William Hill PLC 2 August 2013

Significant strategic progress and continued momentum as Online delivers double-digit operating profit growth

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its interim results for the 26 weeks ended 2 July 2013 (H1 2013 or the period). The comparator period is the 26 weeks ended 26 June 2012 (H1 2012).

	26 wks ended 2 Jul 2013 (£m)	26 wks ended 26 Jun 2012 (£m)	Change vs H1 2012 (%)
Net revenue[1]	751.6	627.8	+20%
- Retail net revenue[1]	463.6	417.4	+11%
- Online net revenue	233.9	198.4	+18%
Operating profit[2]	181.4	167.8	+8%
Pre-exceptional profit before tax	156.2	150.3	+4%
Profit before tax	143.6	143.3	+0%
Profit after tax	133.7	117.9	+13%
Earnings per share – basic, adjusted[3,4]	16.2p	14.0p	+16%
Earnings per share – basic[3]	14.2p	13.1p	+8%
Dividend per share[3]	3.7p	3.2p	+16%

(1) Group and Retail net revenue performance numbers are flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Underlying numbers are provided in the narrative.
(2) Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions, amounting to £5.4m in 2013 (2012: £1.8m).
(3) Basic EPS and dividend per share are based on an average of 836.7 million shares for 2013 and an average of 756.0 million shares for 2012, including an adjustment to reflect the impact of the rights issue completed on 5 April 2013.
(4) Adjusted EPS is stated before exceptional items and amortisation of specifically identified intangible assets recognised on acquisitions.

Significant strategic progress:

- William Hill Australia established with £459m acquisition of Sportingbet's Australian business, completed on 19 March 2013
- Gained full control of rapidly growing Online business through £424m acquisition of 29% outstanding stake, completed on 15 April 2013
- Balance sheet transformation with £373m rights issue completed on 5 April 2013 and £375m corporate bond issued on 5 June 2013

Continued momentum:

- Group net revenue up 20% and Operating profit[2] up 8%
- Outstanding growth in Online Sportsbook net revenue +44%, driving overall online net revenue growth, up 18% and Operating profit[2] growth, up 16%
- Continued strong growth in mobile with mobile Sportsbook amounts wagered up 112% and mobile gaming net revenue up 198%
- Strong over-the-counter (OTC) gross win margin growth drives growth in Retail net revenue[1]. Operating profit[2] down only £2.2m after additional c£5m taxation charge following change to Machines Games Duty in February
- Basic adjusted earnings per share +16% and dividend +16%
- Net debt for covenant purposes increased to £821m (2 January 2013: £339m) with impact of acquisitions offset by £373m (net) rights issue

Ralph Topping, Chief Executive of William Hill, commented:

"I am pleased with the extent of the strategic progress we have made in the last six months. Australia is a very attractive proposition and, since we assumed ownership, we are excited by the opportunity we see to develop William Hill Australia by improving our digital offer and targeting the recreational customer. Taking control of Online is giving us more freedom both to invest and to use that expertise across the Group, including in Australia, where we have a team from Online helping to develop the proposition to compete more effectively. That work is ongoing and will be completed in early 2014.

"At the same time, we have continued the momentum in Online, particularly in mobile Sportsbook. The shift to mobile gaming is an important development and we have invested significant resources in getting the business fully prepared to accelerate this important opportunity. With almost 200% growth in mobile gaming net revenue in the first half, this decision is clearly justified.

"While online and mobile gambling have grown substantially, Retail has continued to prove resilient, with net revenue growing, driven by both betting and gaming. Profits have held up well even without a major football tournament and with the business being hit by additional tax. As the UK economy improves and consumers generally feel more confident, we remain confident Retail will continue to prosper.

"Looking forward, we are continuing to innovate and to invest, developing mobile gaming, rolling out the next generation gaming machine in the shops and with a clear plan for maximising the value of our acquisitions for the long-term benefit of the business."

Analyst and investor presentation			
Meeting: 9.00 a.m. BST on 2 August 2013 The Lincoln Centre 18 Lincoln's Inn Fields London WC2A 3ED	Live conference call: Tel UK: 0800 368 0649 Tel int'l: +44 (0) 20 3059 8125 Password: William Hill	Archive conference call (until 16 August 2013) Tel: +44 (0) 121 260 4861 Passcode: 8300085#	Video webcast: www.williamhillplc.com Available live and, until 2 August 2014, as an archive

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

UK telephone: 0800 368 0649
International telephone: +44 (0) 20 3059 8125
Password: William Hill debt investor call

Archive of the debt call:
Telephone: +44 (0) 121 260 4861
Passcode: 6199119#

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Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 17,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 2,400 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group's Online business (www.williamhill.com) is one of Europe's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their mobile, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. The Group acquired the Sportingbet Australia business in March 2013, which is one of the leading online corporate bookmakers in Australia, offering sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange and became part of the FTSE100 in May 2013. The Group generates revenues of over £1.2bn a year.

Cautionary note regarding forward-looking statements

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

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

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

Overview

The Group's momentum has continued in the first half of 2013 with our Online division achieving 18% growth in net revenue and 16% growth in Operating profit[2], led by a strong Sportsbook performance, underpinned by mobile wagering growth. Online and William Hill Australia accounted for 46% of Group Operating profit[2] in the period[5]. Retail net revenue grew 11%, underlying net revenue[1] grew 3% and Operating profit[2] declined by 2% or £2.2m impacted, amongst other things, by a £5m increase in indirect taxation following the change to Machine Games Duty (MGD) on 1 February 2013.

Group net revenue increased by 20% to £751.6m (+14% on an underlying basis[1]) (H1 2012: £627.8m). Excluding recent acquisitions and adjusting for the change to MGD in Retail, Group net revenue grew 8%. Group Operating profit[2] grew by 8% to £181.4m (H1 2012: £167.8m) or, excluding acquisitions, by 6%.

The first half of 2013 was busy in terms of corporate activity. We acquired Sportingbet Australia and took a call option over the Spanish Miapuesta business on 19 March. On 15 April, we acquired Playtech's 29% stake in the William Hill Online joint venture. We were pleased to be supported by shareholders in funding that acquisition through a £373m rights issue (net of expenses).

We also continue to invest to develop the business organically. Cash capital expenditure increased to £34.7m (2012: £30.2m), with continuous investment in the development of the Retail estate. Product development and IT infrastructure in Online are other major areas of focus.

The Group generated net cash inflow from operating activities of £134.1m (2012: £168.7m). As a result of the transactions highlighted above, net debt for covenant purposes increased to £821m (2 January 2013: £339m) and the Group's net debt over EBITDA ratio now stands at 1.9 times. In June, we issued a seven-year £375m corporate bond with a coupon of 4.25% to replace the short-term bridge loan taken on to part-fund the transactions. Whilst our absolute debt levels have risen, our credit ratings remain as before: Ba1 with Moody's and BB+ with Standard & Poor's.

The Board has declared an interim dividend of 3.7p per share (2012: 3.2p per share after rights issue adjustment), an increase of 16% over the prior year, reflecting the positive results delivered in the first half of 2013 and the Board's confidence in William Hill's future.

Strategy update

As our results show, we have continued to deliver on our strategy to expand the business through:

(a) a wider product range;
(b) greater multi-channel usage; and
(c) international expansion.

Wider product range

We continue to innovate with our sports betting product. We have expanded our feeds to add further tennis and basketball matches and launched a new cricket model to increase our pre-match and in-play offering this summer, having the market-leading in-play offering for the start of the Ashes series. Our NFL and NCAA football models are ready for the start of the American football season later this year and we will expand the newly established Australian business's product offering by supplying soccer feeds from Online for the start of the UK soccer season in August. We are the only pure fixed-odds bookmaker to offer a 'Cash In My Bet' facility, which we are extending to further products, to mobile and to other territories.

Gaming accounted for 44% of the Group's net revenue in the period. Innovations in both Retail gaming machines and mobile gaming online are a key area of focus. We launched our marketing and rewards 'Bonus Club' across the Retail estate in June, offering rewards to machine gaming customers through a chip-and-pin card without the requirement to supply personal data as we recognise many Retail customers value anonymity. In the third quarter, we will start the roll-out of the next generation gaming machine, Eclipse, which incorporates four screens to improve marketing and customer interaction. The roll-out of almost 4,900 machines will be to the half of the estate covering the south of England and is scheduled to be completed in the first quarter of 2014.

