## William Hill PLC

25 February 2011

### Strong 2010 result led by William Hill Online and excellent machines performance

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 28 December 2010 (the period). The comparator period is the 52 weeks ended 29 December 2009.

| | 52 weeks ended 28 Dec 2010 (£m) | 52 weeks ended 29 Dec 2009 (£m) | Change vs 2009 (%) |
|---|---|---|---|
| Net revenue | £1,071.8m | £997.9m | +7% |
| - Retail net revenue | £783.1m | £757.5m | +3% |
| - Online net revenue | £251.5m | £203.5m | +24% |
| Operating profit(1) | £276.8m | £258.5m | +7% |
| Profit before tax | £193.3m | £120.9m | +60% |
| Profit after tax | £156.0m | £81.2m | +92% |
| Earnings per share – basic, adjusted(2)(3) | 21.7p | 20.6p | +5% |
| Earnings per share – basic(2) | 18.6p | 9.5p | +96% |
| Dividend per share | 8.3p | 7.5p | +11% |

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2009: £5.5m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(2) EPS is based on an average of 697.9 million shares for 2010 and an average of 641.3 million shares for 2009
(3) Adjusted EPS is stated before exceptional items and £3.6m (2009: £5.5m) amortisation related to the intangible assets in William Hill Online

**Key points:**

- 2010 out-turn at the top end of market expectations
- Strong William Hill Online results underpinned by outstanding Sportsbook growth
- In-play amounts wagered more than doubled with expansion of offering
- Improvements in trading approach deliver growth in Sportsbook and in-play gross win margin
- Successful roll-out of new 'Storm' gaming machines drives Retail net revenue growth
- Further balance sheet strengthening with debt reduction and extension of debt maturities

Ralph Topping, Chief Executive of William Hill, commented:

"This is a strong performance and I am delighted that, in particular, our Online business and the gaming machines in our shops have performed very well in the year. Our continuing investments in technology in what is a fast-changing industry have underpinned growth and the more than doubling of the amounts wagered from in-play this year demonstrates that customers welcome these innovations.

"We are continuing to expand our product offering to enhance the customer experience, particularly in Online. We are using our trading capability to deliver differentiating pricing and offers, and increasing the profile of our brand through continuing marketing investment. The combination of our fast-growing Online business and appealing Retail offering, together with the expertise of our employees and our attractive product range, give the Board great confidence as we pursue an agenda of innovation and international development."

| Analyst and investor presentation | | | |
|---|---|---|---|
| Meeting:<br>11.00 a.m. GMT<br>The Lincoln Centre<br>18 Lincoln's Inn Fields<br>London WC2A 3ED | Live conference call:<br>Tel: 0845 634 0041<br>Int'l: +44 (0) 20 8817 9301<br>Passcode: 4341330 | Archive conference call<br>(until 4 March 2011)<br>Tel: +44 (0) 20 7769 6425<br>Passcode: 4341330# | Video webcast:<br>www.williamhillplc.com<br>Available live and, until 25 February 2012, as an archive |

A separate conference call will be held at 1.00 pm GMT **for debt analysts and investors**. Dial-in details are:

UK telephone: 0845 634 0041
International: +44 (0)20 8817 9301
Passcode: 4341346

Archive of the debt call:
Telephone: +44 (0)20 7769 6425
Passcode: 4341346#

| Enquiries | | |
|---|---|---|
| William Hill PLC | Ralph Topping, Chief Executive<br>Neil Cooper, Group Finance Director<br>Lyndsay Wright, Director of IR | On 25 February: +44 (0) 20 7404 5959<br>Thereafter: +44 (0) 20 8918 3614 |
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### Notes to editors

William Hill is one of the UK's leading betting and gaming companies and employs more than 16,000 people. It is the UK's largest bookmaker by number of licensed betting offices (LBOs) and also operates in Ireland. The Group has over 2,350 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK, offer gaming machines. The Group's online business, William Hill Online, is one of the leading European online betting and gaming businesses by profitability, providing sports betting, casino games, poker, bingo, numbers betting and skill games.

**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

With outstanding growth from William Hill Online and a positive performance from the Retail channel, the Group has delivered a strong result in 2010 against a backdrop of challenging economic conditions for our customers. Group net revenue grew 7% to £1,071.8m (2009: £997.9m) and operating profit[1] was at the top end of market expectations at £276.8m (2009: £258.5m).

In its second year of operation, William Hill Online achieved strong year-on-year net revenue growth of 24% to £251.5m (2009: £203.5m) and operating profit[1] 22% higher at £91.1m (£2009: £74.4m). It particularly benefitted from our efforts to expand and enhance our sports-betting and in-play offering. The Group has also seen a strong performance from machines and football betting in Retail, reflecting the continued diversification of that channel and the benefit of a good World Cup result. This led to growth in Retail of 8% in amounts wagered, 3% net revenue growth and operating profit[1] slightly ahead of the prior year at £204.5m (2009: £202.7m). The previously announced restructuring of our Telephone channel, which achieved a small operating profit[1] of £0.9m (2009: loss of £1.8m), has now been successfully implemented.

We further strengthened our balance sheet during the year, replacing our existing bank debt facility with a new five-year £550m revolving credit facility. The Group continues to deliver good cash generation, with net cash inflow from operating activities of £223.9m (2009: £170.4m), enabling us to reduce net debt to below £500m. The Board has declared a final dividend of 5.8p per share (2009: 5.0p per share), giving a full-year dividend of 8.3p per share (2009: 7.5p per share), an increase of 11% over the prior year.

Looking forward, while we recognise that the economic environment will continue to be challenging in 2011 for all consumers, as is reflected in market expectations, we are confident our customer-focused, multi-channel approach, extensive product offering and our exploitation of technological advances ensure we are well-placed.

We are continuing to expand our product offering and to invest in technology to enhance the customer experience, particularly in Online. We are also using our trading capability to deliver differentiating pricing and offers, and increasing the profile of our brand through continuing marketing investment. In Online, we will build on the very encouraging developments in mobile betting and in-play, and will launch sites for some international targets in the coming months. In Retail, we are focused on delivering an attractive and competitive product range, particularly in football and gaming, allied to superior customer service. We continue to invest in the Retail estate with opportunities to deliver good returns on expansionary capital and are confident of the appeal of this channel and its diversified product range to a wide group of customers.

