear if this exception will apply to any sale of the Nil Paid Rights, in part because it is uncertain whether an active trading market on an established securities market will develop for the Nil Paid Rights.

#### ***Receipt of Fully Paid Rights***

A US Holder will not recognise taxable income upon the receipt of Fully Paid Rights through exercise of Nil Paid Rights. A US Holder's basis in Fully Paid Rights will equal the sum of the US dollar value of the Issue Price determined at the exchange rate in effect on the date of exercise and the US Holder's basis, if any, in Nil Paid Rights exercised to obtain Fully Paid Rights.

#### ***Sale or other disposition of Fully Paid Rights***

Upon a sale or other disposition of the Fully Paid Rights, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Fully Paid Rights. Any gain or loss will be US-source, and is expected to be short-term capital gain or loss based on the terms of the Rights Issue.

For the US federal income taxation of an amount realised in a foreign currency from a sale or other disposition of the Fully Paid Rights, refer to the discussion above under “*Taxation in respect of rights – Sale or other disposition of Nil Paid Rights.*”

### ***Receipt of New Ordinary Shares***

A US Holder will not recognise taxable income upon the conversion of Fully Paid Rights for New Ordinary Shares pursuant to the Rights Issue. A US Holder’s basis in the New Ordinary Shares will equal its basis in the Fully Paid Rights with respect to which the New Ordinary Shares were issued. A US Holder’s holding period in each New Ordinary Share will include its holding period in the corresponding Fully Paid Right.

## **11.2 Taxation in respect of New Ordinary Shares**

### ***Dividends***

#### ***General***

The gross amount of any distribution paid by the Company with respect to the New Ordinary Shares will generally be subject to United States federal income tax as foreign source dividend income to the extent paid out of the Company’s current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount will be includable in gross income by a US Holder as ordinary income on the date that the US Holder actually or constructively receives the distribution in accordance with the US Holder’s regular method of accounting for US federal income tax purposes. The amount of any distribution made by the Company in property other than cash will be the fair market value of such property on the date of the distribution. Dividends paid by the Company will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s basis in the New Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Ordinary Shares will constitute ordinary dividend income. US Holders should consult their own tax advisors with respect to the appropriate US federal income tax treatment of any distribution received from the Company. An additional 3.8 per cent. tax may apply to dividends received by certain US Holders, including individuals, estates and trusts, during taxable years beginning on or after 1 January 2013.

Subject to applicable limitations, dividends paid by the Company will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the tax treaty between the United States and the United Kingdom. A US Holder will be eligible for this reduced rate only if it has held the New Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Prospective purchasers should consult their tax advisors concerning the applicability of the foreign tax credit and source of income rules to dividends on the New Ordinary Shares.

### ***Foreign currency dividends***

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency exchange gain or loss in respect of the dividend income. Any gain or loss recognised on a sale or other disposition of a foreign currency will be US-source ordinary income or loss.

### ***Sale, exchange or other taxable disposition***

A US Holder generally will recognise gain or loss upon the sale, exchange or other taxable disposition of the New Ordinary Shares in an amount equal to the difference, if any, between (i) the amount realised upon the sale, exchange or other taxable disposition and (ii) the US Holder’s adjusted tax basis in the

New Ordinary Shares. Generally, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange or other taxable disposition, the US Holder has held the New Ordinary Shares for more than one year. However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "*Dividends – General*" and exceeds 10 per cent. of the US Holder's basis in (or, in certain cases, the fair market value of) its New Ordinary Shares. If the US Holder is not a corporation, long-term capital gains for taxable dispositions of New Ordinary Shares may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code. An additional 3.8 per cent., tax will apply to gains recognised by certain US Holders, which may include individuals, estates and trusts, upon the sale or other disposition of stock occurring during taxable years beginning on or after 1 January 2013.

Gain or loss, if any, that the US Holder realises upon a sale, exchange or other taxable disposition of New Ordinary Shares will be US-source for US foreign tax credit limitation purposes. Consequently, the US Holder may not be able to use any foreign tax credits arising from any UK tax imposed on the sale, exchange or other taxable disposition of the New Ordinary Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources or unless an applicable treaty provides otherwise.

A US Holder's tax basis in a New Ordinary Share will generally be its US dollar cost. The US dollar cost of a New Ordinary Share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase. In the case of New Ordinary Shares traded on an established securities market (as defined in the applicable treasury regulations) that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), the US dollar cost of a New Ordinary Share purchased with foreign currency will generally be the US dollar value of the purchase price on the settlement date for the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of New Ordinary Shares for an amount in foreign currency will be the US dollar value of this foreign currency amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Ordinary Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no foreign currency exchange gain or loss will be recognised at that time. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without consent of the IRS.

#### ***Disposition of foreign currency***

Foreign currency received on the sale or other disposition of a New Ordinary Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase New Ordinary Shares or upon exchange for US dollars) will be US-source ordinary income or loss.

#### ***Backup withholding and information reporting***

Payments of dividends and other proceeds with respect to the New Ordinary Shares, by a US paying agent or other US intermediary, will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the US Holder's US federal income tax liability, provided that the required information is furnished to the IRS.

## **Information Reporting to IRS**

In general, US Holders that transfer cash to the Company for New Ordinary Shares may be required to file a Form 926 with the IRS and to supply certain additional information to the IRS if (i) such US Holder owns (directly or indirectly) immediately after the transfer at least 10 per cent. by vote or value of the Issuer or (ii) the transfer, when aggregated with all related transfers under applicable regulations, exceeds US \$100,000. In certain circumstances, a US Holder that receives cash from the Underwriters may be deemed to have exercised its Nil Paid Rights and, thus, to have transferred cash to the Company. See, e.g., “*Taxation in respect of Rights Sale or other disposition of Nil Paid Rights*”. Accordingly, US Holders should consult their own tax advisors with respect to whether they should file Form 926. In the event a US Holder that is required to file such form, fails to file such form, the US Shareholder could be subject to a penalty of up to US\$100,000 (computed as 10 per cent. of the gross amount transferred to the Company) or more if the failure to file was due to intentional disregard of its obligation.

In addition, US legislation requires certain individual US Holders (or certain entities formed by or for US Holders) to report information with respect to their investment in the Company to the IRS unless the New Ordinary Shares are held in an account at a US financial institution. Investors who fail to report required information could become subject to substantial penalties. Investors are encouraged to consult with their own tax advisors regarding the potential information reporting obligations in respect of their investment in the New Ordinary Shares.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE US FEDERAL, STATE, LOCAL AND NON-US TAX CONSEQUENCES TO THEM IN THEIR PARTICULAR CIRCUMSTANCES OF ACQUIRING, HOLDING, AND DISPOSING OF THE RIGHTS AND NEW ORDINARY SHARES.**

## 12. **UNDERWRITING AGREEMENT**

The Underwriting Agreement between William Hill and the Banks under which the Joint Global Coordinators have agreed to use reasonable endeavours to procure subscribers for New Ordinary Shares not taken up under the Rights Issue (other than the 551,592 New Ordinary Shares which are the subject of the Directors’ undertakings (the “**Committed Shares**”), failing which the Banks shall subscribe for such New Ordinary Shares.

The obligations of the Banks under the Underwriting Agreement are conditional upon, *inter alia*, Admission becoming effective by not later than 8.00 a.m. on 19 March 2013 (or such later time or date as William Hill and the Banks may agree in advance in writing but so that the last date for acceptance is not later than 18 April 2013).

If any of the conditions in the Underwriting Agreement are not fulfilled (or where permitted waived) in all respects by the specified time and date or, if no date has been specified, by 8.00 a.m. on 19 March 2013, or by such later date as the Banks and William Hill may agree (being not later than 8.00 a.m. on 18 April 2013), the obligations of the Banks under the Underwriting Agreement shall terminate.

For the services provided under the Underwriting Agreement, subject to the obligations of the Banks under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, William Hill shall pay to the Banks an overall underwriting commission of approximately £7.7 million.

Under the Underwriting Agreement, William Hill has given certain representations and warranties to the Banks regarding, *inter alia*, the accuracy of the information contained in this document, and an indemnity in relation to the Rights Issue.

The Banks may terminate their obligations under the Underwriting Agreement if, *inter alia*, there is a material breach of any of the provisions of the Underwriting Agreement by William Hill or any of the

warranties contained in the Underwriting Agreement ceases to be true and accurate and not misleading in any material respect at any time prior to Admission. The Banks may also terminate on the occurrence of certain force majeure events including a material adverse change in either the condition or business affairs of the Group, or a fundamental change in economic, political or market conditions or any outbreak of hostilities or similar crisis which, in either case, (in the Banks' opinion) makes it inadvisable or impracticable to proceed with the Rights Issue. The Banks may also terminate if trading in securities in general or in the securities of William Hill is suspended or materially limited or if there is a disruption material in the context of the Rights Issue to commercial banking, securities settlement or clearances services in the UK.

### 13. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group and/or contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

#### 13.1 William Hill Online/Playtech Framework Agreement

On 19 October 2008, William Hill Organization Limited (for the purposes of this section, "**WHO**"), WHG Trading Limited (formerly known as William Hill (Gibraltar) 2008 Limited) ("**JVCo1**"), WHG (International) Limited (formerly known as William Hill (Gibraltar) Limited) ("**JVCo2**") (JVCo1 and JVCo2, together being the "**JVCos**") and Playtech entered into a framework agreement (which was further amended on 29 December 2008, 21 December 2010 and 13 May 2011) to govern and regulate the joint venture between William Hill and Playtech in connection with William Hill's remote gambling business (the "**Framework Agreement**").