Online gaming has seen 67 new games rolled in the first half of the year. Twenty-five games were launched to support our fast-growing mobile online gaming revenues. In July, 13 new desktop games were launched, with 12 rolled out on mobile.

Greater multi-channel usage

Mobile has been and continues to be a high priority for the Group. Mobile Sportsbook is continuing to perform very strongly, with amounts wagered up 112% and the app now downloaded more than one million times since it was launched in the Apple App Store in February 2012. It accounted for 38% of Sportsbook amounts wagered in the first half and 40% in the second quarter, and averaged above £21m turnover per week during the relatively quiet month of June. According to a report published by Onavo, a mobile data company, William Hill's is the most popular sports betting app, actively used by 38% of iPhone-owning sports gamblers.

Following the success of our mobile betting product, mobile gaming has become a key priority. Mobile gaming net revenue grew by 198% and accounted for 14% of Online gaming net revenue in the first half. We are excited by the growth opportunities we see in mobile gaming and aim to generate 40% of gaming net revenue from mobile devices by mid-2015. During the past 12 months, we have focused on establishing the right platforms to support mobile gaming growth. We have increased mobile payment systems, launched key products such as Casino and Vegas, and migrated existing desktop content onto mobile.

Having enhanced our marketing and rewards capability for gaming in the shops, we will be increasing cross-channel promotions between Retail, Online and Mobile, with a strong focus on gaming.

Given the high proportion of UK active gamblers who already have a William Hill account, we are also investing in our Customer Relationship Management capability. In 2012, we established a new data collection and storage system that gives us a single customer view, collated from multiple product databases, and enables better customer segmentation, targeting and customer services. In February 2013, we introduced a new campaign management system, using increased automation around the targeting, delivery and measurement of marketing campaigns.

We completed the acquisition of the 29% outstanding stake in Online on 15 April 2013 for £424m. This was the first opportunity to take full ownership of this strongly growing business and gives the Group increased strategic and operational flexibility. Taking control of Online is giving us more freedom both to invest and to use that expertise across the Group. Free from previous constraints, Online colleagues are now lending their digital expertise to the development of our new Australian business and are working closely with Retail management on opportunities to exploit our multi-channel offering to customers. As previously guided, we have also increased our planned capital investment in Online by 50% from the previous £20m cap to £30m this year. This will also enable us to launch mobile offerings in Italy and Spain in the second half of 2013.

International expansion

Selective international expansion is a core part of the Group's strategy, enabling us to diversify our revenues by accessing other locally licensed international territories.

We launched Online in Italy in 2011 and in Spain in 2012. We continue to enhance the product range in each country and have just launched Poker in Italy. The Spanish Online market is predominantly a sports betting market but the Italian market requires a strong focus on gaming as well as sports betting. Our performance in Italy, for instance, improved significantly following the launch of our slots offering in December 2012. We are one of the leading non-Italian operators in the Italian market, with 3.3% market share. In the Spanish sports betting market, William Hill holds the fourth largest market share with 10.7% and Miapuesta, over which we have a call option under the Sportingbet transaction, is the third largest operator with 12.5% market share.

On 19 March 2013, we completed the acquisition of Sportingbet's Australian online business and were granted a call option over its licensed Spanish business, Miapuesta, for a total cash consideration of £459.4m. This acquisition is in line with our strategy to develop the Group's online operations, to increase our exposure to attractive regulated markets and to achieve geographic diversification. The regulated Australian online betting market is one of the largest in the world and has demonstrated high growth rates. Sportingbet's Australian business is already a leading online corporate bookmaker in Australia, with significant potential to expand. The proposed acquisition of the Miapuesta business would allow us to achieve critical mass more quickly in the regulated Spanish market.

Having owned the business for 15 weeks, we are excited by the opportunity we see to develop William Hill Australia by improving our digital offer and targeting the recreational customer. We have been delighted with the quality of the existing Australian workforce and those we have subsequently attracted into the business, which augurs well for the future. We are also pleased to have confirmed our assessment of the strength of its customer relationship management, its proprietary technology and its leading position in the market. Equally, we see opportunities to enhance the business under William Hill ownership, for instance by expanding the product range, improving the website user experience and applying our established and proven online marketing expertise. A team from Online is working in Australia to help develop the digital capability of the business and, in doing so, to improve the rate of customer acquisition and to reduce the cost per acquisition. That work is ongoing and will be completed in early 2014. We are making careful and considered changes to the business, and we remain confident of the potential of this business.

Operating review

Summary of financial results

	H1 2013 (£m)	H1 2012 (£m)	% change
- Retail net revenue	463.6	417.4	+11%
- Online net revenue	233.9	198.4	+18%
- Telephone net revenue	10.1	8.4	+20%
- Sportingbet Australia net revenue	30.8	-	
- William Hill US net revenue	9.6	-	
- Other net revenue	3.6	3.6	0%
Group net revenue	**751.6**	**627.8**	**+20%**
- Retail Operating profit	107.6	109.8	-2%
- Online Operating profit	80.2	68.9	+16%
- Telephone Operating profit	1.9	0.7	+171%
- William Hill Australia Operating profit	3.7	-	
- William Hill US Operating profit	0.6	-	
- Other Operating profit	0.1	0.2	
- Corporate expenses (including associate income)	(12.7)	(11.8)	+8%
Operating profit[2]	**181.4**	**167.8**	**+8%**
Amortisation	(5.4)	(1.8)	
Profit before interest, tax and exceptional items	**176.0**	**166.0**	**+6%**
Exceptional items	(12.6)	(7.0)	
Net interest cost	(19.8)	(15.7)	+26%
Profit before tax	**143.6**	**143.3**	**0%**

Online

Online continued to perform strongly in the first half of 2013. Net revenue was 18% higher and Operating profit[2] was up 16%, underpinned by the continued strong growth of Sportsbook, including mobile. During the period, 81% of Online revenues came from our core markets (UK, Spain, Italy) (H1 2012: 78% from core markets).

Sportsbook net revenue grew 44% to £116.0m, benefitting from the combination of growth in both staking and margin. Amounts wagered increased by 26% despite the presence of the bulk of Euro 2012 in the prior year. Favourable sporting results in football and racing, including an exceptional Grand National, drove a gross win margin of 9.0% for the half (H1 2012: 7.8%), c2 percentage points higher than the normal expected level of c7%. In-play margin was 5.4% (H1 2012: 4.9%) and pre-match margin was 11.6% (H1 2012: 9.8%). Mobile Sportsbook gross win margin was 10.7% versus the overall Sportsbook figure of 9.0%. We continue to innovate our products and services to improve customer engagement, with our latest innovation, Cash in My Bet, being used by more than 100,000 customers since launch.

A shift to mobile gaming is discernible and, in the period we have invested time and resources in getting the business ready to accelerate this trend. Impacted by the closure of certain markets in 2012, gaming net revenue was flat at £117.9m (H1 2012: £118.1m). Casino was up 2%, Bingo was down 2% and Poker was down 14%. Total Operating profit[2] contribution from the closed markets in H1 2012 was £2.3m.

Online cost of sales was 13% higher. This included increased gambling taxes in certain markets and increased mobile Sportsbook royalty payments, both linked to the growth of these net revenues. The 2012 position also benefitted from £2m of prior year accrual releases relating to Greece. Operating costs were 20% higher, with an 18% increase in marketing investment and with other costs up 21%. Marketing investment for the half was equivalent to 28% of net revenue, in line with the full-year guidance.

Operating profit[2] was 16% higher against H1 2012 at £80.2m (H1 2012: £68.9m). The non-controlling interest for Playtech up to 14 April which was the completion date of the acquisition of its 29% holding in William Hill Online was £15.3m (H1 2012: £18.7m).

Retail

Retail net revenue was 11% higher or 3% higher on an underlying basis[1].

OTC net revenue was up 5%, benefitting from favourable football and racing results, including a record Grand National result. This led to an unusually high gross win margin of 19.7% (2012: 17.8%). Such a high margin inevitably lowers staking by reducing recycling. As we also rolled over the first three weeks of Euro 2012 in June and saw a relatively less attractive football programme in the second quarter, amounts wagered were 5% lower in the half as a whole, despite growth in both horse racing and greyhound staking in the second quarter.