The combination of our fast-growing Online business and appealing Retail offering, together with the expertise of our employees and our attractive product range, give the Board great confidence as we pursue an agenda of innovation and international development.

## Summary of financial results

| | **2010 £m** | **2009 £m** | **% change** |
|---|---|---|---|
| - Retail net revenue | 783.1 | 757.5 | +3% |
| - Online net revenue | 251.5 | 203.5 | +24% |
| - Telephone net revenue | 30.3 | 29.7 | +2% |
| - Other net revenue | 6.9 | 7.2 | -4% |
| **Group net revenue** | **1,071.8** | **997.9** | **+7%** |
| - Retail operating profit | 204.5 | 202.7 | +1% |
| - Online operating profit | 91.1 | 74.4 | +22% |
| - Telephone operating profit | 0.9 | (1.8) | |
| - Other operating profit | 0.1 | 0.6 | -83% |
| - Corporate expenses (including associate income) | (19.8) | (17.4) | +14% |

| | | | |
|---|---|---|---|
| **Operating profit(1)** | **276.8** | **258.5** | **+7%** |
| Amortisation(2) | (3.6) | (5.5) | |
| **Profit before interest, tax and exceptional items** | **273.2** | **253.0** | **+8%** |
| Exceptional items | (26.0) | (76.6) | |
| Net interest cost | (53.9) | (55.5) | |
| **Profit before tax** | **193.3** | **120.9** | **+60%** |

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2009: £5.5m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(2) Amortisation relating to trade names, affiliate relationships and non-competition agreements

## William Hill Online

William Hill Online delivered an outstanding performance in 2010, recording strong revenue and operating profit[1] growth. We have strengthened our competitive position by expanding the breadth and depth of our sports-betting product range and by further enhancing our gaming experience.

This result is underpinned by a strong Sportsbook performance. Amounts wagered increased 57% year-on-year, including 114% growth in in-play betting with increased advertising of our in-play offering. Sportsbook gross win margin increased to 8.0% (2009: 6.6%), benefiting from structural improvements in our trading approach to in-play and from favourable football results, including during the World Cup. As a result, Sportsbook net revenue grew 95%.

Gaming net revenue grew 5%. Underlying growth in Casino was good, particularly benefiting from an enhanced Flash-based product range. However, our decision to withdraw from France in June (due to the introduction of an unfavourable tax and regulatory regime for online gambling) resulted in a flat year-on-year Casino net revenue result. This was partly offset by a continuation of strong growth in Bingo and an improved Poker performance from the second quarter onwards following the anniversary of the migration to Playtech’s i-Poker network.

Innovation in the Sportsbook and gaming product ranges has been complemented by the launch of the first of a series of apps for the iPhone and Android platforms. This includes Sportsbook and Casino apps available via our website, and Match Predictor and Shake-a-Bet apps in the App Store. In addition, we have launched an exclusive fixed-odds financial betting product, Day Trader.

Online costs increased 36%, reflecting the full-year effect of the operational expansion undertaken in 2009 to support future growth, increased employee compensation and our increased marketing investment.

Operating profit[1], at £91.1m, was 22% higher than in the prior year (2009: £74.4m). This resulted in a non-controlling interest for Playtech of £26.3m (2009: £20.1m).

## Retail

Retail has delivered a positive performance in a UK market faced with ongoing consumer uncertainty. Amounts wagered grew 8% year-on-year on the back of a strong machines performance following the completion of the roll-out of the ‘Storm’ cabinets. Reported over-the-counter (OTC) amounts wagered fell 3%. Underlying OTC amounts wagered, adjusted for the impact of the World Cup trading periods and December’s poor weather, also declined 3%, most of which was accounted for by a reduction in the average bet size, reflecting, we believe, the impact of the economic climate on Retail customers. OTC transaction volumes, on the other hand, fell only marginally.

Retail net revenue grew 3%. A 1% decline in OTC net revenue was more than offset by gaming machine gross win growth of 13% (11% on a net revenue basis, reflecting the impact of the VAT increase in January 2010). Favourable football results, particularly in the second half, resulted in a gross win margin of 17.9%, at the top end of our normal trading range.

The roll-out of the 22-inch, high-definition 'Storm' gaming machines was completed on schedule in March 2010. While the technological enhancements of 'Storm' are delivering very strong results across the 76% of the estate supplied by Inspired Gaming, we are also seeing good growth from the remainder of the estate using Global Draw machines. Gross win per machine per week was £847 (2009: £758).

We continue to add value by investing in the estate, which increased by a net 35 shops to 2,377 at the year-end (2009: 2,342) and we re-sited a further 26 shops. The estate, on average, was c1% larger in 2010. In December 2010, we announced the planned closure of 20 under-performing shops in Ireland, which is currently ongoing.

Costs increased by 5%, partly impacted by the growth in the average estate.

Overall, this resulted in a 1% increase in operating profit[1] year-on-year to £204.5m (2009: £202.7m).

## Telephone

Telephone recovered from its loss-making position in the first half to deliver an operating profit[1] of £0.9m for the full year (2009: loss of £1.8m). Amounts wagered in Telephone fell by 10% but this was offset by a year-on-year improvement in the gross win margin by 0.8 percentage points, which resulted in a 2% improvement in net revenue to £30.3m (2009: £29.7m). Costs were further reduced by 11%.

In February 2011, we closed our UK Telephone business and William Hill Online opened a new business in Gibraltar. In doing so, we expect the new operation will benefit from commercial synergies, cost savings and an improved customer offering that will improve this channel's contribution to the Group in future.

## Financial review

2010 saw further strengthening of the balance sheet, with the progression early in the year onto the Group's previously negotiated forward-start bank loan facility followed by its replacement, in the fourth quarter, by a new five-year revolving credit facility. This gives the Group a well-balanced and longer-term financing base. The Group also saw its absolute levels of net debt for covenant purposes reduce over the year to £499.4m following good cash inflow from operations, leaving the balance sheet in good shape.

*Pre-exceptional Income Statement*

Group net revenue in 2010 was £1,071.8m, up 7% on the prior year comparable (2009: £997.9m) driven primarily by strong growth from William Hill Online and from gaming machines in the shops. Retail net revenue was £783.1m in 2010 versus £757.5m in 2009, a 3% increase. Online net revenue was up 24%, from £203.5m in 2009 to £251.5m in 2010.