Pursuant to the Framework Agreement, the share capital of the JVCos was allotted such that WHO owned 71 per cent. and Playtech owned 29 per cent. of the issued share capital of the JVCos. In consideration for the allotment of these shareholdings, Playtech agreed to contribute certain assets and affiliates of Playtech and other marketing and gaming assets, contracts and brands providing vertically integrated services to the European online gaming marketplace and WHO contributed (or agreed subsequently following an integration strategy to contribute) assets relating to its remote gaming business and services in connection therewith.

As is customary in an arrangement of this nature and to provide governance rights to reflect the parties shareholdings in the JVCos, the parties agreed certain operational provisions, including, among other things:

- WHO agreed to conduct its remote gambling business through the medium of the JVCos and their subsidiaries (the "**JVCo Group**");
- WHO may nominate up to three directors of each company within the JVCo Group and Playtech could nominate two directors to the boards of each such company;
- Playtech were afforded certain information rights to receive financial and commercial information on the trading and progress of the JVCo Group;
- WHO and Playtech undertook that the JVCo Group would not undertake certain material actions without the consent of both WHO and Playtech, including not to: create encumbrances over the assets of the JVCo Group or enter into any financial bonds or guarantees (other than pursuant to ordinary course trading); save for certain exceptions, enter into capital commitments in aggregate in excess of £20 million per annum; enter into any acquisition or disposal or series of acquisitions or disposals in any one year exceeding £10 million; enter into any borrowings or finance obligations; change the constitutional documents of a JVCo Group company; issue or purchase shares in any JVCo Group company; declare a dividend in a JVCo Group company; alter the share rights of any of the shares of the JVCos; or transfer the shares held in the JVCos by Playtech or WHO.

WHO and Playtech also agreed that dividends of the JVCo Group would be declared and paid (subject to certain exceptions) on a regular quarterly basis and would be split such that each of WHO and Playtech would receive the profits of the JVCo Group in proportion to their shareholdings in the JVCos.

The Framework Agreement grants a call option to WHO to convert all the shares Playtech holds in the JVCos in either 2013 or 2015, together with the trademarks and domain names licensed to the JVCos by Playtech for fair market value. The fair market value is determined following a prescribed procedure involving the appointment of valuers by each of Playtech and WHO and an independent valuer appointed jointly by WHO and Playtech. Playtech may elect to receive a proportion of its consideration in William Hill shares in substitution for cash (subject to certain exceptions) provided that any such shares to be issued to Playtech shall not exceed 9.99 per cent. of William Hill's issued share capital immediately following such issue, subject to a lock-up on the sale of such shares for a 12-month period commencing on the date of their issue to Playtech and provided further that the receipt of such shares does not result in Playtech owning more than 20 per cent. of the then issued share capital of William Hill. If WHO does not elect to exercise its option to acquire Playtech's shares in the JVCos in 2013 or 2015, Playtech has been granted an "unwind right" which permits Playtech to transfer its shareholdings to a third party provided that before it does so WHO has a matching right in respect of such sale, which if exercised, compels Playtech to transfer its shares to WHO.

Playtech and WHO also provided to each other and the JVCos title, trading and financial warranty and indemnity protection customary with an arm's length sale or transfer of shares and assets in connection with the shares and assets that each party contributed to the JVCos. These warranties were subject to certain limitations including a two-year time limit (for warranties other than tax) and certain monetary caps and thresholds.

Playtech and WHO also agreed to provide non-compete protections broadly customary in a transaction of this type to the other to ensure that the interests of either party in the JVCo were not materially prejudiced by the actions of the other shareholder, including in particular certain restrictions on Playtech supplying, directly or indirectly, certain competing businesses prior to 31 December 2009 and an undertaking by WHO not to, and to procure that no member of WHO's group will, take any interest in a competing business to that of the JVCos, subject to certain carve outs in various circumstances.

Playtech Software Limited undertook to indemnify and guarantee the performance of Playtech under the provisions of the Framework Agreement. The Framework Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.2 **Software Licence and Services Agreement and Trade Mark and Domain Name Licence Agreement with Playtech Group**

Under an agreement dated 19 October 2008 between Playtech Software, each of the JVCos and WHO, as amended from time to time (with the most recent amendment being on 25 September 2012), Playtech Software was appointed as the exclusive supplier to the licensees under the agreement (the "**Licensees**") of certain online casino, bingo and poker games on specified branded websites. The agreement terminates automatically without notice on 31 December 2016, but either party may also terminate in certain circumstances prior to this date.

In consideration of payment of the service fees under the agreement, Playtech Software agreed to provide or procure the provision of services to the Licensees including poker management services, bingo management services, live games services and integration services. WHO has guaranteed the performance of the obligations of the Licensees to Playtech Software.

The agreement provides Playtech Software with the right of first refusal to provide the Licensees with certain new casino, poker and bingo games for use on branded websites.

Playtech Software's liability is subject to certain caps and exclusions as a result of which William Hill may be unable fully to recover its losses in the event of a default by Playtech Software or in the event that William Hill has a claim under any warranties or indemnities provided by Playtech Software under this agreement.

This agreement is governed by and construed in accordance with the laws of England and Wales

Under a separate agreement dated 19 October 2008 Genuity Services Limited agreed to grant an exclusive perpetual worldwide licence to the Licensees to use certain trade marks and domain names in its business. Under the Framework Agreement, William Hill may acquire such trade marks and domain names in 2013 or 2015 for fair market value.

This agreement is governed by and construed in accordance with the laws of England and Wales



### 13.3 Scheme of Arrangement for a recommended offer for Sportingbet

On 20 December 2012, the boards of William Hill, Sportingbet and GVC announced that they had reached agreement on the terms of a recommended offer (the “**Offer**”) pursuant to which (a) GVC would acquire the entire issued and to be issued share capital of Sportingbet, and (b) members of the William Hill Group (not being William Hill Online) would (i) acquire Sportingbet’s Australian business, the “*miapuesta*” brand and certain Guernsey domiciled companies that hold the title to certain Guernsey properties; and (ii) be granted call options (exercisable for no additional consideration) over Sportingbet’s Spanish business. William Hill Australia, a wholly-owned subsidiary of William Hill, was established for the purposes of making the Offer in conjunction with GVC subject to the Scheme (the “**Scheme Shares**”).

The Offer would, if approved, be effected by means of a court sanctioned scheme of arrangement (the “**Scheme**”) under Part 26 of the 2006 Act involving a reduction of capital under Chapter 10 of Part 17 of the 2006 Act. The Scheme would involve a subdivision and reclassification of the shares held by Scheme shareholders into A Shares and B Shares (depending on whether cash consideration or New GVC Shares (as defined below) will be received in respect of those Scheme Shares) and a reduction of capital pursuant to Chapter 10 of Part 17 of the 2006 Act.

The implementation of the Scheme is subject to a number of conditions (the “**Conditions**”). Such Conditions include (i) the requisite majorities of each of the Scheme shareholders, the holders of Sportingbet convertible bonds outstanding as of 19 March 2013 (the “**Sportingbet Bondholders**”), and the Sportingbet shareholders approving the Offer at their relevant meetings, (ii) the approval of the Offer by shareholders of GVC and (iii) William Hill Australia obtaining the required Australian licence approvals.

The Offer is for 55 pence per Scheme Share comprising 44.8 pence in cash and 0.0435 New GVC Shares per Scheme Share, plus the entitlement for Sportingbet shareholders to receive and retain the previously announced 1.1 pence per Sportingbet share final dividend declared in respect of the year ended 31 July 2012.

Under the Offer, Sportingbet Bondholders are entitled to receive £141,000 in cash for each £100,000 in principal amount of Sportingbet convertible bonds. The cash payable upon the Scheme becoming effective to Sportingbet Bondholders is based on an enhanced conversion rate applicable on a change of control of Sportingbet.

Taking into account the final dividend, the Offer values each Sportingbet share at 56.1 pence, based on the closing price per GVC share of 233.5 pence on 15 October 2012 (being the latest Business Day prior to the suspension of trading of GVC Shares). On this basis, the Offer values the entire issued and to be issued share capital of Sportingbet on a fully diluted basis (assuming repayment in full of the Sportingbet convertible bonds and exercise of all outstanding in the money options and awards under Sportingbet’s share schemes) at approximately £485 million to be satisfied by both William Hill and GVC.

Eligible Scheme shareholders may elect to vary the cash and/or number of new GVC Shares they will receive by participating in the “Mix and Match Facility”. Eligible Scheme shareholders are entitled to elect, subject to availability and to the Scheme becoming effective, to vary the proportions in which they receive new GVC Shares and cash in respect of their holdings of Scheme Shares. However, the total number of new GVC Shares to be issued under the Scheme will not be increased as a result of elections under the Mix and Match Facility. Accordingly, elections made by eligible Scheme shareholders under the Mix and Match Facility for new GVC Shares will only be satisfied to the extent that other eligible Scheme shareholders make equal and opposite cash elections.