Gaming machine net revenue increased by 18% in the first half, or +1% after adjusting for the MGD effect[1]. Gross win per machine per week was £910 (H1 2012: £924). The average number of gaming machines increased by 3% to 9,384 following the change to MGD at a density of 3.92 per shop. We completed the introduction of marketing and rewards functionality across the estate in the second quarter and plan to roll-out a next generation gaming machine, Eclipse, to around half of the estate by the end of Q1 2014.

We continue to invest in expanding and enhancing the estate, increasing the Retail estate by a net six shops to 2,398 in the first half, opening 16 new licences and closing 10 during the period. Our target remains to increase the estate by a net c1% per annum. A further seven shops were re-sited. There was an average of 2,392 shops in the period, around 1% higher than the prior year. We have installed c700 self-service betting terminals across the estate to date and aim to double the number of video walls from around 100 by the end of the year.

Cost of sales and operating costs were 47% and 7% higher, respectively, in part reflecting the change to MGD from VAT and Amusement Machine Licence Duty in February. Adjusting for this, cost of sales was 2% higher, and operating costs were up 4%. Additional operating costs included £3m of one-off repair and maintenance costs, higher content costs and higher staff costs from increased shop opening hours. This was partially mitigated by around £3m savings in Retail staff incentives as well as central cost recharge reductions. Looking ahead, our guidance on operating costs remains unchanged at around +6% on a headline basis or +3% excluding the effect of MGD.

The Retail business delivered £107.6m of Operating profit[2] in the first half, only £2.2m down on the prior year despite incurring an additional c£5m in taxation following the change to MGD on 1 February 2013 and without the benefit of a major football tournament in June.

William Hill Australia

William Hill Australia was formed in March 2013 following the completion of the acquisition of Sportingbet plc's Australian assets, including Sportingbet Australia and Centrebet.

In the 15 weeks from completion to the end of the period, William Hill Australia generated £30.8m net revenue, from amounts wagered of £422.3m at a gross win margin of 7.8%. Gross profit was impacted by higher product fees following changes to state betting taxes. With costs of £20.4m, the division recorded an Operating profit[2] of £3.7m. In Australian dollars, wagering fell 6% on the same period in 2012, net revenue grew 36% and Operating profit[2] grew 46%.

Although still early, activities to develop and enhance the business are our priority. These will continue throughout the second half and into the first quarter of 2014, and are progressing well. Though there will be some operational changes as we integrate and strengthen the business, we remain confident of the attractiveness of this opportunity to establish William Hill in another major licensed market.

William Hill US

William Hill US has performed well against internal expectations, delivering amounts wagered of £127.7m and net revenue of £9.6m, with a gross win margin of 7.5%. The division made a modest £0.6m profit in the period largely ahead of the peak trading season which runs from September through January. We continue to enhance our product offering in the US, adding more markets for the core sports of professional and college football and basketball. Mobile continues to perform well, with handle increasing c130% over the prior period.

The State of Nevada passed an alteration to its existing gambling bill in May, banning betting kiosks from bars, taverns and other establishments that hold a restricted gaming licence, effective from 1 July 2013. Around 69 of the 86 William Hill US kiosks were affected and are no longer able to be used to place bets. However, as these are useful deposit points for customers funding their mobile betting accounts, we expect to retain the kiosks in the majority of these locations. The financial impact is not expected to be material.

From a regulatory perspective, a number of states are reviewing their gambling frameworks. In our view, such changes are likely to favour land-based incumbents and we are positioning ourselves to exploit our strengths in sports betting and as a licensed Nevada operator as opportunities become available. For instance, in May, we signed a long-term partnership agreement with Monmouth Park Racetrack in New Jersey to provide exclusive sports betting facility to the racetrack should legislation allow and additionally, to sponsor the Haskell Invitational, one of the most prestigious horse races in the US.

Telephone

Amounts wagered in the Telephone channel were 9% lower, impacted in part by reduced recycling resulting from the strong gross win margin of 7.9%, 1.9 percentage points higher than in the first half of 2012. This drove net revenue up 20% to £10.1m. Through good cost control, with operating costs 19% lower, this translated into £1.9m Operating profit[2] against £0.7m in the comparable period which included a c£3.4m benefit from the release of accruals in cost of sales.

Financial review

Operating profit[2] grew by 8% in the first half of 2013 on the comparable period, from £167.8m in 2012 to £181.4m in 2013. Excluding the Group's recently acquired Australian and US businesses, which were not present in the prior period, Operating profit[2] grew by 6% from £167.8m to £177.1m.

Pre-exceptional profit after tax for the year was £145.9m, up 17% on the prior year (H1 2012: £124.3m). After deducting exceptional items net of tax, profit after tax for the period grew by 13% to £133.7m (H1 2012: £117.9m). Included in this total was £15.3m (H1 2012: £18.7m) relating to the non-controlling interest in William Hill Online up to 14 April 2013, which was the date immediately prior to the acquisition of this minority interest.

Basic adjusted earnings per share grew by 16% from 14.0p in H1 2012 to 16.2p in H1 2013, with both prior year comparatives and earnings for the 2013 period prior to the rights issue rebased for the effect of the rights issue completed on 5 April. This growth reflects the profit growth in the period and the benefit of a reduction in the effective tax rate. The adjustments made to the basic earnings per share metric relate to exceptional items and to the amortisation of acquired intangible assets: adjustments which reflect the key business metric of Operating profit[2] and give a better sense of underlying business progress. Basic earnings per share was up 8% to 14.2p (H1 2012: 13.1p), adjusted for the rights issue as above.

Pre-exceptional Income Statement

The Group saw net revenue growth of 20% against the prior period, to £751.6m versus £627.8m in H1 2012. Retail net revenue saw growth of 11% on the same basis, though this was flattered by the transition from VAT and AMLD to MGD; on an underlying basis it grew 3%. William Hill Online delivered 18% net revenue growth, powered largely by a 44% increase in Sportsbook net revenue.

Cost of sales for the Group was £129.6m, up 53% on the prior year (H1 2012: £84.7m). The key components of this growth were increased gaming machine-related gaming duty following the introduction of MGD in February, increased gaming duty in certain Online territories, and higher royalty payments relating to the increased proportion of Sportsbook revenues derived from mobile. The Group also saw one-off accrual releases of c£5m in the 2012 comparative relating both to Online and Telephone, which exacerbated the relative growth in this cost line in 2013, and increased UK gross profits tax payments in 2013. Adjusting for the change to MGD, cost of sales was up 13%. Cost of sales in the William Hill Australia business, comprising Goods and Services Tax as well as racing and other sports levies, was £6.7m from completion to the end of the period.

Pre-exceptional net operating expenses, which includes other operating income but excludes amortisation of acquired intangibles, grew 17% from £376.8m in H1 2012 to £441.9m in H1 2013. Online saw 20% growth in net operating expenses, driven by an 18% increase in marketing costs and a 21% increase in other costs. The main driver of other cost growth was staff, with a 42% increase. Retail net operating expenses grew 7%, or 4% after adjusting for the increase in MGD. In absolute terms, the primary increases came from staff costs, with an increase of 3%, property costs, up 8%, and content costs, up 12%. The newly acquired Australian business saw £20.4m net operating expenses from completion of the Sportingbet acquisition to the end of the period. William Hill US and Telephone incurred £8.1m and £8.2m net operating expenses, respectively. Net corporate expenses grew by 5% to £14.0m, impacted by a reduction in central charges to Retail. Prior to recharges, gross corporate costs were flat, benefitting from reduced staff incentive provisions. Other operating income was £3.3m (H1 2012: £1.8m).

The Group had a contribution of £1.3m from its associate, SIS (H1 2012: £1.5m).

The Group saw £5.4m of amortisation in H1 2013 relating to acquired intangibles, of which £1.8m arose in Online (H1 2012: £1.8m), £1.3m arose following the US acquisitions, and £2.3m related to the Sportingbet acquisition. The Group expects full year amortisation to be c£12m. After amortisation, Group pre-exceptional EBIT was up 6% to £176.0m (H1 2012: £166.0m).

Pre-exceptional net finance costs rose from £15.7m in H1 2012 to £19.8m in H1 2013 as the Group saw net debt increase following the acquisitions undertaken in H1 2013.

Pre-exceptional pre-tax profit for the first half was £156.2m (H1 2012: £150.3m).