Pre-exceptional cost of sales for the Group fell by 2.5%, from £158.2m in 2009 to £154.3m in 2010. This line includes taxes, levies and royalties relating to the operation of a betting and gaming company. The reduction was largely driven by savings related to the transfer of the Group's Sportsbook from the UK to Gibraltar in 2009, but also following a fall in amounts wagered on UK horseracing in Retail, which led to a reduction in the levy expense.

Other operating income was £5.3m in 2010 (2009: £6.1m). Including this item, pre-exceptional net operating expenses grew by 10%, from £586.4m in 2009 to £647.6m in 2010. Pre-exceptional Retail net operating expenses grew by 5%, partly reflecting the increase in size of the estate but also the impact of increases in content costs, shop closure provisions, bonus provisions and increases in marketing. Online operating expenses grew by 36%, due to increased marketing, employee costs and other operating costs supporting the current and future growth of this channel.

The Group saw a £3.3m contribution from its associate SIS during the year (2009: £2.8m). In the previous year, the Group also saw a loss of £3.1m associated with its Spanish joint venture, which was discontinued at the end of 2009. Overall, therefore, total contribution from Share of Associates and Joint Ventures was £3.3m in 2010 versus a £0.3m loss in 2009.

Operating profit[1] was £276.8m, up 7% on the prior year (2009: £258.5m). This is before amortisation of £3.6m (2009: £5.5m) relating to trade names, affiliate relationships and non-competition agreements.

After amortisation, pre-exceptional Group profit before interest and tax (PBIT) was £273.2m, an 8% increase on the prior year (2009: £253.0m).

Pre-exceptional net finance costs were £53.9m (2009: £55.5m) and pre-exceptional pre-tax profit for the year was £219.3m, up 11% on the comparable number (2009: £197.5m).

*Exceptional items*

The Group recorded pre-tax exceptional costs of £26.0m in total (2009: £76.6m). This comprised a £5.6m cost of sales credit, offset by exceptional finance costs of £25.5m and £6.1m of exceptional operating expenses.

The cost of sales credit relates to a non-recurring VAT refund arising from a court case with HM Revenue and Customs (HMRC). This case has been referred by the Court of Appeal to the European Court of Justice and this receipt could be repaid should HMRC's appeal be upheld.

The £6.1m other operating cost relates to the restructuring of the Telephone business, which was completed on 1 February 2011. Together with £2.4m of capital, this totals £8.5m of one-off costs relating to the Telephone closure.

The Group also recorded £25.5m of exceptional finance costs. £4.1m was taken in the first half and was related to the adverse change in fair value of ineffective interest rate hedges. A further £7.2m relates to the accelerated amortisation of the remaining fees from the now-replaced bank loan deal following agreement of the new five-year banking deal in the fourth quarter of the year. Finally, £14.2m of exceptional finance costs arose from the de-designation of the Group's remaining previously effective interest rate hedges on termination of that now-replaced bank loan agreement.

After exceptional items, pre-tax profit was £193.3m (2009: £120.9m).

*Taxation*

Pre-exceptional tax on profit was £44.0m (2009: £48.5m) at an effective tax rate of 20.1% (2009: 24.6%). This benefited from the release of prior year provisions no longer deemed necessary and from the first of a series of reductions in deferred tax liabilities arising as a result of the scheduled reduction of the UK corporation tax rate. This latter benefit is expected to recur over 2011, 2012 and 2013 as the UK statutory corporation tax rate is reduced from 27% to 24%. The Group's effective tax rate for 2011 is expected to be around 22%.

Tax on exceptional items was a £6.7m credit (2009: £8.8m credit), resulting in the total tax for the Group for 2010 of £37.3m (2009: £39.7m).

*Earnings per share*

Profit after tax for the period was £156.0m (2009: £81.2m), which included £26.3m relating to non-controlling interests (2009: £20.1m). Basic adjusted earnings per share stood at 21.7p versus 20.6p in 2009, reflecting the improvement in operating profit[1] and the reduction in the effective tax rate. Basic earnings per share stood at 18.6p versus 9.5p in the prior year.

*Cash flow and balance sheet*

The Group generated net cash inflow from operating activities of £223.9m (2009: £170.4m), showing the cash-generative nature of the Group's business model. This inflow benefited from a favourable working capital inflow of £29.8m as well as from tight control of capital expenditure. In total, cash of £36.7m was invested in capital expenditure, primarily in development of the Retail estate and in investment in IT. As at 28 December 2010, drawn debt was £560.0m (2009: £675.0m) and net debt for covenant purposes decreased to £499.4m (29 December 2009: £602.6m) reflecting the positive cash inflow.

Positively, the Group's pension deficit fell by £12.3m during the year, following a roll-forward valuation. The deficit reduction benefited from improvements in asset values as well as from payments made by the Group into the fund. At 28 December 2010, the deficit stood at £30.9m (29 December 2009: £43.2m).

*New bank debt facility*

In November 2010, the Group entered into a new banking deal comprising a five-year £550m committed revolving credit facility expiring in November 2015. This new facility replaced the Group's previous forward-start term loan and revolving credit banking facilities, which were due to expire in March 2012. The new facility included a financial covenant package in line with the previous facility agreement and complements the Group's existing £300m bond, giving the Group £850m of committed debt funding and £290m of undrawn facilities.

The Group has paid £6.5m of arrangement fees and associated costs in connection with the new facility, which are being charged to the income statement over the life of the facility and which will deliver a significant year-on-year saving in annual amortisation costs. With the move away from a predominantly term-loan banking debt structure towards a revolver, the Group reduced both its cash deposit levels and, as a result, its drawn levels of debt. This further benefits the Group's finance costs, given the current low levels of interest income on cash deposits.

As a result of entering into this new deal, the Group's remaining previously effective interest rate hedges on the former bank loan were de-designated. This left the Group with no effective interest rate hedges in place, further reducing the Group's ongoing ordinary income statement finance costs.

## Legal update

On 22 February 2011, the Group secured an interim injunction against Playtech Limited (Playtech) to ensure that the Group’s legal rights under the William Hill Online joint venture agreements are maintained. Playtech recently initiated discussions with William Hill seeking possible significant amendments to the current William Hill Online joint venture agreements. There has also been press speculation regarding discussions between Playtech and Ladbrokes plc. The Group remains committed to the success of the William Hill Online joint venture. Further announcements will be made as appropriate.