In addition, William Hill has provided the following assurances to the board of Sportingbet: (i) to enter into new long-term retention and incentivisation arrangements with certain members of Sportingbet’s Australian management team; and (ii) to work together with GVC prior to the date of exercising the call option to agree an appropriate migration plan for the transfer of the Sportingbet Spanish business to William Hill. In addition, the Board of William Hill has confirmed that, following the acquisition of these businesses: (i) the existing employment rights, including pension rights, of all Sportingbet’s employees transferring to the William Hill Group will be safeguarded; (ii) all employees of Sportingbet’s Australian business will become employed within the enlarged William Hill Group on their existing employment

terms and conditions, save in respect of the new long-term retention and incentivisation arrangements with the management team referred to above; and (iii) in relation to any redundancies which are considered necessary, enhanced payments will be made to all impacted employees in accordance with the terms of the redundancy policy most recently applied by Sportingbet.

#### *Consortium Agreement*

William Hill, William Hill Australia, William Hill Organization and GVC entered into the consortium agreement on 20 December 2012 (the “**Consortium Agreement**”) in connection with the Offer.

The Consortium Agreement sets out the obligations of the parties as joint offerors towards each other in connection with implementation of the Offer and certain protections to be afforded to the other parties.

In connection with the conduct of the Offer, William Hill, William Hill Australia and William Hill Organization, on the one hand, and GVC on the other have agreed certain mutual obligations for the duration of the Offer. These include undertakings that (i) both William Hill and GVC shall co-operate with each other in good faith, in furtherance of the Offer; (ii) neither William Hill nor GVC shall, without the other’s prior consent, solicit or enter into discussions with Sportingbet or a third party in relation to a competing offer for Sportingbet; and (iii) neither William Hill nor GVC shall, without the other’s prior consent acquire some or all of the Sportingbet shares or a material part of its assets.

In addition to the mutual undertakings described above, GVC has provided certain undertakings to William Hill in connection with the publication of the GVC prospectus and its shareholder circular and the holding of a meeting of GVC’s shareholders to seek approval of the Offer. GVC has also agreed that if, prior to the implementation of the Offer, a third party makes an offer for GVC, the GVC directors withdraw or qualify their recommendation set out in GVC’s shareholder circular giving notice of a shareholder meeting to approve the Offer and the Offer lapses, GVC shall pay a break fee of £5 million to William Hill.

William Hill has agreed with GVC that it will make the appropriate regulatory filings required to satisfy certain Conditions, including to obtain approval of the relevant Australian Regulatory Authority.

In addition, the Consortium Agreement contains customary warranties given by the parties in relation to their capacity to enter the agreement and certain indemnities to protect the parties following implementation of the Offer. Indemnities relating to losses in the acquired business are capped at £10 million. However indemnities relating to specific tax issues or litigation are not subject to a cap.

The Consortium Agreement will be terminated only if the Offer lapses in accordance with its terms or if William Hill and GVC agree so in writing.

#### *Recommendation, Irrevocables and Implementation of the Offer*

The board of Sportingbet who have been so advised by Lazard & Co. Limited, as the independent adviser to Sportingbet’s board of directors for the purposes of Rule 3 of the Takeover Code, has stated that it considers the terms of the Offer to be fair and reasonable. Accordingly, the board of Sportingbet has unanimously recommended the Offer.

William Hill and GVC have received irrevocable undertakings in support of the Scheme in respect of an aggregate of 153,574,208 Sportingbet shares, representing approximately 23 per cent. of Sportingbet’s share capital in issue on 23 January 2013.

Following implementation of the Offer, the last day of dealings in, and for registration of transfers of, Sportingbet shares and Sportingbet convertible bonds is expected to be 12 March 2013, the business day following the Scheme court hearing, and at the close of business on that date trading of Sportingbet shares on the London Stock Exchange’s main market for listed securities and trading of Sportingbet convertible bonds on the London Stock Exchange’s Professional Securities Market will be suspended.

#### 13.4 **Asset Purchase Agreement relating to the acquisition of the Cal Neva Assets**

On 13 April 2011, CN Acquisition Sub, Inc. (“**CNAS**”), a member of the Group, entered into an asset purchase agreement with Sierra Development Company (“**Sierra**”) whereby CNAS acquired all of

Sierra's assets relating to the operation of its race and sports book operations. Several ancillary documents were executed simultaneously including, inter alia, a licence agreement whereby Sierra grants a perpetual, exclusive and royalty free licence to CNAS for use of the "Club Cal Neva" trademark by CNAS in connection with sports book and a licence agreement whereby Sierra grants CNAS the exclusive right of use and access in respect of the Club Cal Neva premises.

Under the terms of the asset purchase agreement, the initial consideration was US\$21.0 million subject to an adjustment post execution of the agreement to reflect the working capital position against an agreed working target of US\$0 on a debt-free, cash-free basis. An additional US\$1.5 million is stated as payable upon the accrual gross revenues exceeding US\$12.2 million during the period of 1 March 2011 to 28 February 2012.

The limitation period for warranty claims is 18 months from the date of the agreement. However no limitation applies to certain representations relating to authority, the assets purchased, broker's fees and finder's fees (the "**Core Representations**") and any representation in the case of fraud, intentional misrepresentation or intentional breach are to survive indefinitely. Tax warranties and environmental warranties are to survive until close of business on the 60th day following expiration of the applicable statute of limitations.

Under the terms of the asset purchase agreement, neither party is liable for a breach of warranty under the asset purchase agreement or any of the ancillary agreements or related documents unless the aggregate amount of recoverable losses is equal to or in excess of US\$100,000 in which case the indemnifying party is liable for all amounts in excess of that threshold subject to a liability cap of US\$2.0 million. The liability cap does not however apply to any breaches of Core Representations, tax or environmental warranties or any representation or warranty in the event of fraud, wilful misconduct or intentional misrepresentation. The sum of US\$250,000 was held back for 18 months after execution of the agreement to allow for any successful indemnity claim by CNAS.

The asset purchase agreement is governed by the laws of the state of Nevada.

### 13.5 **Membership Interest Purchase Agreement relating to the acquisition of Brandywine**

Pursuant to a membership interest purchase agreement dated 2 May 2011 (the "**Purchase Agreement**") between William Hill Holdings Limited, BW Sub Co. (a Nevada incorporated wholly-owned subsidiary of William Hill Holdings Limited) ("**BW**"), Brandywine Bookmaking LLC ("**Brandywine Bookmaking**") and Brandywine Gaming LLC ("**Brandywine Gaming**"), BW agreed to purchase all issued and outstanding membership units of Brandywine Bookmaking from Brandywine Gaming. Simultaneously, certain interest holders in Brandywine Bookmaking (including holders of options, convertible notes, warrants or participants in Brandywine Bookmaking's incentive plans) entered into a support agreement pursuant to which BW agreed to pay (and William Hill Holdings Limited agreed to procure that BW paid) a sum on closing in consideration for the applicable supporting parties waiving any and all of their interests in Brandywine Bookmaking.

The aggregate consideration for the purchase and sale of the units and waiver of the above mentioned interests was US\$14,250,000 (the "**Consideration**"), as adjusted in accordance with the terms of the Purchase Agreement. The sum of US\$500,000 was withheld from the Consideration in an adjustment escrow fund and apportioned upon final determination between the parties based on the consolidated balance sheet of Brandywine Bookmaking 90 days after the closing date. The sum of US\$1,000,000 was withheld from the Consideration in an indemnity escrow fund to cover any indemnity claims.

An indemnity and guaranty agreement was entered into on 2 May 2011 between BW and Joseph M. Asher (owner of all of the outstanding units of Brandywine Gaming) ("**Asher**") whereby Asher provided BW with indemnities in respect of losses arising pursuant to the failure of convertible noteholders of Brandywine Bookmaking to duly execute any support agreements or inaccuracy or breach of warranties given under the indemnity and guaranty agreement. As a result BW withheld a sum of US\$250,000 from the Consideration at closing for a period of 18 months to be applied to pay for any losses covered by the indemnities provided therein.

The terms of the Purchase Agreement allowed for additional funding to be provided by BW to Brandywine Bookmaking, under the 4.72 per cent. convertible note issued by Brandywine Bookmaking on 2 May 2011 (the "**Bridge Note**").

The limitation period for warranty claims is 18 months from the closing date, being three business days after all conditions and obligations under the Purchase Agreement were met (i.e. June 2012). However, no limitation applies to certain representations relating to authority, the units, capitalisation, equity interests, broker's fees and finder's fees (the "**Core Representations**"). Representations relating to fraud or intentional misrepresentation are to survive indefinitely. Tax warranties and environmental warranties are to survive until close of business on the 60th day following expiration of the applicable statute of limitations.

The indemnity provisions under the Purchase Agreement allow for recovery by either party for breach of any covenant, representation or warranty under the Purchase Agreement or under the ancillary documents. The agreement also allows for recovery by BW in respect of any pre-closing tax liability that has not been accounted for to the extent that such liability does not exceed the lesser of excess working capital (net any transaction expenses paid or owed) or US\$25,000.

Under the terms of the Purchase Agreement, neither party is liable for a breach of representation or warranty under the Purchase Agreement or any ancillary document unless the aggregate amount of recoverable losses is equal to or in excess of US\$100,000 in which case the indemnifying party is liable for all amounts in excess of that threshold subject to a liability cap of US\$1,000,000. The liability cap does not, however, apply to any inaccuracy or breaches of the Core Representations, tax or environmental warranties or any representation or warranty in the event of fraud or intentional misrepresentation.