Exceptional costs

The Group recorded £12.6m of pre-tax exceptional costs in the first half (H1 2012: £7.0m), comprising £10.9m of exceptional operating costs relating to the Sportingbet acquisition and the write-off of £1.7m of unamortised arrangement fees relating to the early termination of the short-term bridge facility put in place for the acquisitions carried out in the first half. Together with the £4.6m incurred in 2012, total exceptional costs for the Sportingbet transaction were £15.5m. The Group continues to expect around £16m in total exceptional costs linked to this transaction.

Taxation

Pre-exceptional tax on profit was £10.3m (H1 2012: £26.0m) at an effective tax rate of 6.6% (H1 2012: 17.3%). This benefitted from a deferred tax credit arising from the reduction in UK corporation tax rate to 20% in 2015, which was substantively enacted during the period. The Group expects the effective tax rate will revert to c18% in the second half, achieving 12% on a full-year basis in 2013. The effective income statement tax rate expectation for 2014 remains 17%. Tax on exceptional items was a £0.4m credit (H1 2012: £0.6m credit), making the total tax for the Group for the first half £9.9m (H1 2012: £25.4m).

The Group expects the cash tax rate for 2013 to remain in line with previous guidance of 20%, with cash tax guidance for 2014 now expected to be 18%.

Cash flow and balance sheet

The Group continued to generate substantial levels of cash from operating activities, with £134.1m of net cash inflow (H1 2012: £168.7m), with growth in Operating profit[2] contributing positively to this improvement, offset by an adverse working capital movement.

The Group invested £34.7m in cash capital expenditure in the period (H1 2012: £30.2m) and it continues to expect full-year capital expenditure to be in the range of £80-90m, including an estimated £30m investment in William Hill Online and £5m in Group IT infrastructure. Other cash outflows in the first half included £55.0m in dividend payments and £21.6m in distributions made to non-controlling interests.

During the period, the Group completed two acquisitions: certain assets acquired from Sportingbet plc and the acquisition of the 29% minority interest held by the Playtech Group in William Hill Online. These were financed by a combination of borrowings under the Group's existing revolving credit facility (RCF), a short-term bridge loan and the proceeds of a £373m (net) 2-for-9 rights issue completed on 5 April. To maintain an appropriate capital structure and further diversify its debt profile, the Group issued a seven-year bond at a coupon rate of 4.25% to raise £375m on 5 June. The proceeds of the bond issue were used to repay the bridge loan and part of the borrowings drawn under the RCF. As at 2 July 2013, the Group had drawn borrowings of £905m and net debt for covenant purposes increased to £821m (2 January 2013: £339m) as a result of the two acquisitions. This reflects a net debt over EBITDA ratio of 1.9 times.

The Group saw its net assets move up by £6m, reflecting the £134m increase in retained earnings, and the additional £373m net share capital issued by the Company, offset by a £413m decrease in reserves following the acquisition of the minority interest and a net £88m of other outflows, including £55m of dividend payments and £22m of other distributions.

The Group's accounting pension deficit increased slightly over the period to £22.3m as a result of deficit repair contributions being offset by actuarial losses and ongoing service costs.

Fiscal and regulatory update

In the UK, submissions have been made to the Department of Culture, Media and Sport (DCMS) on its consultation on gaming machine stakes and prizes. Publication of the submissions and the Department's response is expected in due course but no timeline has been specified.

In May, the UK Government confirmed in the Queen's Speech its intention to regulate online gambling on a 'Point of Consumption' basis and has published draft legislation. Any proposals on the introduction of a Point of Consumption tax and the tax rate are expected to be addressed in the Chancellor's budget speech in due course. The Group's view remains that there is no demonstrable need for the proposed Point of Consumption regulation based on consumer protection, which is the Government's justification, and that rigorous enforcement would be required to mitigate the significant market distortion that will result from introduction of taxation.

In Australia, the Department of Broadband, Communications and the Digital Economy published its final report of the Review of the Interactive Gambling Act 2011. The Federal Government is seeking to work with the states and territories to implement a national harm minimisation and consumer protection standard for all licensed gambling activities, before giving consideration to the Review's recommended changes relating to the trial of in-play sports betting and online tournament poker. In addition, measures were announced by the Federal Government to restrict gambling advertisements before, during and after live games and to ban the promotion of live odds on television and radio networks. The Australian Wagering Council, of which we are a member, accepted the proposed changes and is working with the broadcast industry to implement them.

In the US, we continue to track potential changes to regulation where a variety of state governments are reviewing gambling regulation.

Dividend

The Board has approved an interim dividend of 3.7p per share (H1 2012: 3.2p per share after rights issue adjustment). It is payable on 6 December 2013, the ex-dividend date is 23 October 2013 and the record date is 25 October 2013. The Group estimates that approximately 866 million shares will qualify for the final dividend.

Principal risks and uncertainties

The key risks areas for 2013, which are discussed in our 2012 Annual Report, are identified as:

- UK and overseas taxation and duties;
- UK and overseas regulation;
- key supplier relationships;
- business continuity and disaster recovery preparedness;
- UK and international growth opportunities;
- the economic climate;
- data protection and technology risk; and
- regulatory compliance.

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

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

By order of the Board,

R.J. Topping	N. Cooper
Chief Executive	Group Finance Director
2 August 2013	2 August 2013

Reference notes

(1) Group and Retail net revenue performance numbers are flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Underlying numbers are provided in the narrative, adjusting the prior year from the date of introduction of MGD to reflect the current tax regime.

(2) Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions, amounting to £5.4m in 2013 (2012: £1.8m).

(3) Basic EPS is based on an average of 836.7 million shares for 2013 and an average of 756.0 million shares for 2012, including an adjustment to reflect the impact of the rights issue completed on 5 April 2013.

(4) Basic EPS and dividend per share are stated before exceptional items and amortisation of specifically identified intangible assets recognised on acquisitions.

(5) This includes the contribution of William Hill Australia for the 15 weeks from completion on 19 March 2013 to the end of the period.

William Hill PLC
Interim Consolidated Income Statement (unaudited)
for the 26 weeks ended 2 July 2013

	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**26 weeks ended 2 July 2013 Total £m**	Before exceptional items £m	Exceptional items (note 3) £m	26 weeks ended 26 June 2012 Total £m	53 weeks ended 1 January 2013 Total £m
Continuing Operations								
Amounts wagered	2	**3,670.1**	-	**3,670.1**	2,878.3	-	2,878.3	5,884.8
Revenue	2	**751.6**	-	**751.6**	627.8	-	627.8	1,276.9
Cost of sales	2,3	**(129.6)**	-	**(129.6)**	(84.7)	(4.6)	(89.3)	(172.2)
Gross profit	2	**622.0**	-	**622.0**	543.1	(4.6)	538.5	1,104.7
Other operating income		**3.3**	-	**3.3**	1.8	-	1.8	4.7
Other operating expenses	3	**(450.6)**	(10.9)	**(461.5)**	(380.4)	(2.0)	(382.4)	(802.0)
Share of results of associates and joint ventures		**1.3**	-	**1.3**	1.5	-	1.5	3.7
Profit before interest and tax	2	**176.0**	(10.9)	**165.1**	166.0	(6.6)	159.4	311.1
Investment income	2,4	**0.6**	-	**0.6**	0.2	-	0.2	0.6
Finance costs	3,5	**(20.4)**	(1.7)	**(22.1)**	(15.9)	(0.4)	(16.3)	(34.0)
Profit before tax	2	**156.2**	(12.6)	**143.6**	150.3	(7.0)	143.3	277.7
Tax	3,6	**(10.3)**	0.4	**(9.9)**	(26.0)	0.6	(25.4)	(46.7)
Profit for the period		**145.9**	(12.2)	**133.7**	124.3	(6.4)	117.9	231.0
Attributable to:								
Equity holders of the parent		**130.6**	(12.2)	**118.4**	104.4	(5.2)	99.2	189.8
Non-controlling interest		**15.3**	-	**15.3**	19.9	(1.2)	18.7	41.2
		145.9	(12.2)	**133.7**	124.3	(6.4)	117.9	231.0
Earnings per share (pence)								
Basic (restated)	8			**14.2**			13.1	25.1
Diluted (restated)	8			**13.9**			12.9	24.7

William Hill PLC
Interim Consolidated Statement of Comprehensive Income (unaudited)
for the 26 weeks ended 2 July 2013