## Fiscal and regulatory update

*Prevalence Study*

Work was conducted on the latest triennial Prevalence Study during 2010 and the results were announced on 15 February 2011. The prevalence of gambling increased to 73% of the adult population. Of the two measures of problem gambling reported on, there were non-statistically relevant increases in one and increases at the edge of statistical relevance in the other, respectively from 0.5% to 0.7% and from 0.6% to 0.9% of the adult population. We are reassured that problem gambling affects only a tiny fraction of the population but we remain vigilant and, as an industry, will be investing up to £5m in prevention and treatment of this issue in the coming year to understand better and to target this issue where necessary. The study did not identify any causal link to problem gambling from any particular product.

*Gaming machines taxation and regulation*

On 4 January 2011, VAT increased from 17.5% to 20%. This is expected to have a full-year adverse impact of approximately £8-10m as VAT is paid on gaming machines in the shops.

HM Treasury has reviewed taking gaming machines outside the scope of VAT and replacing the current VAT and Amusement Machine Licence Duty (AMLD) regime with a Gaming Machine Duty regime based on taxation of gross profits derived from machines. Following a consultation in 2009, the Government plans further consultation with the industry on draft legislation in summer 2011, with a view to implementing the change as part of the Finance Bill in 2012. HM Treasury has previously committed to effect this change on a tax-neutral basis for the gaming industry as a whole. We believe that HM Treasury understands the sensitivity of the high street industry to tax rises and that they are clear that any rises in taxation are likely to cause marginal shop closures and job losses, which would reduce the total tax yield.

Work is ongoing into Category B gaming machines and the extant Department of Culture, Media and Sport (DCMS) stakes and prizes review, under which DCMS has proposed allowing increased numbers of Category B3 gaming machines in bingo halls and adult gaming centres. A consultation on the overall review closed in January 2011. We believe Government understand the importance of gaming machines to the business model and we do not believe that either maximum numbers of B2 gaming machines per shop or stakes and prizes is at risk.

*Online regulation*

The regulation of online betting and gaming businesses continued to develop across the world and we expect further shifts to come during the course of 2011, both in Europe and in the rest of the world. We believe that a restrictive approach to opening up gambling markets, such as that seen in France, with high levels of turnover tax, is not a blueprint for the future and that a proportionately regulated and taxed industry which can grow will be the foundation for a true competitive market and sustainable tax yields.

During 2010, DCMS consulted on a proposal that online operators who are outside the UK but who advertise to or target UK consumers should be licensed by the British Gambling Commission. In our response to this consultation, William Hill's position was that such regulation is neither proportionate nor necessary and would impose dual regulation on large operators, which offends better regulation principles. As the majority of offshore operators are large corporations with good corporate governance procedures, there is little or no public protection risk, as DCMS acknowledged in its review. These proposed measures would neither significantly increase industry contributions towards research, education and treatment of problem gambling nor address concerns about intra-regulator relationships. The outcome of this consultation is still awaited, but if the Government does opt for such measures, whilst unwelcome, associated regulatory costs and burdens will not create a significant financial risk to the Group.

In a green paper issued by the Gambling Commission on the regulation of remote gambling across the EU, the Commission raised the issue of "match fixing" and other betting integrity issues. We are closely aligned with the European Sports Security Association, the Association of British Bookmakers (ABB) and the Remote Gambling Association on this issue and continue to resist attempts by sporting bodies to link the issue of integrity with the issue of funding. The UK Government understands that the problem lies with unregulated markets and that there are very few cases where initial suspicions are confirmed and taken forward for either criminal or regulatory action. In our view, sports' governing bodies continue to conflate the issue of integrity and funding in order to seek additional funding from bookmakers.

*Sports betting rights and funding for sport*

As the bookmaking and horseracing industries were unable to agree the terms, rates and conditions of the 50th Levy scheme, which starts on 1 April 2011, the position was referred to the Secretary of State for a determination. The Secretary of State determined that the Levy headline rate would increase from 10% to 10.75% for LBOs and the threshold level beneath which LBOs pay an abated rate of Levy would be reduced from £88,740 to £50,000 of gross win. As a result, our anticipated costs for the 50th levy are now expected to increase by around £3-4m. In our view, the Levy scheme provides a disincentive to UK horseracing to restructure and modernise, and we would support any move by the Secretary of State to end the Levy and replace it with a commercial arrangement that does not require any further statutory intervention.

In January 2011, the European Commission issued an opinion that the new French online horseracing levy would constitute state aid and be a breach of EU law. This decision may result in legal barriers to any extension of the scope of the horserace levy or any wider sports funding claims.

A Liberal Democrat proposal to examine the possibility of using the proceeds of uncollected winnings for the benefit of grass roots sport or a community fund has been adopted in the Coalition manifesto and is part of the DCMS structural reform plan. It has not, as yet, been the subject of a formal consultation. During informal discussions through the ABB, we have made clear to government officials that, in our view, there is no link between betting and grass-roots sport and that the legal and contractual position of the commercial betting industry is entirely distinguishable from that of the National Lottery or the major clearing banks who, over the past five years, have assisted government to set up the dormant bank accounts scheme. Further, in our view, it would be discriminatory and presents very difficult structural and legal definitional challenges as well as requiring primary legislation.

## Dividend

The Board has approved a final dividend of 5.8p per share (2009: 5.0p per share), giving a total 2010 dividend of 8.3p per share (2009: 7.5p per share). The dividend is payable on 9 June 2011, the ex-dividend date is 4 May 2011 and the record date is 6 May 2011. The dividend is calculated on the number of shares in issue at 28 December 2010, which, excluding shares held in Treasury and shares held under the Employee Benefit Trust, totalled 698.1 million.

## Board changes

During the period, Gareth Davis joined the Group on 1 September 2010, replacing Charles Scott on that date as non-executive Chairman. Mr Davis retired as Chief Executive Officer of Imperial Tobacco Group PLC in May 2010. Neil Cooper joined as Group Finance Director in May 2010 from Bovis Homes Group PLC, replacing Simon Lane.

## Current trading

In the eight weeks from 29 December 2010 to 22 February 2011, Group net revenue was up 9%. The comparator period included two weeks of weather-related disruption at the start of the year.