The Purchase Agreement is governed by the laws of the state of Delaware, provided, however, that the laws of the state of Nevada apply in respect of any and all Nevada gaming regulatory matters.

### 13.6 **Merger Agreement relating to the acquisition of AWI**

On 13 April 2011, American Wagering, Inc. ("**AWI**") entered into an agreement and plan of merger with William Hill Holdings Limited, as the parent, and AW Sub Co. (the "**Merger Subsidiary**"), an indirect wholly-owned subsidiary of William Hill Holdings Limited (the "**Merger Agreement**"). Upon the terms and subject to the conditions of the Merger Agreement, which were satisfied in June 2012 (the "**Effective Time**"), the Merger Subsidiary merged with and into AWI, with AWI continuing as the surviving corporation as an indirect wholly-owned subsidiary of William Hill Holdings Limited (the "**Merger**").

As a condition to entry into the Merger Agreement and as inducement for AWI to enter into the Merger Agreement, AWI and William Hill Holdings Limited concurrently executed a bridge loan agreement and related 12.5 per cent. secured convertible PIK promissory note, pursuant to which William Hill Holdings Limited agreed to lend up to US\$7.25 million to AWI.

The consideration for the Merger consisted of: (i) US\$0.90 in cash (less any applicable withholding taxes) for each share of AWI's common stock; (ii) US\$100 (including all of the accrued but unpaid interest for the period from the date of the Merger Agreement until the Effective Date less any applicable withholding taxes) for the redemption of each outstanding share of AWI's redeemable series A preferred stock; (iii) an amount in cash equal to the number of common stock shares (issued pursuant to the exercise of the outstanding stock options at the Effective Time) multiplied by the excess of US\$0.90 over the exercise price of each outstanding stock option (less any applicable withholding taxes); and (iv) an amount in cash equal to the number of common stock shares (issued pursuant to the exercise of the warrants at the Effective Time) multiplied by the excess of US\$0.90 over the exercise price for such warrant (less any applicable withholding taxes).

The obligation of each party to effect the Merger was subject to the satisfaction or waiver at, or prior to, the Effective Time of the following conditions: (i) majority shareholder approval; (ii) receipt of consents and approvals required under the relevant gaming laws; (iii) no restraining order, injunction or decree being issued prohibiting the Merger; and (iv) no suit, action or legal proceedings trying to restrain or prohibit consummation of the Merger.

Each of AWI, William Hill Holdings Limited and the Merger Subsidiary represented and warranted to each other, among other things: that they had good standing and power and authority to execute and deliver the Merger Agreement and to consummate the Merger; there were no defaults under their respective organizational documents and contracts and applicable laws; and judgments and the accuracy of information supplied for inclusion in their information statement.

In addition, William Hill Holdings Limited and the Merger Subsidiary agreed that all obligations of indemnification existing in favour of the current or former directors and officers of AWI as provided in AWI's charter or bylaws were to be assumed and performed by AWI as the surviving corporation and continue in full force and effect until the expiration of six years from the Effective Time with respect to any claims against such directors or officers arising out of such acts or omissions, except as otherwise required by applicable law. William Hill Holdings Limited has also agreed, for a period of six years after the Effective Time, to keep AWI's current directors and officers' insured for any acts or omissions occurring prior to the Effective Time.

Upon completion of the Merger in June 2012, all shares of AWI's common stock were de-listed from trading on the OTC Bulletin Board and were de-registered under the Securities Exchange Act.

The Merger Agreement is governed by and construed in accordance with the laws of the State of Nevada.

### 13.7 **TurfTV Agreement**

On 5 October 2011, WHO entered into a renewal agreement with Amalgamated Racing Limited ("**TurfTV**") under which WHO pays a fee in consideration for the supply of live horse racing coverage for display in William Hill LBOs in the UK, the Isle of Man, the Channel Islands, and the Republic of Ireland from 1 February 2013 to 31 January 2018 (the "**TurfTV Agreement**"). The TurfTV Agreement expires on 31 January 2018 although it may be terminated earlier by either party in certain circumstances.

Each party's liability under the TurfTV Agreements is subject to certain caps and the agreement contains a broad exclusion clause in respect of TurfTV's liability. These provisions could result in WHO being unable to recover losses that it suffered as a result of TurfTV's failure to meet its contractual obligations or in the event that WHO has a claim under any warranties or indemnities provided by TurfTV under the agreements.

The TurfTV Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.8 **SISL Agreement**

On 17 January 2012, WHO entered into an agreement with Satellite Information Services Limited ("**SISL**"), which superseded the previous agreement which had been extended from time to time between the parties, under which it pays a fee to SISL in consideration for the supply of horse racing and greyhound racing coverage for display in William Hill LBOs in the UK, the Isle of Man and the Channel Islands (the "**SISL Agreement**"). The SISL Agreement expires on 31 July 2016 but may be terminated earlier by either party in certain circumstances.

Each party's liability is subject to certain caps and the SISL Agreement contains a broad exclusion clause in respect of SISL's liability. These provisions could result in WHO being unable to recover losses that it may suffer as a result of SISL's failure to meet its contractual obligations or in the event that WHO has a claim under any warranties or indemnities provided by SISL under the SISL Agreement.

The SISL Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.9 **Inspired Gaming Agreement**

On 18 January 2012, WHO entered into a supply agreement with Inspired Gaming (UK) Limited ("**Inspired Gaming**"), which superseded the previous agreement dated 23 January 2008, for the supply of gaming machines entered into between WHO and Inspired Gaming (the "**Inspired Gaming Agreement**"). Under the Inspired Gaming Agreement, Inspired Gaming provides gaming machines and related equipment, content, and services to WHO in consideration for a percentage of the stakes played on the gaming machines, subject to certain conditions. The Inspired Gaming Agreement will expire automatically on 31 May 2016 unless extended by written agreement of WHO and Inspired Gaming or terminated earlier by either party in specified circumstances.

Each party's liability is subject to certain monetary caps under the Inspired Gaming Agreement, which also contains a broad exclusion clause in respect of each party's liability. These provisions could result in

WHO being unable to recover losses that it suffered as a result of Inspired Gaming's failure to meet its contractual obligations or in the event that the WHO has a claim under any warranties or indemnities provided by Inspired Gaming under Inspired Gaming Agreement.

The Inspired Gaming Agreement is governed by and construed in accordance with the laws of England and Wales.

#### 13.10 **Virtue Fusion Agreement**

On 11 January 2007, a framework agreement was entered into between William Hill Online NV, Virtue Fusion NV and Virtue Fusion Limited. This was first amended and novated by a novation and amendment agreement between Virtue Fusion NV, Virtue Fusion (Alderney) Limited ("**VFA**") dated 13 September 2007, then subsequently amended and novated by a deed of amendment between JVCo2, Virtue Fusion Limited and VFA dated 8 January 2010, then subsequently amended by various agreements from time to time between JVCo2 and VFA (together the "**Virtue Fusion Agreement**").

Under the terms of the Virtue Fusion Agreement, and in consideration for the creation and provision of a branded website hosted in Alderney allowing William Hill customers access to online bingo products, slot-machine style games and other related content, JVCo2 will pay a percentage of the revenues generated by this website to VFA (with the percentage to be determined subject to various conditions). The term of the agreement expires at 23:59 on 28 February 2013. The parties intend to extend the term of the agreement by conduct beyond this date.

Each party's liability under the Virtue Fusion Agreement is subject to certain monetary caps and is also subject to a broad exclusion clause in respect of both parties' liability. These provisions could result in JVCo2 being unable to recover losses that it may suffer as a result of VFA's failure to meet its contractual obligations or in the event that JVCo2 has a claim under any warranties or the indemnities provided by VFA under the Virtue Fusion Agreement.

The Virtue Fusion Agreement is governed by and construed in accordance with the laws of England and Wales.

#### 13.11 **Vertex/Capita Outsourcing Agreement**

On 23 July 2010, Vertex Customer Management Limited ("**Vertex**") and each of the JVCos William Hill Credit Limited ("**William Hill Credit**") and WHO entered into an agreement in respect of the outsourcing of IT and call handling services from William Hill to Vertex and the terms and conditions under which these services are to be provided to the JVCos in consideration for the payment of various charges including set up costs, annual fixed costs and variable costs based on the amount of calls handled, less a discount of £400,000 spread equally over the five year term and any credit due from time to time as a result of Vertex failing to meet the required service levels (the "**Vertex Outsourcing Agreement**"). In addition certain employees were agreed to be transferred from WHO to Vertex and certain property, equipment and related liabilities were agreed to be transferred from William Hill Credit.

The Vertex Outsourcing Agreement terminates on 1 February 2016 unless otherwise extended or terminated early in accordance with the terms of the agreement. In the event of termination certain employees of Vertex who are wholly or mainly assigned for the provision of the services under the Vertex Outsourcing Agreement may be transferred to the JVCos or to a replacement service provider.

Vertex's liability under the Vertex Outsourcing Agreement is subject to certain caps. These caps could result in one of the William Hill entities being unable to recover losses that it may suffer as a result of a breach by Vertex of the agreement or in the event that a claim is made under a warranty, indemnity, or for breach of statutory duty, non fraudulent misrepresentation or a tortious claim.