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Profit for the period	**133.7**	117.9	231.0
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	**(4.9)**	11.3	5.6
Tax on items taken to statement of comprehensive income	**(1.4)**	(3.4)	(3.0)
	(6.3)	7.9	2.6
Items that may be reclassified subsequently to profit or loss:			
Gains on cash flow hedges	**-**	-	0.4
Exchange differences on translation of foreign operations	**(11.9)**	0.2	(1.7)
	(11.9)	0.2	(1.3)
Other comprehensive (loss)/income for the period	**(18.2)**	8.1	1.3
Total comprehensive income for the period	**115.5**	126.0	232.3
Attributable to:			
Equity holders of the parent	**100.2**	107.3	191.0
Non-controlling interest	**15.3**	18.7	41.3
	115.5	126.0	232.3

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)
for the 26 weeks ended 2 July 2013

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total Equity £m
At 2 January 2013	**70.6**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**(0.7)**	**653.1**	**1,022.4**	**14.6**	**1,037.0**
Retained profit for the financial period	-	-	-	-	-	-	118.4	118.4	15.3	133.7
Other comprehensive loss for the period	-	-	-	-	-	(11.9)	(6.3)	(18.2)	-	(18.2)
Total comprehensive income for the period	-	-	-	-	-	**(11.9)**	**112.1**	**100.2**	**15.3**	**115.5**
Purchase of own shares	0.2	-	-	-	(0.4)	-	-	(0.2)	-	(0.2)
Transfer of own shares to recipients	-	-	-	-	0.1	-	(0.1)	-	-	-
Rights issue, net of costs (note 15)	15.7	357.7	-	-	-	-	-	373.4	-	373.4
Other shares issued in the period	0.1	0.1	-	-	-	-	(0.1)	0.1	-	0.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	4.3	4.3	-	4.3
Tax credit in respect of share remuneration	-	-	-	-	-	-	3.0	3.0	-	3.0
Dividends paid (note 7)	-	-	-	-	-	-	(55.0)	(55.0)	-	(55.0)
Distributions to non-controlling interest	-	-	-	-	-	-	-	-	(21.6)	(21.6)
Purchase of non-controlling interest, net of costs (note 11)	-	-	-	-	-	-	(414.8)	(414.8)	(8.3)	(423.1)
Reversal of non-controlling interest perpetuity creditor	-	-	-	-	-	-	9.7	9.7	-	9.7
At 2 July 2013	**86.6**	**679.2**	**6.8**	**(26.1)**	**(3.0)**	**(12.6)**	**312.2**	**1,043.1**	**-**	**1,043.1**

At 28 December 2011	**70.3**	**318.3**	**6.8**	**(26.1)**	**(11.7)**	**0.6**	**529.6**	**887.8**	**11.8**	**899.6**
Retained profit for the financial period	-	-	-	-	-	-	99.2	99.2	18.7	117.9
Other comprehensive income for the period	-	-	-	-	-	0.2	7.9	8.1	-	8.1
Total comprehensive income for the period	-	-	-	-	-	**0.2**	**107.1**	**107.3**	**18.7**	**126.0**
Transfer of own shares to recipients	-	-	-	-	9.0	-	(9.0)	-	-	-
Shares issued in the period	0.1	3.1	-	-	-	-	(3.2)	-	-	-
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.3	3.3	-	3.3
Tax credit in respect of share remuneration	-	-	-	-	-	-	2.1	2.1	-	2.1
Dividends paid (note 7)	-	-	-	-	-	-	(47.1)	(47.1)	-	(47.1)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(19.9)	(19.9)
At 26 June 2012	**70.4**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**0.8**	**582.8**	**953.4**	**10.6**	**964.0**

William Hill PLC

Interim Consolidated Statement of Changes in Equity (unaudited)

for the 26 weeks ended 2 July 2013

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total Equity £m
At 28 December 2011	**70.3**	**318.3**	**6.8**	**(26.1)**	**(11.7)**	**0.6**	**529.6**	**887.8**	**11.8**	**899.6**
Retained profit for the financial period	-	-	-	-	-	-	189.8	189.8	41.2	231.0
Other comprehensive income/(loss) for the period	-	-	-	-	-	(1.3)	2.5	1.2	0.1	1.3
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(1.3)**	**192.3**	**191.0**	**41.3**	**232.3**
Transfer of own shares to recipients	-	-	-	-	9.0	-	(9.0)	-	-	-
Shares issued during the period	0.3	3.1	-	-	-	-	(0.2)	3.2	-	3.2
Credit recognised in respect of share remuneration	-	-	-	-	-	-	10.6	10.6	-	10.6
Tax credit in respect of share remuneration	-	-	-	-	-	-	0.9	0.9	-	0.9
Dividends paid (note 7)	-	-	-	-	-	-	(71.1)	(71.1)	-	(71.1)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(38.5)	(38.5)
At 1 January 2013	**70.6**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**(0.7)**	**653.1**	**1,022.4**	**14.6**	**1,037.0**

William Hill PLC
Interim Consolidated Statement of Financial Position (unaudited)
as at 2 July 2013

	Notes	**2 July 2013 £m**	26 June 2012 £m	1 January 2013 £m
Non-current assets				
Intangible assets		**1,924.9**	1,401.1	1,433.4
Property, plant and equipment		**233.9**	213.5	227.7
Investment property		**10.8**	-	-
Interest in associates		**11.9**	11.4	12.6
Deferred tax asset		**15.9**	11.2	11.5
Loans receivable	9	**12.0**	-	-
		2,209.4	1,637.2	1,685.2
Current assets				
Inventories		**0.3**	0.2	0.2
Trade and other receivables		**40.6**	38.1	37.7
Cash and cash equivalents		**170.2**	197.3	151.7
Derivative financial instruments		**1.4**	-	0.4
		212.5	235.6	190.0
Total assets		**2,421.9**	1,872.8	1,875.2
Current liabilities				
Trade and other payables		**(257.1)**	(221.8)	(227.5)
Corporation tax liabilities		**(42.2)**	(36.2)	(38.7)
Borrowings	10	**-**	(0.1)	(0.1)
Derivative financial instruments		**(6.3)**	(12.7)	(7.0)
		(305.6)	(270.8)	(273.3)
Non-current liabilities				
Borrowings	10	**(894.5)**	(471.5)	(402.6)
Retirement benefit obligations		**(22.3)**	(19.2)	(21.1)
Amounts owed to non-controlling interest	11	**-**	(7.8)	(8.7)
Deferred tax liabilities		**(156.4)**	(139.5)	(132.5)
		(1,073.2)	(638.0)	(564.9)
Total liabilities		**(1,378.8)**	(908.8)	(838.2)
Net assets		**1,043.1**	964.0	1,037.0
Equity				
Called-up share capital	15	**86.6**	70.4	70.6
Share premium account	15	**679.2**	321.4	321.4
Capital redemption reserve		**6.8**	6.8	6.8
Merger reserve		**(26.1)**	(26.1)	(26.1)
Own shares held		**(3.0)**	(2.7)	(2.7)
Hedging and translation reserves		**(12.6)**	0.8	(0.7)
Retained earnings		**312.2**	582.8	653.1
Equity attributable to equity holders of the parent		**1,043.1**	953.4	1,022.4
Non-controlling interest	11	**-**	10.6	14.6
Total equity		**1,043.1**	964.0	1,037.0

William Hill PLC
Interim Consolidated Cash Flow Statement (unaudited)
for the 26 weeks ended 2 July 2013