In Retail, amounts wagered was up 12%, reflecting both a continuing good gaming machine performance and good levels of OTC amounts wagered. The OTC gross win margin was below the normal trading range at 16.6%, resulting an overall Retail net revenue growth of 6%.

Online continues to perform strongly. Net revenue was up 22%, benefiting from a continuing strong Sportsbook performance with amounts wagered up 79%.

At this early stage in the year, the business is performing in line with the Board's expectations.

## Principal risks and uncertainties

The key risks for 2011 are as follows:

- failure to manage effectively the William Hill Online joint venture;
- increasing regulation in online gambling;
- over-reliance on third parties;
- failure to maximise UK and international online growth opportunities;
- adverse changes to taxes and hypothecated taxes such as the horseracing levy; and
- impact of the challenging economic climate.

For a discussion of these risks and how we are addressing them, please refer to our 2010 Annual Report and Accounts. For a more comprehensive summary of the principal risks and uncertainties for the Group, please refer to the investor relations section of the corporate website at www.williamhillplc.co.uk.

## 2010 Annual Report and Accounts

The 2010 Annual Report and Accounts, incorporating the audited financial statements, have been published today and are available as a PDF document on the Group's corporate website at www.williamhillplc.co.uk. Copies of the 2010 Annual Report and Accounts have also been submitted to the UK Listing Authority (UKLA) and will shortly be available for inspection at the UKLA's Document Viewing Facility, which is situated at:

25 North Colonnade
Canary Wharf
London E14 5HS

Telephone number: +44 (0) 20 7066 1000

In March, copies will be posted to shareholders, together with the Notice of Annual General Meeting and proxy forms, or notifications will be sent to shareholders who have opted for electronic communication, at which point an HTML version will be provided via the corporate website.

## Directors' responsibility statement

We confirm to the best of our knowledge:

1. the Group financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole: and
2. the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board,

| | |
|---|---|
| R.J. Topping | N. Cooper |
| Chief Executive | Group Finance Director |
| 25 February 2011 | 25 February 2011 |

### Reference notes

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2009: £5.5m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements

**Consolidated Income Statement**
**for the 52 weeks ended 28 December 2010**

| | Notes | **Before exceptional items £m** | **Exceptional items (note 3) £m** | **52 weeks ended 28 December 2010 Total £m** | Before exceptional items £m | Exceptional items (note 3) £m | 52 weeks ended 29 December 2009 Total £m |
|---|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | | |
| **Amounts wagered*** | 2 | **16,519.8** | **-** | **16,519.8** | 15,070.0 | – | 15,070.0 |
| | | | | | | | |
| **Revenue** | 2 | **1,071.8** | **-** | **1,071.8** | 997.9 | – | 997.9 |
| Cost of sales | 2 | **(154.3)** | **5.6** | **(148.7)** | (158.2) | – | (158.2) |
| **Gross profit** | 2 | **917.5** | **5.6** | **923.1** | 839.7 | – | 839.7 |
| Other operating income | | **5.3** | **-** | **5.3** | 6.1 | – | 6.1 |
| Other operating expenses | | **(652.9)** | **(6.1)** | **(659.0)** | (592.5) | (53.2) | (645.7) |
| Share of results of associates and joint ventures | | **3.3** | **-** | **3.3** | (0.3) | – | (0.3) |
| **Profit before interest and tax** | 2 | **273.2** | **(0.5)** | **272.7** | 253.0 | (53.2) | 199.8 |
| Investment income | 4 | **14.0** | **-** | **14.0** | 11.0 | – | 11.0 |
| Finance costs | 5 | **(67.9)** | **(25.5)** | **(93.4)** | (66.5) | (23.4) | (89.9) |
| **Profit before tax** | 2 | **219.3** | **(26.0)** | **193.3** | 197.5 | (76.6) | 120.9 |
| Tax | 6 | **(44.0)** | **6.7** | **(37.3)** | (48.5) | 8.8 | (39.7) |
| **Profit for the period** | | **175.3** | **(19.3)** | **156.0** | 149.0 | (67.8) | 81.2 |
| **Attributable to:** | | | | | | | |
| Equity holders of the parent | | **149.0** | **(19.3)** | **129.7** | 128.4 | (67.3) | 61.1 |
| Non-controlling interest | 11 | **26.3** | **-** | **26.3** | 20.6 | (0.5) | 20.1 |
| | | **175.3** | **(19.3)** | **156.0** | 149.0 | (67.8) | 81.2 |
| | | | | | | | |
| **Earnings per share (pence)** | | | | | | | |
| Basic | 8 | **21.3** | | **18.6** | 20.1 | | 9.5 |
| Diluted | 8 | **21.1** | | **18.4** | 20.0 | | 9.4 |

**Our definition of Amounts Wagered has been reviewed and updated this year and consequently the prior year figure has been restated from £15,489.1m. This change has had no impact on the Income Statement, Statement of Financial Position, Reserves or Earnings Per Share and is set out in the Accounting Policy note in the Annual Report.*

**Consolidated Statement of Comprehensive Income**
**for the 52 weeks ended 28 December 2010**

| | Notes | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|---|
| Profit for the period | | **156.0** | 81.2 |
| | | | |
| Loss on cash flow hedges | | **(8.4)** | (20.0) |
| Hedging losses transferred to income statement | | **11.8** | 21.2 |
| Charged to income statement on de-designation | | **14.2** | 18.5 |
| Actuarial gain/(loss) on defined benefit pension scheme | | **6.1** | (24.2) |
| Exchange differences on translation of foreign operations | | **0.6** | (0.8) |
| Tax on items of other comprehensive income | | **(7.4)** | 1.3 |
| **Other comprehensive income/(loss) for the period** | | **16.9** | (4.0) |
| **Total comprehensive income for the period** | | **172.9** | 77.2 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | **146.6** | 57.1 |
| Non-controlling interest | 11 | **26.3** | 20.1 |
| | | **172.9** | 77.2 |