This agreement was subsequently novated under a deed of novation dated 26 October 2011, between Vertex, Club 24 Limited ("**Capita**"), each of the JVCos William Hill Credit and WHO, so that Capita assumed all of Vertex' rights and obligations under the agreement as if Capita had been a party to the original agreement instead of Vertex.

The Vertex Outsourcing Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.12 **OpenBet Short Form Agreement**

William Hill Credit has entered into a short form agreement with OpenBet Limited (formerly known as Orbis Technology Limited) ("**OpenBet**") dated 29 June 2012 (the "**OpenBet Short Form Agreement**") in respect of the licence, support, development and payment for a software system provided by OpenBet for a term continuing until 30 June 2015 unless terminated earlier by the parties in accordance with the terms of the agreement, or until incorporated into a long form agreement.

William Hill Credit previously entered into various agreements with OpenBet including a software licence agreement dated 29 June 2008 as supplemented by various supplemental agreements (dated 26 February 2009, 30 November 2009, 30 April 2010 and 1 July 2011 respectively) and as varied on 8 October 2009 and 12 February 2010, a software support agreement dated 29 June 2008 as varied on 8 October 2009 and 12 February 2010, and a letter of intent dated 13 February 2012, for the purposes of the development, support and licensing of a software system, call centre and gaming engine (together, the "**Previous Agreements**"). These Previous Agreements were extended until 30 June 2012 to allow for payment for licence, support and development of various software deliverables already delivered to William Hill Credit to be made under the terms of the Previous Agreements.

Under the OpenBet Short Form Agreement William Hill Credit and its associated entities are granted a world-wide, non-exclusive and perpetual licence to use the OpenBet software, which will continue in the event of termination of the agreement for the life of the copyright of the software unless otherwise revoked in certain termination circumstances.

Each party's liability is expressed to be the equivalent to that under the Previous Agreements and is therefore subject to certain caps and the agreements exclude OpenBet's liability in respect of a number of potential events of default which could result in William Hill being unable to recover losses that it suffers as a result of OpenBet's failure to meet its contractual obligations or in the event that William Hill has a claim under any warranties or indemnities provided by OpenBet under the Previous Agreements which are incorporated into the current agreement.

The OpenBet Short Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.13 **Mobenga Agreement**

On 25 October 2010 Mobenga AB ("**Mobenga**") and each of the JVCos entered into an agreement in respect of the development and provision of services, including maintenance and support, of a betting platform by Mobenga, allowing William Hill customers access to William Hill content from mobile phones, tablets and other similar devices as specified in the agreement (the "**Mobenga Agreement**"). In consideration for the provision of this mobile platform the JVCos will pay a combination of fees including a development fee, fixed monthly service fees and fee per William Hill customer transaction using the mobile platform.

Under the terms of the agreement Mobenga indemnifies the JVCos for any losses resulting from an act or omission on the part of Mobenga, and the JVCos accept responsibility for the content on the mobile platform provided by the JVCos.

The Mobenga Agreement will terminate automatically on the 24 October 2013.

The Mobenga Agreement is governed by and construed in accordance with the laws of England and Wales.

### 13.14 The Underwriting Agreement is summarised in section 12 of this Part VII above.

## 14. FINANCING ARRANGEMENTS

The following financing arrangements have been entered into by members of the Group:

### (a) *2010 Revolving Credit Facility*

On 29 November 2010, the Company, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into a facility agreement with a syndicate of banks under which such banks made available a £550 million revolving credit facility. The 2010 Revolving Credit Facility was used to refinance the amounts outstanding under the 2009 Credit Facilities and (after the repayment and cancellation in full of the 2009 Credit Facilities) for general corporate and working capital purposes of the Group. The 2010 Revolving Credit Facility is repayable in November 2015.

The agreement contains representations, information and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company. Among other things, the undertakings include restrictions on the Group in relation to disposals, mergers, change of business, financial indebtedness, provision of loans, acquisitions and a negative pledge. In addition, the 2010 Revolving Credit Facility contains the following financial covenants:

- under the Net Cash Interest Cover covenant, the ratio of consolidated EBITDA to consolidated net interest payable (each as defined under the 2010 Revolving Credit Facility) for any relevant period may not be less than 3.0:1; and
- under the Net Debt to EBITDA covenant, the ratio of consolidated net debt as at the last day of any relevant period to consolidated EBITDA for that period (each as defined in the 2010 Revolving Credit Facility) may not be greater than 3.50:1.

Both ratios are measured for each period of four accounting quarters ending on the last day of each financial half year and each financial year of William Hill. For the purposes of the financial covenants described above, consolidated EBITDA is calculated as profit before depreciation, amortisation, interest, tax, share-based payment charges less EBITDA attributable to the non-controlling interest in William Hill Online.

In addition, under the guarantor coverage provision, any subsidiary of the Company whose contribution to adjusted consolidated EBIT (as defined in the 2010 Revolving Credit Facility) equals or exceeds 5 per cent. of adjusted consolidated EBIT of the Group is required to accede as a guarantor to the 2010 Revolving Credit Facility. However, this requirement does not apply to any members of the Group that are jointly owned, directly or indirectly, by the Company and Playtech for so long as they are not wholly-owned, directly or indirectly, by the Company.

The rate of interest on the facility for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The maximum margin is 2.75 per cent. per annum and adjustments are made to the margin depending on the applicable ratio under the Net Debt to EBITDA covenant described above. In addition, a commitment fee equivalent to 40 per cent. of the applicable margin is payable in respect of any amounts under the 2010 Revolving Credit Facility that are available but undrawn.

On 20 December 2012, the 2010 Revolving Credit Facility was amended and put on customary certain funds terms pending the completion of the acquisition of Sportingbet's Australian online gambling operations and certain other assets from the Sportingbet group. This means that, for an agreed period of time pending completion of this acquisition and save in a limited number of agreed exceptional circumstances, the lenders under the 2010 Revolving Credit Facility must lend the amounts requested by William Hill under the facility and will be prevented from cancelling their commitments and accelerating any amounts outstanding under the facility.

### (b) *2012 Bridge Credit Facility*

On 20 December 2012, the Company, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into the £325 million 2012 Bridge Credit Facility provided by a syndicate of banks consisting of separate tranches of £225 million and £100 million.



The purpose of the £225 million tranche is to finance in part the cost of acquisition of Sportingbet's Australian online gambling operations and certain other assets from the Sportingbet group. The purpose of the £100 million tranche is to fund in part the cash consideration payable in respect of the acquisition of Playtech's stake in William Hill Online. The 2012 Bridge Credit Facility is repayable in June 2014. As at 1 January 2013, no amounts were drawn under either tranche, but amounts are expected to be drawn in the first and second quarters of 2013, respectively, when the two acquisitions are expected to complete.

The 2012 Bridge Credit Facility contains the same financial covenants, guarantor coverage provisions and undertakings described above in relation to the 2010 Revolving Credit Facility.

The rate of interest for any amounts drawn under the 2012 Bridge Credit Facility for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The applicable margin increases throughout the life of the loan with the maximum margin being 4.50 per cent. per annum. Commitment fees in respect of each tranche are payable (i) in the form of a ticking fee, calculated at the rate of 0.5 per cent. per annum of the total amount under each tranche, from 20 December 2012 until, in the case of the £225 million tranche, the closing of acquisition of Sportingbet's Australian online gambling operations and certain other assets from the Sportingbet group and, in the case of the £100 million tranche, the confirmation of William Hill's intention to acquire the minority interest in William Hill Online and (ii) for every three-month period thereafter at the rate of 40 per cent. of the applicable margin on any amounts undrawn under the relevant tranche. In addition, any loans drawn under the 2012 Bridge Credit Facility that are still outstanding on 20 December 2013 will be subject to a duration fee of 0.25 per cent. per annum of the committed amounts under the facility.

The two tranches of the facility are on customary certain funds terms pending the completion of the relevant acquisitions. This means that, for an agreed period of time pending completion of the relevant acquisitions and save in a number of agreed exceptional circumstances, the lenders under the 2012 Bridge Credit will be obliged to lend, subject to limited funding drawstops, the amounts requested by William Hill under the facility and will be prevented from cancelling their commitments and accelerating any amounts outstanding under the facility.

(c) *7.125 per cent. Guaranteed Notes due 2016*

In November 2009, the Company as issuer issued £300 million of 7.125 per cent. Guaranteed Notes to investors. The funds raised were used for general corporate purposes and were applied to repay borrowings under the Group's then existing credit facilities. The 7.125 per cent. Guaranteed Notes due 2016 are repayable in November 2016. The terms and conditions of the 7.125 per cent. Guaranteed Notes due 2016 contain events of default that are customary for notes of this nature and include restrictions on the creation of security (with certain exemptions) and an investor put option that allows noteholders to request that the Company redeem their notes early upon a change of control of the Company. The terms and conditions of the 7.125 per cent. Guaranteed Notes due 2016 also contain a Company call option that allows the Company to redeem the 7.125 per cent. Guaranteed Notes due 2016 under certain circumstances. The 7.125 per cent. Guaranteed Notes also contain various representations, information and financial covenants, undertakings and indemnities. The 7.125 per cent. Guaranteed Notes due 2016 carry a fixed rate of interest of 7.125 per cent. per annum payable semi-annually and the Company's obligations thereunder are guaranteed by William Hill Organization Limited.