	Notes	**26 weeks ended 2 July 2013 £m**	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Net cash from operating activities	12	**134.1**	168.7	294.3
Investing activities				
Dividend from associate		**2.0**	1.0	2.0
Interest received		**0.6**	0.2	0.6
Proceeds on disposal of property, plant and equipment		**0.3**	0.2	1.3
Acquisitions (net of cash acquired)	9	**(435.3)**	-	(19.4)
Purchases of property, plant and equipment		**(24.2)**	(19.2)	(45.8)
Loans	9	**(12.0)**	-	-
Purchase of non-controlling interest	11	**(423.1)**	-	-
Expenditure on computer software		**(10.5)**	(11.0)	(20.5)
Net cash used in investing activities		**(902.2)**	(28.8)	(81.8)
Financing activities				
Purchase of own shares		**(0.3)**	-	-
Dividends paid	7	**(55.0)**	(47.1)	(71.1)
Distributions paid to non-controlling interests		**(21.6)**	(19.9)	(38.5)
Repayments of borrowings		**(385.0)**	(65.0)	(67.5)
Amounts drawn down		**505.0**	75.0	-
Proceeds on rights issue	15	**384.3**	-	-
Costs of rights issue	15	**(10.3)**	-	-
Proceeds on other share issues		**0.1**	0.1	3.2
Issue of £375m Guaranteed Notes due 2020	10	**375.0**	-	-
Finance fees paid on £375m Guaranteed Notes	10	**(3.7)**	-	-
£325m Term Loan Facility issue costs		**(1.9)**	-	(1.2)
Net cash from/(used in) financing activities		**786.6**	(56.9)	(175.1)
Net increase in cash and cash equivalents in the period		**18.5**	83.0	37.4
Cash and cash equivalents at start of period		**151.7**	114.3	114.3
Cash and cash equivalents at end of period		**170.2**	197.3	151.7

1. Basis of accounting

General Information

William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The condensed consolidated financial information for the 26 weeks ended 2 July 2013, which has been approved by a committee of the Board of Directors on 2 August 2013, has been prepared on the basis of the accounting policies set out in the Group's 2012 Annual Report and Accounts on pages 75 to 76, which can be found on the Group's website www.williamhillplc.com, as updated for investment properties and amounts wagered, which can be found below. This condensed consolidated financial information for the 26 weeks ended 2 July 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial information for the 26 weeks ended 2 July 2013 should be read in conjunction with the annual financial statements for the 53 weeks ended 1 January 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented.

The condensed consolidated financial information for the 26 weeks ended 2 July 2013 is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but has been reviewed by the auditor and their report is set out at the end of this financial information. The results for the 53 week period ended 1 January 2013 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts, which have been filed with the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

Adoption of new and revised standards

There have been a number of new and amended standards and interpretations effective in the period. The only standard which has had an impact upon the values or disclosures in the financial statements is IAS 19 (revised 2011) 'Employee Benefits'. The principal impact has been the removal of separate assumptions for expected returns on plan assets and discounting of scheme liabilities and their replacement with a single discount rate for the net deficit, with the income statement presenting a net interest figure rather than separate income and expense values. There was no effect on the net assets or results of the Group.

Basis of accounting

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

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

Basis of consolidation

The financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 2 July 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

Business combinations and investments

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

Going concern

The Group meets its day to day working capital requirements from operating cash flows and its cash resources on hand, supplemented by a committed bank facility of £550m, which expires in 2015. In addition, the Group has long-term debt liabilities in the form of £300m of corporate bonds due in 2016 and £375m due in 2020. Whilst current economic conditions create uncertainty over the level of demand for the Group's products, the Group's forecasts and projections show that the Group should be able to operate within the level of its borrowing facilities over the foreseeable future.

Therefore, after making these enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial information.

Seasonality

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Amounts wagered

Amounts wagered does not represent the Group's statutory revenue measure and now comprises the gross takings receivable from customers in respect of individual bets placed in the period in over the counter LBO, Telephone, US, Australian and Online sportsbook businesses and net revenue for the period for LBO machines and online casino, poker and bingo products. This represents a change in treatment of LBO machines wagering, for which gross takings was previously utilised. This change has been made in order to improve consistency across the Group's segments and is reflected in current and prior period results. The presentation of net revenues, which is the Group's statutory revenue measure, is unaffected by this change.

2. Segment information

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

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all activity undertaken online including an online sportsbook, online casino, online poker sites and other online gaming products. The Telephone segment comprises the Group's telephone betting services. The US segment comprises betting activity undertaken in the USA. The Australia segment comprises an online and telephone sportsbook under the Centrebet and Sportingbet brands in Australia which was acquired during the period (see note 9). Other activities include on-course betting and greyhound stadia operations.

Business segment information for the 26 weeks ended 2 July 2013:

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Amounts wagered	1,472.5	1,501.4	135.4	127.7	422.3	10.8	-	3,670.1
Payout	(1,008.9)	(1,267.5)	(125.3)	(118.1)	(391.5)	(7.2)	-	(2,918.5)
Revenue	**463.6**	**233.9**	**10.1**	**9.6**	**30.8**	**3.6**	**-**	**751.6**
GPT, duty, levies and other costs of sales	(101.4)	(20.2)	-	(0.9)	(6.7)	(0.4)	-	(129.6)
Gross profit	362.2	213.7	10.1	8.7	24.1	3.2	-	622.0
Depreciation	(12.3)	(0.3)	-	(0.2)	(1.6)	(0.1)	(2.0)	(16.5)
Amortisation	(1.3)	(7.9)	(0.1)	-	-	-	-	(9.3)
Other administrative expenses	(241.0)	(125.3)	(8.1)	(7.9)	(18.8)	(3.0)	(12.0)	(416.1)
Share of result of associates	-	-	-	-	-	-	1.3	1.3
Operating profit/(loss)[1]	**107.6**	**80.2**	**1.9**	**0.6**	**3.7**	**0.1**	**(12.7)**	**181.4**
Amortisation of acquired intangibles	-	(1.8)	-	(1.3)	(2.3)	-	-	(5.4)
Exceptional operating items	-	-	-	-	(10.9)	-	-	(10.9)
Profit/(loss) before interest and tax[2]	**107.6**	**78.4**	**1.9**	**(0.7)**	**(9.5)**	**0.1**	**(12.7)**	**165.1**
Non-operating exceptional items							(1.7)	(1.7)
Investment income							0.6	0.6
Finance costs							(20.4)	(20.4)
Profit before tax								**143.6**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

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

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

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	1,500.5	1,218.0	148.2	11.6	-	2,878.3
Payout	(1,083.1)	(1,019.6)	(139.8)	(8.0)	-	(2,250.5)
Revenue	**417.4**	**198.4**	**8.4**	**3.6**	**-**	**627.8**
GPT, duty, levies and other cost of sales	(68.9)	(17.8)	2.4	(0.4)	-	(84.7)
Gross profit	348.5	180.6	10.8	3.2	-	543.1
Depreciation	(12.1)	(0.3)	-	(0.1)	(1.7)	(14.2)
Amortisation	(1.2)	(5.2)	(0.1)	-	-	(6.5)
Other administrative expenses	(225.4)	(106.2)	(10.0)	(2.9)	(11.6)	(356.1)
Share of result of associates	-	-	-	-	1.5	1.5
Operating profit/(loss)[1]	**109.8**	**68.9**	**0.7**	**0.2**	**(11.8)**	**167.8**
Amortisation of acquired intangibles	-	(1.8)	-	-	-	(1.8)
Exceptional operating items	-	(4.6)	-	-	(2.0)	(6.6)
Segment profit/(loss) before interest and tax[2]	**109.8**	**62.5**	**0.7**	**0.2**	**(13.8)**	**159.4**
Non-operating exceptional items					(0.4)	(0.4)
Investment income					0.2	0.2
Finance costs					(15.9)	(15.9)
Profit before tax						**143.3**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

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

Business segment information for the 53 weeks ended 1 January 2013:

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate £m	Group £m
Amounts wagered	2,951.5	2,498.5	279.2	132.2	23.4	–	5,884.8
Payout	(2,113.6)	(2,091.8)	(263.2)	(123.3)	(16.0)	–	(4,607.9)
Revenue	**837.9**	**406.7**	**16.0**	**8.9**	**7.4**	**–**	**1,276.9**
GPT, duty, levies and other costs of sales	(137.1)	(35.6)	2.3	(0.9)	(0.9)	–	(172.2)
Gross profit	700.8	371.1	18.3	8.0	6.5	–	1,104.7
Depreciation	(24.8)	(0.8)	–	(0.2)	(0.2)	(3.3)	(29.3)
Amortisation	(2.6)	(11.5)	(0.3)	–	–	–	(14.4)
Other administrative expenses	(461.9)	(213.5)	(17.5)	(8.4)	(5.8)	(27.0)	(734.1)
Share of result of associates	–	–	–	–	–	3.7	3.7
Operating profit/(loss)[1]	**211.5**	**145.3**	**0.5**	**(0.6)**	**0.5**	**(26.6)**	**330.6**
Amortisation of acquired intangibles	–	(3.6)	–	(1.4)	–	–	(5.0)
Exceptional operating items	–	(4.6)	–	(5.3)	–	(4.6)	(14.5)
Profit/(loss) before interest and tax[2]	**211.5**	**137.1**	**0.5**	**(7.3)**	**0.5**	**(31.2)**	**311.1**
Non-operating exceptional items						(0.5)	(0.5)
Investment income						0.6	0.6
Finance costs						(33.5)	(33.5)
Profit before tax							**277.7**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