**Consolidated Statement of Changes in Equity**
**for the 52 weeks ended 28 December 2010**

| | Called-up share capital £m | Premium on ordinary shares £m | Capital redemption reserve £m | Merger reserve £m | Own shares held £m | Hedging and translation reserve £m | Retained earnings £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 30 December 2009** | 70.2 | 317.3 | 6.8 | (26.1) | (23.9) | (12.8) | 412.6 | 744.1 | 12.2 | 756.3 |
| Retained profit for the financial period | – | – | – | – | – | – | 129.7 | 129.7 | 26.3 | 156.0 |
| Other comprehensive income for the period | – | – | – | – | – | 13.3 | 3.6 | 16.9 | – | 16.9 |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **–** | **13.3** | **133.3** | **146.6** | **26.3** | **172.9** |
| Transfer of own shares to recipients | – | – | – | – | 5.3 | – | (5.0) | 0.3 | – | 0.3 |
| Credit recognised in respect of share remuneration | – | – | – | – | – | – | 4.7 | 4.7 | – | 4.7 |
| Tax charge in respect of share remuneration | – | – | – | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Dividends paid (note 7) | – | – | – | – | – | – | (52.3) | (52.3) | – | (52.3) |
| Distributions to non-controlling interest | – | – | – | – | – | – | – | – | (27.0) | (27.0) |
| **At 28 December 2010** | **70.2** | **317.3** | **6.8** | **(26.1)** | **(18.6)** | **0.5** | **493.1** | **843.2** | **11.5** | **854.7** |

| | Called-up share capital £m | Premium on ordinary shares £m | Capital redemption reserve £m | Merger reserve £m | Own shares held £m | Hedging and translation reserve £m | Retained earnings £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2008** | 35.4 | – | 6.8 | (26.1) | (31.1) | (26.2) | 389.3 | 348.1 | 9.5 | 357.6 |
| Retained profit for the financial period | – | – | – | – | – | – | 61.1 | 61.1 | 20.1 | 81.2 |
| Other comprehensive income for the period | – | – | – | – | – | 13.4 | (17.4) | (4.0) | – | (4.0) |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–** | **–** | **13.4** | **43.7** | **57.1** | **20.1** | **77.2** |
| Shares issued as part of rights issue | 34.8 | 317.3 | – | – | – | – | – | 352.1 | – | 352.1 |
| Transfer of own shares to recipients | – | – | – | – | 7.2 | – | (6.4) | 0.8 | – | 0.8 |
| Credit recognised in respect of share remuneration | – | – | – | – | – | – | 5.0 | 5.0 | – | 5.0 |
| Tax charge in respect of share remuneration | – | – | – | – | – | – | (1.5) | (1.5) | – | (1.5) |
| Dividends paid (note 7) | – | – | – | – | – | – | (17.5) | (17.5) | – | (17.5) |
| Distributions to non-controlling interest | – | – | – | – | – | – | – | – | (17.4) | (17.4) |
| **At 29 December 2009** | 70.2 | 317.3 | 6.8 | (26.1) | (23.9) | (12.8) | 412.6 | 744.1 | 12.2 | 756.3 |

**Consolidated Statement of Financial Position**
**as at 28 December 2010**

| | Notes | **28 December 2010 £m** | 29 December 2009 £m | 30 December 2008 £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **1,446.2** | 1,446.1 | 1,491.5 |
| Property, plant and equipment | | **198.3** | 197.6 | 209.6 |
| Interest in associates and joint ventures | | **9.9** | 6.6 | 6.6 |
| Deferred tax asset | | **16.2** | 24.1 | 19.6 |
| | | **1,670.6** | 1,674.4 | 1,727.3 |
| **Current assets** | | | | |
| Inventories | | **0.3** | 0.3 | 0.5 |
| Trade and other receivables | | **47.0** | 55.9 | 31.6 |
| Cash and cash equivalents | | **109.4** | 119.8 | 76.5 |
| | | **156.7** | 176.0 | 108.6 |
| **Total assets** | | **1,827.3** | 1,850.4 | 1,835.9 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(148.9)** | (109.2) | (109.2) |
| Current tax liabilities | | **(52.6)** | (57.0) | (61.1) |
| Borrowings | | **(0.1)** | (375.0) | (0.8) |
| Derivative financial instruments | | **(23.3)** | (11.5) | (4.5) |
| | | **(224.9)** | (552.7) | (175.6) |
| **Non-current liabilities** | | | | |
| Borrowings | | **(548.4)** | (294.2) | (1,068.4) |
| Retirement benefit obligations | 13 | **(30.9)** | (43.2) | (25.9) |
| Derivative financial instruments | | **(9.4)** | (36.0) | (37.0) |
| Deferred tax liabilities | | **(159.0)** | (168.0) | (171.4) |
| | | **(747.7)** | (541.4) | (1,302.7) |
| **Total liabilities** | | **(972.6)** | (1,094.1) | (1,478.3) |
| **Net assets** | | **854.7** | 756.3 | 357.6 |
| **Equity** | | | | |
| Called-up share capital | | **70.2** | 70.2 | 35.4 |
| Share premium account | | **317.3** | 317.3 | – |
| Capital redemption reserve | | **6.8** | 6.8 | 6.8 |
| Merger reserve | | **(26.1)** | (26.1) | (26.1) |
| Own shares held | 10 | **(18.6)** | (23.9) | (31.1) |
| Hedging and translation reserves | | **0.5** | (12.8) | (26.2) |
| Retained earnings | | **493.1** | 412.6 | 389.3 |
| Equity attributable to equity holders of the parent | | **843.2** | 744.1 | 348.1 |
| Non-controlling interest | 11 | **11.5** | 12.2 | 9.5 |
| **Total equity** | | **854.7** | 756.3 | 357.6 |

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 25 February 2011 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