15. **LITIGATION AND OTHER CONTINGENCIES**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which William Hill is aware) which may have or have had in the recent past (covering the 12 months immediately preceding the date of this document) a significant effect on William Hill and/or the Group's financial position or profitability.

## 16. SUBSIDIARIES

William Hill acts as the holding company of the Group. William Hill has the following significant subsidiary undertakings all of which are private limited companies. None of the subsidiaries holds Ordinary Shares in the Company.

Name	Country of Incorporation	Proportion of ownership interest	Principal activity
<b>Directly owned:</b>			
William Hill Holdings Limited	United Kingdom	100%	Holding company
<b>Held through intermediate companies:</b>			
William Hill Investments Limited	United Kingdom	100%	Holding company
Will Hill Limited	United Kingdom	100%	Holding company
William Hill Organization Limited	United Kingdom	100%	Retail betting and gaming machines
Willstan Limited	United Kingdom	100%	Retail betting and gaming machines
BJ O'Connor 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	United Kingdom	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	United Kingdom	100%	Stadium operation
American Wagering Inc.	United States	100%	Holding company
Leroy's Horse & Sports Place	United States	100%	Retail and smartphone betting
CN Acquisition Subco, Inc.	United States	100%	Retail Betting
Brandywine Bookmaking, LLC	United States	100%	Retail Betting
Computerized Bookmaking System, Inc.	United States	100%	Bookmaking software sales
WHG Trading Limited	Gibraltar	71%	Online betting and gaming
WHG (International) Limited	Gibraltar	71%	Online betting and gaming
William Hill (Malta) Limited	Malta	71%	Online betting and gaming
WHG Services (Bulgaria) EOOD	Bulgaria	71%	Customer services
Cellpoint Investments Limited	Cyprus	71%	Holding company
Ad-gency Limited	Israel	71%	Marketing services

## 17. PROPERTY

17.1 William Hill's principal administrative offices are located in London and are occupied under a lease expiring in 2111. William Hill's main operational facilities in the UK are in Leeds and are occupied under three leases, one of which expires in 2016 while the two other leases expire in 2018. The Group's online operations are run out of Gibraltar. Details of the principal properties of the Group are set out below:

Address	Description	Size (square feet approx)	Tenure	Expiry of Term	Current rent per annum	Lessee
3 <sup>rd</sup> and 4 <sup>th</sup> Floors, City Walk, Sweet Street, Leeds	Offices related to various operational and administrative functions of the Group's business	21,486	Leasehold	3 August 2021	£494,270 plus VAT	William Hill Organization Limited
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> Floors, St. John's Centre, Leeds	Offices related to various operational and administrative functions of the Group's business	24,130	Leasehold	12 June 2018	£330,000 plus VAT	William Hill Organization Limited
4 <sup>th</sup> and 5 <sup>th</sup> Floors, St. John's Centre, Leeds	Offices related to various operational and administrative functions of the Group's business	13,250	Leasehold	12 June 2018	£225,625 plus VAT	William Hill Organization Limited
Greenside House, 50 Station Road, Wood Green, London N22 7TP	Head Office	30,000	Long Leasehold	28 September 2111	Peppercorn	Camec Limited
Suite 1, Ground Floor, Woodhead House, Centre 27 Business Park, Gelderd Road, Birstall, Leeds	Offices and computer centre	2,500	Leasehold	14 June 2016	£39,525 plus VAT	William Hill Organization Limited

Address	Description	Size (square feet approx)	Tenure	Expiry of Term	Current rent per annum	Lessee
Unit 6.1 Waterport Place, 2 Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	6,350	Leasehold	1 January 2021	£177,792	WHG (International) Limited
Unit 5.1b Waterport Place, 2 Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	4,189	Leasehold	6 April 2021	£113,076	WHG (International) Limited
Unit 5.1a Waterport Place, Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	2,422	Leasehold	28 February 2022	£55,683	WHG (International) Limited
Ground Floor Unit, Waterport Place, Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	2,386	Leasehold	28 March 2022	£50,113.95	WHG (International) Limited
Unit 6.3, Waterport Place, Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	2,615	Leasehold	5 December 2022	£70,605	WHG (International) Limited
Unit 4.1, Waterport Place, Europort Avenue, Gibraltar	Offices related to various operational and administrative functions of the Group's online business	2,459	Leasehold	14 July 2014	£61,475	WHG (International) Limited
Level + 25, 20 Building C, European Trade Centre, Hermes Park, Sofia, Bulgaria	Offices related to various operational and administrative functions of the Group's online business	14,476	Leasehold	31 October 2015	€167,026	Eurotech Services EOOD
Azrieli Center, 132 Menachem Begin Road, Tel Aviv 67021, Israel	Offices related to various operational and administrative functions of the Group's online business	29,816	Leasehold	16 January 2013	NIS (Israeli Shekels) 3,257,520	Adgency Limited
Units 3.4 and 3.5 Waterport Place, 2 Europort Avenue, Gibraltar	Offices	4,151	Licence	1 July 2015	£134,640.41	WHG (International) Limited

17.2 There are currently no environmental or health and safety issues which will materially affect the Group's use of the assets described above or the Group's use of its LBO estate.

#### 18. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 1 January 2013, being the date of the last audited financial information of the Group.

#### 19. MARKET QUOTATIONS

19.1 The Ordinary Shares are listed on the Official List. The closing middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months before the date of this document and on 28 February 2013 (the last practicable date prior to the publication of this document) are as follows:

	<u>Price per Ordinary Share (pence)</u>
<i>September 2012</i> .....	303.20
<i>October 2012</i> .....	318.70
<i>November 2012</i> .....	343.10
<i>December 2012</i> .....	338.30
<i>January 2013</i> .....	352.50
<i>February 2013</i> .....	391.20
<i>28 February 2013</i> .....	404.70

#### 20. DIVIDENDS

The following table sets out the dividend per Ordinary Share paid in the 2010 financial year, the 2011 financial year and the 2012 financial year:

	<u>Paid</u>
2010	7.5 pence
2011	8.7 pence
2012	10.1 pence

## 21. MISCELLANEOUS

- 21.1 The total costs and expenses of, and incidental to, the Rights Issue payable by William Hill is estimated to amount to £10 million (excluding VAT).
- 21.2 The New Ordinary Shares are in registered form and will, on Admission, be capable of being held in uncertificated form. The New Ordinary Shares will be admitted with the ISIN GB0031698896.
- 21.3 Save in respect of the Rights Issue, none of the New Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to the Official List.
- 21.4 No commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue of any share or loan capital in the Company.
- 21.5 The sources and bases of statements relating to the market position of William Hill are set out in this document where the statement is made. Certain information has been obtained from external publications and is sourced in this document where the information is included. William Hill confirms that this information has been accurately reproduced and, so far as William Hill is aware and is able to ascertain from the information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.
- 21.6 William Hill will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue and details of the sale of the New Ordinary Shares not taken up by Qualifying Shareholders on or about 5 April 2013.
- 21.7 Citi has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of references to its name in the form and context in which it appears.
- 21.8 Save as disclosed in note 32 of the Group's annual report and accounts for the 2012 financial year, which is incorporated into this document by reference and the Proposed Acquisition described in this document there are no related party transactions between the Company and members of the Group that were entered into during the period from 30 December 2009 to 28 February 2013 (the latest practicable date prior to the publication of this document).

## 22. TAKEOVER BIDS

### 22.1 Mandatory bids

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in the Company's Ordinary Shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in the Company's Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for interests in shares by the acquirer or persons acting in concert with it during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in Ordinary Shares by a person holding (together with persons acting in concert with it) an interest in Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### 22.2 Squeeze-out

Under the 2006 Act, if a "takeover offer" (as defined in section 974 of the 2006 Act) is made for the Company's Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "Offer Shares") and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Offer

Shares and then, six weeks later, it would execute a transfer of the outstanding Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Offer Shares are acquired compulsorily under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

### 22.3 **Sell-out**

The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

### 22.4 **Takeover bids**

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

## 23. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA up to and including 19 March 2013:

- (a) the articles of association of William Hill;
- (b) the consent letter referred to in section 21.7 of this Part VII;
- (c) the audited consolidated accounts of the Group for the 2010 financial year, the 2011 financial year and the 2012 financial year; the rules of the 2008 LTIP; and
- (d) this document.