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

3. Exceptional items

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

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Operating			
Sportingbet acquisition costs [1]	**(10.9)**	-	(4.6)
US acquisition costs [2]	**-**	(2.0)	(5.3)
Spanish back taxes [3]	**-**	(4.6)	(4.6)
	(10.9)	(6.6)	(14.5)
Non-operating			
Costs in respect of refinancing [4]	**(1.7)**	-	-
Fair value loss on hedging arrangements	**-**	(0.4)	(0.5)
Total exceptional items	**(12.6)**	(7.0)	(15.0)

The tax impact of exceptional items is as follows:

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Tax credit in respect of fair value loss on hedging arrangements	**-**	0.1	0.1
Tax credit in respect of US acquisition costs [2]	**-**	-	1.3
Tax credit in respect of Spanish back taxes [3]	**-**	0.5	0.1
Tax credit in respect of refinancing costs [4]	**0.4**	-	-
	0.4	0.6	1.5

1 On 19 March 2013, the Group acquired a number of operations from the Sportingbet Plc Group, as described in note 9. Costs relating to this acquisition were charged as exceptional items.

2 In 2012 the Group acquired three USA-based businesses. Both transaction and integration costs relating to this acquisition were charged as exceptional items.

3 During 2012 the Group applied for a gaming licence in Spain. As part of that process the Group agreed to settle a back taxes claim with the Spanish tax authorities which, including penalties and interest, totalled £4.6m.

4 In June 2013, the Group issued a £375m corporate bond and used the proceeds to settle £275m borrowed under a Term Loan Facility arranged in December 2012, with the remainder used to clear down outstanding amounts under the Group's revolving credit facility. The Term Loan Facility was immediately cancelled and the remaining balance of finance fees, which were being expensed over the life of the debt, was charged as an exceptional item.

4. Investment income

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Interest on bank deposits	**0.6**	0.2	0.6

Following the introduction of IAS 19 (revised 2011), finance income and costs relating to the Group's pension scheme assets and liabilities are presented net in finance costs.

5. Finance costs

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Interest payable and similar charges:			
Bank loans, bond interest and overdrafts	**17.8**	14.2	29.0
Amortisation of finance costs	**2.3**	1.0	2.2
Net interest payable	**20.1**	15.2	31.2
Loss on revaluation of amounts due to non-controlling interest (note 11)	**-**	-	0.9
Interest on net pension scheme liability	**0.3**	0.7	1.4
	20.4	15.9	33.5

The above does not include exceptional finance costs as described in note 3.

6. Tax on profit on ordinary activities

The effective rate in respect of ordinary activities is 6.9% (26 weeks ended 26 June 2012: 17.7%; 53 weeks ended 1 January 2013: 16.8%). This is lower than the 2013 statutory rate of 23.25% due to the deferred tax credit resulting from the enacted reduction in the corporation tax rate to 20% and the lower effective tax rate on the income of William Hill Online.

The effective rate in respect of ordinary activities before exceptional items is 6.6% (26 weeks ended 26 June 2012: 17.3%; 53 weeks ended 1 January 2013 16.5%) and excluding the deferred tax credit is 18.7% (26 weeks ended 26 June 2012: 21.4%; 53 weeks ended 1 January 2013: 20.8%).

7. Dividends proposed and paid

The directors have approved an interim dividend of 3.7 pence per share (2012: 3.2 pence per share) to be paid on 6 December 2013 to ordinary shareholders on the Register of Members on 25 October 2013. The comparative for 2012 has been restated from the previously reported 3.4p per share to take into account the impact of the rights issue (as described in note 15). In line with the requirements of IAS 10 – 'Events after the Reporting Date', this dividend has not been recognised within these interim results.

The 2012 final dividend of 7.8 pence per share (£55.0m) was paid in the half year ended 2 July 2013.

By agreement, the William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. The Company estimates that 866m shares will qualify for the interim dividend.

8. Earnings per share

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

	26 weeks ended 2 July 2013			26 weeks ended 26 June 2012 (restated)		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period £m	**118.4**	**-**	**118.4**	99.2	-	99.2
Exceptional items (note 3) £m	**12.6**	**-**	**12.6**	5.7	-	5.7
Exceptional items – tax credit (note 3) £m	**(0.4)**	**-**	**(0.4)**	(0.5)	-	(0.5)
Amortisation of intangibles £m	**5.2**	**-**	**5.2**	1.3	-	1.3
Adjusted profit after tax before exceptional items	**135.8**	**-**	**135.8**	105.7	-	105.7
Weighted average number of shares (million)	**836.7**	**13.8**	**850.5**	756.0	12.1	768.1
Earnings per share (pence)	**14.2**	**(0.3)**	**13.9**	13.1	(0.2)	12.9
Exceptional adjustment (pence)	**1.4**	**0.1**	**1.5**	0.7	-	0.7
Amortisation adjustment (pence)	**0.6**	**-**	**0.6**	0.2	-	0.2
Earnings per share – adjusted	**16.2**	**(0.2)**	**16.0**	14.0	(0.2)	13.8

	53 weeks ended 1 January 2013 (restated)		
	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period £m	189.8	-	189.8
Exceptional items (note 3) £m	13.7	-	13.7
Exceptional items – tax credit (note 3) £m	(1.5)	-	(1.5)
Amortisation of intangibles £m	4.5	-	4.5
Adjusted profit after tax before exceptional items	206.5	-	206.5
Weighted average number of shares (million)	757.4	11.6	769.1
Earnings per share (pence)	25.1	(0.4)	24.7
Exceptional adjustment (pence)	1.6	(0.1)	1.5
Amortisation adjustment (pence)	0.6	-	0.6
Earnings per share – adjusted	27.3	(0.5)	26.8

The comparator figures have been restated to take into account the impact of the rights issue (as described in note 15) in line with IAS 33 “Earnings Per Share”.

An adjusted earnings per share, based on profit for the period before exceptional items and amortisation (relating to intangible assets recognised on acquisitions), has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 0.7m in the 26 weeks ended 2 July 2013 (26 June 2012: 1.2m, 1 January 2013: 0.9m).

9. Acquisition

On 19 March 2013, the Group acquired the Australian sportsbook operations of Sportingbet and the Miapuesta brand and was granted a call option over Sportingbet's locally licensed Spanish business. The acquisition, representing a further step in the Group's strategy of targeted international expansion, was made for a cash consideration of £459.4m and resulted in the Group acquiring 100% of the share capital of the entities acquired.

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies and is not expected to be deductible for tax purposes.

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Intangible non-current assets	169.7
Property, plant & equipment	13.7
Investment property	10.8
Cash at bank	24.1
Receivables	8.9
Derivative financial instruments	1.0
Payables	(51.7)
Deferred tax provisions	(48.7)
Total net assets acquired	127.8
Goodwill	331.6
Total consideration	459.4

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Cash consideration paid	459.4
Net cash acquired	(24.1)
Net acquisition cash flows	435.3

Included within the intangible non-current assets were £169.5m of separately identifiable intangibles that comprised brands, customer relationships, contractual relationships and software.

The fair value of the trade and other receivables comprised contractually receivable sums of £13.5m, net of a provision of £4.6m for potentially unrecoverable amounts.

The acquired Australian operations have been included within a new operating segment under the name "Australia", which was created on their acquisition, and their contribution to the period's result is shown in note 2. Had they been acquired on 2 January 2013, they would have contributed £56.1m of revenue and £12.5m of profit before tax during the 26 weeks to 2 July 2013.

The call option over the Spanish businesses is exercisable in a six-month window from September 2013 and no amount is payable on exercise.

Simultaneously with the purchase, the Group entered into a loan agreement with the joint purchaser, GVC, under which the Group lent £12m to GVC. This loan is repayable in instalments over the period to June 2016.