**Consolidated Cash Flow Statement**
**for the 52 weeks ended 28 December 2010**

| | Notes | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|---|
| **Net cash from operating activities** | 12 | **223.9** | 170.4 |
| | | | |
| **Investing activities** | | | |
| Dividend from associate | | **-** | 2.8 |
| Interest received | 4 | **0.6** | 1.1 |
| Proceeds on disposal of property, plant and equipment | | **2.1** | 1.5 |
| Purchases of property, plant and equipment | | **(22.4)** | (22.4) |
| Expenditure on computer software | | **(14.3)** | (14.1) |
| Investment in joint ventures | | **-** | (3.1) |
| **Net cash used in investing activities** | | **(34.0)** | (34.2) |
| | | | |
| **Financing activities** | | | |
| SAYE share option redemptions | | **0.3** | 1.4 |
| Dividends paid | 7 | **(52.3)** | (17.5) |
| Distributions to non-controlling interests | 11 | **(27.0)** | (17.4) |
| Repayments of borrowings | | **(734.1)** | (693.0) |
| Amounts drawn down | | **619.0** | - |
| New Finance raised from bond issue | 9 | **-** | 297.9 |
| Bond issue finance costs | 9 | **-** | (4.0) |
| New debt facility issue costs | | **(6.2)** | (12.4) |
| Proceeds on issue of shares | | **-** | 365.3 |
| Costs related to issue of shares | | **-** | (13.2) |
| **Net cash used in financing activities** | | **(200.3)** | (92.9) |
| | | | |
| Net (decrease)/increase in cash and cash equivalents in the period | | **(10.4)** | 43.3 |
| Cash and cash equivalents at start of period | | **119.8** | 76.5 |
| **Cash and cash equivalents at end of period** | | **109.4** | 119.8 |

## Notes to the Group Financial Statements

### 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 nature of the Group's operations and its principal activities are set out in the Directors' Report on page 36 and page 70 of the Annual Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

**Adoption of new and revised standards**

In preparing the Group financial statements for the current period the Group has adopted the following new International Financial Reporting Standards (IFRS), amendments to IFRS and Financial Reporting Interpretations Committee (IFRIC) interpretations, which have not had a significant effect on the results or net assets of the Group:

| | |
|---|---|
| IAS 1 (revised 2007) | Presentation of Financial Statements; |
| IAS 23 (revised) | Borrowing Costs; |
| IAS 27 (revised) | Consolidated and Separate Financial Statements; |
| IAS 28 (revised) | Investments in Associates; |
| IFRS 2 (revised) | Share-based Payment – Vesting Conditions and Cancellations; |
| IFRS 3 (revised 2008) | Business Combinations; |
| IFRS 8 | Operating segments; |
| IFRIC 15 | Arrangements for the Construction of Real Estate; |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation; |
| IFRIC 17 | Distributions of Non-Cash Assets to Owners; |
| IFRIC 18 | Transfers of Assets from Customers; |
| Improvements to IFRS 2009 | |

IAS 1 (revised) requires the presentation of a Statement of Changes in Equity as a primary statement, distinct from the Income Statement and Statement of Comprehensive Income. As a result, a Statement of Changes in Equity has been included as a primary statement, showing the changes in each component of equity for each period presented. In addition, the revised standard requires the presentation of a third statement of financial position and the presentation of certain notes to the financial statements has been revised accordingly.

IFRS 2 (revised) clarifies the required accounting treatment for share-based payments under SAYE schemes, with the effect that non-vesting conditions are now taken into account in estimating the fair value of equity instruments granted. There is no material difference for the current or prior period between the expense recognised under the revised standard and that recognised on the previous basis.

IFRS 3 (revised) Business Combinations, IAS 27 (revised) Consolidated and Separate Financial Statements and IAS 28 (revised) Investments in Associates (effective from 1 July 2009) also came into effect. The revisions include a greater emphasis on the use of fair value, focusing on changes in control as a significant economic event and focusing on what is given to the vendor as consideration. This amendment has not had any immediate impact on the Group's financial statements, but will affect any future Business Combinations.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive and which are used to allocate resources to the segments and to assess their performance. In contrast the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify segments using a risks and rewards approach. The Group's operating segments are reported in accordance with IFRS 8 in note 2 below.

The financial statements for the 52 weeks ended 28 December 2010, which have been approved by a committee of the Board of Directors on 25 February 2011 have been prepared on the basis of accounting policies set out in the Group's statutory accounts for the 52 weeks ended 29 December 2009. This preliminary report should therefore be read in conjunction with the 2009 financial statements.

The financial statements set out in this preliminary announcement do not constitute the Company's statutory accounts for the 52 week period ended 28 December 2010 or the 52 week period ended 29 December 2009, but are derived from those accounts. Statutory accounts for the 52 week period ended 29 December 2009 have been delivered to the Registrar of Companies and those for the 52 week period ended 28 December 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS on 25 February 2011.

**Basis of accounting**

The Group financial statements have been prepared in accordance with IFRS. The Group financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

**Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 28 December 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

**Business combination**

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 discount on acquisition, i.e. where the cost of acquisition is below the fair values of the identifiable net assets acquired, is credited to the Income Statement in the period of acquisition.

**Going concern**

The Group meets its day to day working capital requirements from strong operational cash flow and through its cash resources. These are supplemented when required by additional drawings under the Group's bank loan facilities. The Group's funding requirements for the medium term are satisfied by the Group's £550m bank loan facilities which expire in November 2015 and its £300m corporate bond which matures in November 2016. Whilst current economic conditions create uncertainty over the level of demand for the Group's products the Group's strategic forecasts, based on reasonable and prudent assumptions, indicate that the Group should be able to operate within the level of its currently available debt facilities. After making 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 Annual Report and accounts.

**2. Segment information**

The Board has reviewed and confirmed the Group's reportable operating segments in line with the new guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports the Board and the Group's Chief Executive review to make strategic decisions. The segments identified in accordance with IFRS 8 are consistent with those previously disclosed under IAS 14 'Segment Reporting'.

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 gaming products. The Telephone segment comprises the Group's telephone betting services including telephone bet capture positions at its call centres presently in Leeds and Sheffield. Other activities include on-course betting and greyhound stadia operations.