Dated 1 March 2013

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires

“1985 Act”	the Companies Act 1985, as amended;
“2006 Act”	the Companies Act 2006, as amended;
“2008 LTIP Resolution”	the ordinary resolution to approve the 2008 LTIP which is numbered 2 in the Notice of Extraordinary General Meeting;
“2010 financial year”	52 weeks ended 28 December 2010;
“2011 financial year”	52 weeks ended 27 December 2011;
“2012 Bridge Credit Facility”	the £325 million bridge term credit facility provided by Barclays Bank PLC, Lloyds TSB Bank plc and The Royal Bank of Scotland plc, consisting of separate tranches for the purposes of financing part of the cost of acquisition of Sportingbet’s Australian online gambling operations and certain other assets from the Sportingbet group and funding in part the Proposed Acquisition;
“2012 financial year”	53 weeks ended 1 January 2013;
“Acts”	the 1985 Act and the 2006 Act, as appropriate;
“Admission”	the admission of the New Ordinary Shares (nil paid) (i) to the Official List and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance, respectively, with the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
“Articles”	the articles of association of the Company;
“Australia”	the Commonwealth of Australia, its territories and possessions;
“Australian Person”	any person in Australia or with an address in Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia);
“AWI”	American Wagering, Inc., a wholly-owned subsidiary of the Company;
“Banks”	Citigroup Global Markets Limited, Investec Bank plc and Barclays Bank PLC;
“Board”	the Board of Directors of the Company;
“Brandywine”	Brandywine Bookmaking LLC, a wholly-owned subsidiary of the Company;
“Business Day”	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business;
“Call Option”	the call option granted by Playtech to William Hill Organization (or its nominee) to purchase all of the JV Shares held by Playtech and the IP Assets, exercisable in either 2013 or 2015, on the terms set out in the Framework Agreement;

“Cal Neva Assets”	the racing and sportsbook assets of Sierra Development Company, trading as Cal Neva;
“Canada”	Canada, its provinces and territories and all areas under its jurisdiction and political subdivisions thereof;
“certified” or “certificated form”	not in uncertificated form;
“CCSS”	the CREST Courier and Sorting Office established by Euroclear UK & Ireland to facilitate, amongst other things, the deposit and withdrawal of securities;
“Code”	the UK Corporate Governance Code published by the Financial Reporting Council (as amended from time to time);
“Committed Shares”	means 551,592 New Ordinary Shares in respect of which the Directors have committed to take up their rights under the Rights Issue in full;
“Communications Host”	a network provider’s communication host as defined in the glossary to the CREST Manual;
“Company” or “William Hill”	William Hill PLC;
“Computershare” or “Registrars”	the Company’s registrars, Computershare Investor Services PLC, of The Pavilions, Bridgwater Road, Bristol, BS99 6ZY;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations);
“CREST Manual”	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterparty Service Manual, the CREST Rules, the CCSS Operations Manual, and the CREST Glossary of Terms (as amended from time to time);
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual);
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“DCMS”	the Department for Culture, Media and Sport;
“dealing day”	any day on which the London Stock Exchange is open for business in the trading of securities admitted to the Official List;
“Disclosure Rules and Transparency Rules”	the rules made by the FSA under Part VI of FSMA relating to the disclosure of information (as amended from time to time);
“Directors” or the “Board”	the current directors of the Company whose names are set out on page 35 of this document;
“Employee Share Schemes”	the employee share schemes described in section 6 of Part VII of this document;
“Enlarged Share Capital”	the issued share capital of the Company following the completion of the Rights Issue;

“EPS”	earnings per share
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, the operator of CREST;
“Ex-rights Date”	8:00 a.m. London time on 19 March 2013;
“Existing Ordinary Shares”	the fully paid Ordinary Shares in issue at the Record Date;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA at 9.00 a.m. on 18 March 2013, notice of which is set out at the end of this document;
“Form of Proxy”	the enclosed form of proxy for use in connection with the Extraordinary General Meeting;
“Framework Agreement”	the agreement entered into on 19 October 2008 (as amended on 29 December 2008, 21 December 2010 and 13 May 2011) between Genuity (referred to therein as Playtech), William Hill Organization, WHG Trading, WHG (International) and Playtech Software Limited relating to a joint venture by William Hill and Playtech of an online gambling business (as amended from time to time), the terms of which are summarised in section 13 of Part VII of this document;
“FSA”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of FSMA;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Fully Paid Rights”	rights to acquire New Ordinary Shares, fully paid;
“Gambling Act”	the Gambling Act 2005;
“Gambling Commission”	the Gambling Commission set up under the Gambling Act;
“Genuity” or “Playtech”	Genuity Services Limited, a company incorporated in the British Virgin Islands with registered number 1496685, whose registered office is at Trident Chambers, P.O. Box 146, Tortola, British Virgin Islands;
“Group”	the Company and its subsidiaries from time to time;
“GVC”	GVC Holdings PLC;
“HMRC”	HM Revenue & Customs;
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards adopted by the European Union;
“Investor Representation Letter”	the investor representation letter in the appropriate form as described in section 9.3 of Part III of this document;
“IP Assets”	the trademarks and domain names which are the subject of a licence entered into by Playtech and the JVCos on 30 December 2008 (as amended from time to time);
“Israeli shekel” or “ILS”	the lawful currency of the State of Israel;
“Issue Price”	245 pence per new Ordinary Share;
“Japan”	Japan, its territories and possessions and any areas subject to its jurisdiction;



“Joint Global Coordinators”	Citigroup Global Markets Limited and Investec Bank plc;
“JVCos”	WHG Trading and WHG (International);
“JV Shares”	shares in the capital of the JVCos of whatever class;
“LIBOR”	London Inter Bank Offer Rate;
“Listing Rules”	the listing rules made by the FSA under Part VI of FSMA (as amended from time to time);
“London Stock Exchange”	London Stock Exchange plc;
“member account ID”	the identification code or number attached to any member account in CREST;
“Money Laundering Regulations”	the Money Laundering Regulations 2007, as amended from time to time;
“New Ordinary Shares”	156,871,900 New Ordinary Shares to be issued by the Company pursuant to the Rights Issue;
“Nil Paid Rights”	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
“Notice of Extraordinary General Meeting”	the notice of extraordinary general meeting set out at the end of this document;
“Official List”	the Official List of the FSA;
“OpenBet”	OpenBet Limited, formerly known as Orbis Technology Limited;
“Ordinary Shares”	the ordinary shares of 10 pence each in the capital of the Company;
“Overseas Shareholders”	Qualifying Shareholders who have registered addresses outside the UK;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Playtech Group”	Playtech Limited and any company which is a holding company of that company or a subsidiary of that company (other than the JVCos or any of their subsidiaries), or a subsidiary of such holding company;
“Proposed Acquisition”	the proposed acquisition of the 29 per cent. of William Hill Online that the Group does not already own from Playtech for a total cash consideration of approximately £424 million (subject to adjustments shortly after completion to reflect unpaid dividends and levels of cash in William Hill Online), which consideration may include the issue of Ordinary Shares to Playtech not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time;
“Proposed Acquisition Resolution”	the ordinary resolution to approve the Proposed Acquisition which is numbered 1 in the Notice of Extraordinary General Meeting;
“Prospectus Directive”	Directive 2003/71/EC;
“Prospectus Rules”	the rules made by the FSA under Part VI of FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market;
“Provisional Allotment Letter”	the renounceable provisional allotment letter to be issued to Qualifying non-CREST Shareholders by the Company in respect of the Nil Paid Rights pursuant to the Rights Issue;

“Qualifying CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form;
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form;
“Qualifying Shareholders”	holders of Ordinary Shares on the register of members of the Company at the close of business on the Record Date;
“Qualifying US Investors”	Qualifying Shareholders that are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act;
“Record Date”	close of business on 14 March 2013;
“Regulation S”	Regulation S under the Securities Act;
“Regulatory Information Service”	a regulatory information service that is approved by the FSA and that is on the list of regulatory information service providers maintained by the FSA;
“Resolutions”	the Proposed Acquisition Resolution and the 2008 LTIP Resolution set out in the Notice of Extraordinary General Meeting;
“Responsible Persons”	the Company and the Directors;
“Restricted Jurisdictions”	Canada, Japan, the Republic of South Africa and Australia and any other jurisdiction outside the UK in which it would be unlawful or in contravention of certain regulations to offer the Nil Paid Rights or New Ordinary Shares under the Rights Issue;
“Rights”	the Nil Paid Rights and the Fully Paid Rights;
“Rights Issue”	the proposed offer by way of rights of the New Ordinary Shares to Qualifying Shareholders at the Issue Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying non-CREST Shareholders and Qualifying US Investors only, the Provisional Allotment Letter;
“SCMS”	Secretary of State for Culture, Media and Sport;
“Securities Act”	the United States Securities Act of 1933, as amended;
“Shareholders”	holders of Ordinary Shares;
“SIS”	Satellite Information Services Holdings Limited;
“Sportingbet”	Sportingbet plc;
“Takeover Code”	the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel on Takeovers and Mergers;
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), as amended from time to time;
“Underwriters”	Citigroup Global Markets Limited, Investec Bank plc and Barclays Bank PLC;

“Underwriting Agreement”	the agreement between the Company and the Banks dated 1 March 2013, the principal terms of which are summarised in section 12 of Part VII of this document;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia;
“WHG (International)”	WHG (International) Limited (formerly known as William Hill (Gibraltar) Limited), a company incorporated in Gibraltar with registered number 99191, whose registered office is at 57/63 Line Wall Road, Gibraltar;
“WHG Trading”	WHG Trading Limited (formerly known as William Hill (Gibraltar) 2008 Limited), a company incorporated in Gibraltar with registered number 101439, whose registered office is at 57/63 Line Wall Road, Gibraltar;
“William Hill Online”	the joint venture between William Hill and Playtech through which William Hill operates its online segment and comprising WHG Trading and WHG (International);
“William Hill Organization”	William Hill Organization Limited, a company incorporated in England and Wales with registered number 278208, whose registered office is at Greenside House, 50 Station Road, Wood Green, London N22 7TP;
“£”, “pence” or “pounds sterling”	the lawful currency of the UK;
“€”, or “Euros”	the currency introduced at the third stage of European economic and monetary union pursuant to the Treaty enabling the European Community, as amended; and
“US\$”, or “US dollar”	the lawful currency of the US.