10. Bank loans and other borrowings

	2 July 2013 £m	26 June 2012 £m	1 January 2013 £m
Borrowings at amortised cost			
Bank loans	**230.0**	180.0	110.0
Less expenses related to loans	**(3.2)**	(4.5)	(3.8)
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0	300.0
Less discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(1.1)**	(1.4)	(1.2)
Less expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(2.2)**	(2.8)	(2.5)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	-	-
Less expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(4.0)**	-	-
Total Borrowings at amortised cost	**894.5**	471.3	402.5
Obligations under finance leases	**-**	0.3	0.2
Total Borrowings	**894.5**	471.6	402.7
Less: amount due for settlement in 12 months (shown under current liabilities)	**-**	(0.1)	(0.1)
Amount due for settlement after 12 months	**894.5**	471.5	402.6
The gross borrowings, including finance leases are repayable as follows:			
Amounts due for settlement within one year	**-**	0.1	0.1
In the second year	**-**	0.2	0.1
In the third to fifth years inclusive	**530.0**	180.0	410.0
After more than five years	**375.0**	300.0	-
	905.0	480.3	410.2

Bank facilities

At 2 July 2013, the Group had the following bank loan facilities:

1. A committed bank loan facility of £550m provided by a syndicate of banks. At the period-end, £230m of this facility was drawn down. This facility is a Revolving Credit Facility ('RCF'), expiring in November 2015.
2. An overdraft facility of £5m, of which £nil was drawn down at the period-end.

During the period, the Group repaid and cancelled the Term Loan Facilities of £325m that were established during 2012. The remaining unamortised finance fees on the facility were charged to exceptional costs as described in note 3.

£550m Revolving Credit Facility

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

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

The upfront participation and other fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loans in the Consolidated Statement of Financial Position and are being amortised on a straight line basis over the life of the facility.

Overdraft facility

At 2 July 2013, the Group had an overdraft facility with National Westminster Bank plc of £5m (26 June 2012: £5m; 1 January 2013: £5m). The balance on this facility at 2 July 2013 was £nil (26 June 2012: £nil; 1 January 2013: £nil).

Corporate bonds

£300m 7.12% Guaranteed Notes due 2016

As part of its strategy to diversify its funding sources, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by William Hill Organization Limited, a principal subsidiary of the Company. The bonds carry a coupon of 7.125% but together with the discount on issue of the bonds bear an effective interest rate of 7.25%.

£375m 4.25% Guaranteed Notes due 2020

In June 2013, the Group issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in William Hill Online, with the remainder of the bond used to clear down outstanding amounts under the Group's revolving credit facility. The bonds, which are guaranteed by William Hill Organization Limited, bear a coupon rate of 4.25% and are due for redemption in June 2020.

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

11. Non-controlling interest

The non-controlling interest relates to the 29% share in William Hill Online owned by Playtech Limited ("Playtech") during the prior and part of the current period.

On 15 April 2013, the Group purchased Playtech's stake in the William Hill Online business for a cash consideration of £423.8m. As this was a transaction with minority equity owners of the business without a change of control, it has been recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £2.8m have been recorded in equity along with a receipt of £3.5m representing a subsequent working capital adjustment. A liability of £9.7m, representing fixed annual fees due to Playtech, was also reversed through equity following the end of the underlying obligation.

As a result of the purchase of this minority stake, the financial statements show a nil non-controlling interest in the Group balance sheet and present a non-controlling share of profits only up to 14 April 2013, being £15.3m. A reconciliation of the movements in non-controlling interests is provided in the Consolidated Statement of Changes in Equity.

12. Notes to the cash flow statement

	26 weeks ended 2 July 2013 £m	26 weeks ended 26 June 2012 £m	53 weeks ended 1 January 2013 £m
Profit before interest and tax, before exceptional items	**176.0**	166.0	325.6
Adjustments for:			
Share of result of associates and joint ventures	**(1.3)**	(1.5)	(3.7)
Depreciation of property, plant and equipment	**16.5**	14.2	29.3
Amortisation of computer software	**9.3**	6.5	14.4
Amortisation of acquired intangible assets	**5.4**	1.8	5.0
Loss on disposal of property, plant and equipment	**0.2**	-	0.1
Gain on disposal of land and buildings	**(0.2)**	(0.1)	(1.1)
Cost charged in respect of share remuneration	**4.3**	3.3	10.6
Defined benefit pension cost less cash contributions	**(4.0)**	(4.3)	(8.8)
Foreign exchange	**3.1**	0.2	(0.4)
Exceptional operating (expense)/income	**(11.4)**	(5.4)	(9.6)
Movement on financial derivatives	**(0.7)**	(0.1)	(0.6)
Operating cash flows before movements in working capital:	**197.2**	180.6	360.8
(Increase)/decrease in inventories	**(0.1)**	0.1	-
(Increase)/decrease in receivables	**(1.3)**	16.1	15.7
(Decrease)/increase in payables	**(15.1)**	15.9	10.2
Cash generated by operations	**180.7**	212.7	386.7
Income taxes paid	**(28.7)**	(24.2)	(52.0)
Interest paid	**(17.9)**	(19.8)	(40.4)
Net cash from operating activities	**134.1**	168.7	294.3

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

13. Related party transactions

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

Trading transactions

Associate

The Group holds an investment of 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS). During the period the Group made purchases of £23.1m (26 weeks ended 26 June 2012: £20.4m; 53 weeks ended 1 January 2013: £41.3m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 2 July 2013 the amount receivable from Satellite Information Services Limited by the Group was £1.8m (26 June 2012 – £0.1m payable; 1 January 2013 – £3.1m receivable). Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Transactions between the Group and key management personnel in the first half of 2013 were limited to those relating to remuneration, previously disclosed as part of the Director's Remuneration Report within the Group's Annual report and Accounts 2012. There have been no other material changes to the arrangements between the Group and key management personnel.

14. Contingent Liabilities

In June 2010, the Group recognised a £5.6m exceptional credit following a refund of overpaid VAT from HMRC. The VAT repayment relates to our claim that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality. HMRC have challenged a similar claim made by Rank plc and our claim will not be determined until the Rank case is resolved. An appeal by HMRC was heard at the Court of Appeal in May 2013 and the verdict is likely to be delivered in the second half of 2013. Should HMRC ultimately be successful in the Rank case then the Group would have to repay the monies received, although the directors consider this unlikely.

15. Rights issue

On 5 April 2013, the Group issued 156.9m ordinary shares of 10p each through a 2-for-9 rights issue. The shares were issued at £2.45 each and raised £373.4m after expenses of £10.9m, which were debited to share premium. The excess of cash received over nominal value of the shares issued was recorded as share premium.

Independent review report to William Hill PLC

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the 26 week period ended 2 July 2013 which comprises the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes 1 to 15. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 week period ended 2 July 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
2 August 2013

Glossary and abbreviations

Amortisation	Where Operating profit and EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised in acquisitions.
Amounts wagered (also described elsewhere as turnover or amounts staked)	Amounts wagered does not represent the Group’s statutory revenue and comprises the gross takings receivable from customers in respect of individual bets placed in the period in over the counter LBO, Telephone, US, Australian and Online sportsbook businesses and net revenue for the period for LBO machines and online casino, poker and bingo products. As it includes customers’ recycling of winnings, it does not reflect the actual cash spent with the Group, which is reflected in the gross win/net revenue line. In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.
Basic, adjusted EPS	Basic, adjusted earnings per share (EPS) is stated before exceptional items and the post-tax impact of amortisation of intangibles recognised in acquisitions.
Gross win and net revenue	Gross win and net revenue are used internally as key performance indicators of the Group’s business. The Board believes presentation of gross win/net revenue enhances an investor’s understanding of the Group’s underlying financial condition and results of operations. Gross win is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines. Prior to the introduction of Machine Games Duty (MGD) on 1 February 2013, Gross win was the primary top-line reporting measure for machines as the net revenue figure was distorted by the changes in the VAT rate Net revenue is the primary measure for all divisions. This is defined as gross win less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in Retail. In Retail, until 1 February 2013 net revenue represented gross win less VAT, with the introduction of MGD, gross win and net revenue are now equivalent in retail. All other betting tax charges in the Group, including MGD, are recorded in cost of sales.
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue divided by amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers.
Operating profit	Profit before interest, tax and amortisation of intangibles recognised in acquisitions.
PBIT	Profit before interest and tax.