## GLOSSARY

accumulator bet	a single bet that links together two or more outcomes and is dependent on all of those outcomes occurring
average cost per acquisition	the average cost of acquiring a new account, calculated as total marketing expenses (including expenses related to affiliate agreements, whereby potential customers can click through to the Group's websites from other websites in return for remuneration for the owner of the other website) divided by total new accounts
Amusement Machine Licence Duty	a flat tax of £2,480 per gaming machine per annum from 1 April 2012
B2 gaming machine	gaming machines with a maximum stake of £100 (in multiples of £10) and a maximum prize of £500
B3 gaming machine	gaming machines with a maximum stake of £2 and a maximum prize of £500
betting duty	a duty charged by the UK government based on bookmakers' gross win
casino	a sub-category of gaming activities within the online segment which includes traditional casino games, slot machines and skill games
Category B gaming machines	gaming machines with maximum stakes ranging from £1 to £100 and maximum prizes ranging from £250 to £4,000
fixed-odds bet	a bet in which the odds are fixed either (i) in respect of horse racing, through the starting price mechanism or (ii) with respect to other bets, by the bookmaker and which are not influenced by the number of customers placing bets
gaming machines	electronic machines into which customers insert coins to play games of chance; the March 2002 Government Paper differentiated these machines into four categories ranging from Category D with a maximum stake of 10p and maximum prize of £5 to Category A with unlimited stakes and prizes
greyhound racing levy	a voluntary levy, currently calculated at 0.6 per cent. of the amounts wagered in the UK on greyhound racing in the UK, for the purpose of supporting greyhound racing in the UK
gross profit tax or GPT	a duty charged by the UK government of 15 per cent. of a bookmaker's gross win on bets struck in the UK, introduced in October 2001
gross win	a non-IFRS measure defined as amounts wagered before the deduction of free bets, bonuses and other goodwill gestures (in the online segment) less customer winnings. Gross win is directly related to revenue, with revenue being gross win less fair value adjustments for free bets, bonuses and goodwill gestures
gross win margin	a non-IFRS measure defined as gross win divided by amounts wagered
Horserace Betting Levy	a levy attributable to bets taken on horse racing and payable to the Horserace Betting Levy Board, primarily for purposes of augmenting the prize money available for winning horses and providing certain racecourse amenities
in-play betting	any bets taken during the course of a match

IT	information technology
LBO	licensed betting office
LBO estate	the Group's LBOs collectively
Machine Games Duty	a duty of 20 per cent. of revenue from gaming machines in the UK
net gaming revenue	gains and losses from customers' gambling activity on the Group's online casino and skill games plus the Group's revenue from poker and bingo
new account	an account that has been registered and transacted during the period
numbers betting	a type of fixed-odds wager in which customers place bets on the odds of one or more numbers being drawn from a pool of numbers
odds	the ratio of potential winnings to the stake placed by the customer; for example, if the odds are 2-1, the winnings will be £2 for every £1 staked
operating profit	a non-IFRS measure defined as pre-exceptional profit before interest and tax, before amortisation of specifically identifiable intangible assets recognised on acquisition. The Board considers operating profit to be a useful indicator of the operating performance of the business as it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items
rake	the fee charged for participation in the Group's poker games, comprising a percentage of the total pot in each game plus the fees from entry into tournament poker games
sportsbook	bets accepted on sporting and other events
starting price	a price based on the odds offered by a selection of on-course bookmakers at the time a horse race begins; these are determined for each runner by the starting price returners of the Press Association on the basis of their observations of the prices available from the on-course bookmakers
unique active player	a customer who has staked a bet, performed a gaming transaction or generated rake in the period

## DOCUMENTS INCORPORATED BY REFERENCE

The following information, available free of charge in electronic format through William Hill's website at [www.williamhillplc.com](http://www.williamhillplc.com) or in printed format from William Hill's registered office at Greenside House, 50 Station Road, Wood Green, London N22 7TP, is incorporated by reference in this document.

<b>Reference document</b>	<b>Information incorporated by reference</b>	<b>Page number in the reference documents</b>
William Hill PLC Annual Report and Accounts for the 2010 financial year.	Group Independent Auditor's Report	55
	Consolidated Income Statement	57
	Consolidated Statement of Comprehensive Income	58
	Consolidated Statement of Changes in Equity	59
	Consolidated Statement of Financial Position	60
	Consolidated Cash Flow Statement	61
	Statement of Group Accounting Policies	62
	Notes to the Group Financial Statements	70
	Directors' Remuneration Report	39
	Managing our risks	22
	Principal activities	36
William Hill PLC Annual Report and Accounts for the 2011 financial year.	Related party transactions	104
	Group Independent Auditor's Report	64
	Consolidated Income Statement	66
	Consolidated Statement of Comprehensive Income	67
	Consolidated Statement of Changes in Equity	68
	Consolidated Statement of Financial Position	69
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	Directors' Remuneration Report	39
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William Hill PLC Annual Report and Accounts for the 2012 financial year.	Principal activities	36
	Related party transactions	102
	Group Independent Auditor's Report	68
	Consolidated Income Statement	70

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	Consolidated Statement of Comprehensive Income	71
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	Consolidated Statement of Financial Position	73
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In addition, the following documents, available free of charge in electronic format through William Hill's website at [www.williamhillplc.com](http://www.williamhillplc.com) at the URLs specified or in printed format from William Hill's registered office at Greenside House, 50 Station Road, Wood Green, London N22 7TP, are incorporated by reference in this document.

<b>Reference document</b>	<b>URL</b>
2011 Group Accounting Policies	<a href="http://www.williamhillplc.com/wmh/investors/financial_analysis/financial_data/accounting_policies/">http://www.williamhillplc.com/wmh/investors/financial_analysis/financial_data/accounting_policies/</a>
2012 Group Accounting Policies	<a href="http://www.williamhillplc.com/wmh/investors/financial_analysis/financial_data/accounting_policies_2012/">http://www.williamhillplc.com/wmh/investors/financial_analysis/financial_data/accounting_policies_2012/</a>

Where these documents make reference to other documents, such other documents are not incorporated into and do not form part of this document, except where such documents are expressly incorporated by reference within this section of the document.

## WILLIAM HILL PLC

*Registered in England & Wales No 4212563*

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of William Hill PLC (the “**Company**”) will be held at 9.00 a.m. on 18 March 2013 at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. THAT, the proposed acquisition by the Company and its subsidiaries from time to time (the “**Group**”) of the 29 per cent. of the joint venture between the Company and Genuity Services Limited (“**Playtech**”) (through which the Company operates its online segment) that the Group does not already own from Playtech for a total cash consideration of £423.75 million (subject to adjustments shortly after completion to reflect unpaid dividends and levels of cash in William Hill Online, which consideration may include the issue of Ordinary Shares to Playtech not exceeding 9.99 per cent. of the issued share capital of the Company at the relevant time (the “**Proposed Acquisition**”) be and is hereby approved and the Directors (or a committee of the Directors), individual Directors or Officers, as appropriate, be and are hereby authorised to waive, amend, vary or extend any of its terms (provided that any such waivers, amendments, variations or extensions are not of a material nature) and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Proposed Acquisition and any matters incidental to the Proposed Acquisition.
2. THAT, the William Hill Online Long Term Incentive Plan 2008, a copy of the draft rules of which has been produced to the meeting and initialled by the Chairman of the meeting (for the purposes of identification only) and a summary of the main provisions of which is set out in the shareholder circular and prospectus published by the Company on 1 March 2013, be and is hereby approved to permit the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury and the Directors be and are hereby authorised to do all such acts and things as may be necessary or expedient to give effect to such approval.

Registered Office:

Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

By order of the Board

1 March 2013

Thomas Murphy  
General Counsel and Company Secretary

*Notes:*

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
2. Appointment of a proxy does not preclude you from attending the meeting and voting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comment on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.



4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.
5. To direct your proxy how to vote on the resolution mark the appropriate box on your proxy form with an "X". To abstain from voting on the resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy, your proxy form must be:
  - completed and signed;
  - sent or delivered to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY;  
  
lodged online at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy), using the identifying meeting Control Number, Shareholder Reference Number (SRN) and PIN printed on your proxy card; and
  - received by Computershare no later than 9.00 a.m. on 16 March 2013.
7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power of authority) must be included with your proxy form.
9. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by the Group's agent Computershare, whose CREST participant ID is 3RA50, by 9.00 a.m. on 16 March 2013.
10. Subject to Note 4 above, if you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 14 March 2013 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after 6.00 p.m. on 14 March 2013, or in the event that this meeting is adjourned, in the register of members after 6.00 p.m. on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
13. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate

representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

14. Any person to whom this Notice is sent who is a person who is nominated under section 146 of the Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for this meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may under such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
15. The statement above of the rights of members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.
16. As at 28 February 2013 (being the last business day prior to the publication of this notice), the Company’s issued share capital consists of 705,923,552 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 February 2013 are 705,923,552.
17. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006 provided in this Notice of Extraordinary General Meeting (or in any related documents including the letter from the Chairman and Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