Segment information for the 52 weeks ended 28 December 2010 is as follows:

| | Retail £m | Online £m | Telephone £m | Other £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|
| Amounts wagered | 14,763.0 | 1,272.7 | 457.6 | 26.5 | - | 16,519.8 |
| Payout | (13,979.9) | (1,021.2) | (427.3) | (19.6) | - | (15,448.0) |
| **Revenue** | **783.1** | **251.5** | **30.3** | **6.9** | **-** | **1,071.8** |
| GPT, duty, levies and other cost of sales | (127.0) | (18.7) | (7.7) | (0.9) | - | (154.3) |
| Gross profit | 656.1 | 232.8 | 22.6 | 6.0 | - | 917.5 |
| Depreciation | (24.1) | (0.6) | - | (0.3) | (1.9) | (26.9) |
| Amortisation[1] | (3.2) | (10.3) | (0.7) | - | - | (14.2) |
| Other administrative expenses | (424.3) | (134.4) | (21.0) | (5.6) | (21.2) | (606.5) |
| Share of result of associate and joint ventures | - | - | - | - | 3.3 | 3.3 |
| Exceptional operating items | 5.6 | - | (6.1) | - | - | (0.5) |
| **Segment profit/(loss) before interest and tax** | **210.1** | **87.5** | **(5.2)** | **0.1** | **(19.8)** | **272.7** |
| | | | | | | |
| Non-operating exceptional items | | | | | (25.5) | (25.5) |
| Investment income | | | | | 14.0 | 14.0 |
| Finance costs | | | | | (67.9) | (67.9) |
| **Profit before tax** | | | | | **(99.2)** | **193.3** |

[1] Included within amortisation for the online segment is £3.6m of amortised intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets and which is added back to arrive at the Group's non-statutory operating profit measure of £276.8m.

| | Retail £m | Online £m | Telephone £m | Other £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|
| **Statement of Financial Position information** | | | | | | |
| Total segment assets | 1,385.1 | 290.0 | 61.6 | 13.8 | 60.6 | 1,811.1 |
| Total segment liabilities | (54.1) | (61.1) | (14.4) | (0.3) | (652.1) | (782.0) |
| Investment in associates and joint ventures | - | - | - | - | 9.9 | 9.9 |
| Capital additions | 26.2 | 14.0 | 2.4 | - | 0.8 | 43.4 |
| Included within Total assets: | | | | | | |
| Goodwill | 681.0 | 183.9 | 45.6 | 7.1 | - | 917.6 |
| Other intangibles with indefinite lives | 484.6 | - | - | - | - | 484.6 |

Segment information for the 52 weeks ended 29 December 2009:

| | Retail £m | Online £m | Telephone £m | Other £m | Corporate £m | Group £m |
|---|---|---|---|---|---|---|
| Amounts wagered | 13,670.2 | 862.7 | 507.7 | 29.4 | – | 15,070.0 |
| Payout | (12,912.7) | (659.2) | (478.0) | (22.2) | – | (14,072.1) |
| **Revenue** | **757.5** | **203.5** | **29.7** | **7.2** | **–** | **997.9** |
| GPT, duty, levies and other cost of sales | (125.7) | (24.7) | (7.0) | (0.8) | – | (158.2) |
| Gross profit | 631.8 | 178.8 | 22.7 | 6.4 | – | 839.7 |
| Depreciation | (23.7) | (0.7) | (1.2) | (0.3) | (1.3) | (27.2) |
| Amortisation | (2.1) | (11.3) | (0.8) | – | – | (14.2) |
| Other administrative expenses | (403.3) | (97.9) | (22.5) | (5.5) | (15.8) | (545.0) |
| Share of result of associate and joint ventures | – | – | – | – | (0.3) | (0.3) |
| Exceptional operating items | (8.2) | (10.2) | (34.8) | – | – | (53.2) |
| **Segment profit/(loss) before interest and tax** | **194.5** | **58.7** | **(36.6)** | **0.6** | **(17.4)** | **199.8** |
| | | | | | | |
| Non-operating exceptional items | | | | | (23.4) | (23.4) |
| Investment income | | | | | 11.0 | 11.0 |
| Finance costs | | | | | (66.5) | (66.5) |
| **Profit before tax** | | | | | **(96.3)** | **120.9** |
| | | | | | | |
| **Statement of Financial Position information** | | | | | | |
| Total segment assets | 1,383.5 | 289.7 | 61.5 | 14.9 | 76.7 | 1,826.3 |
| Total segment liabilities | (38.7) | (51.2) | (9.2) | (0.2) | (789.8) | (889.1) |
| Investment in associates and joint ventures | – | – | – | – | 6.6 | 6.6 |
| Capital additions | 14.4 | 14.0 | 2.3 | – | 4.0 | 34.7 |
| Included within Total assets: | | | | | | |
| Goodwill | 681.0 | 183.9 | 45.6 | 7.1 | – | 917.6 |
| Other intangibles with indefinite lives | 484.6 | – | – | – | – | 484.6 |

Net assets/(liabilities) have been allocated by segment where assets and liabilities can be identified with a particular channel. Corporate net assets include corporation and deferred tax, net borrowings, and pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis.

There are no inter-segmental sales within the Group.

Revenues and non-current assets by geographical area are as follows:

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
| United Kingdom | **997.8** | 913.6 | **1,631.1** | 1,641.6 |
| Rest of the World | **74.0** | 84.3 | **39.5** | 32.8 |
| | **1,071.8** | 997.9 | **1,670.6** | 1,674.4 |

The revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) or primary operating location of the company using the asset (for intangible assets), with the exception of goodwill, which arises on consolidation and is recognised in the UK.

The reconciliation of segment liabilities to the consolidated Statement of Financial Position is as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **28 December 2010 £m** | 29 December 2009 £m | **28 December 2010 £m** | 29 December 2009 £m |
| Total segment assets/(liabilities) | **1,811.1** | 1,826.3 | **(782.0)** | (889.1) |
| Corporation tax assets/(liabilities) | **–** | – | **(31.6)** | (37.0) |
| Deferred tax assets/(liabilities) | **16.2** | 24.1 | **(159.0)** | (168.0) |
| **Total assets/(liabilities)** | **1,827.3** | 1,850.4 | **(972.6)** | (1,094.1) |

### 3. Exceptional items

Exceptional items are those items the Group considers to be non-recurring 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:

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| **Operating** | | |
| Integration costs in respect of William Hill Online [1] | **–** | (10.2) |
| Telephone business goodwill write off [2] | **–** | (34.8) |
| Impairment of assets within Willstan Racing (Ireland) Limited [3] | **–** | (8.2) |
| VAT refund [4] | **5.6** | – |
| Restructure of Telebetting operation [5] | **(6.1)** | – |
| | **(0.5)** | (53.2) |
| **Non-Operating** | | |
| Fair value loss on hedging arrangements [6] | **(4.1)** | (20.5) |
| Transfer to income statement on de-designation of hedges [7] | **(14.2)** | – |
| Costs in respect of re-financing [8] | **(7.2)** | (1.2) |
| Costs in respect of rights issue | **–** | (1.7) |
| | **(25.5)** | (23.4) |
| **Total exceptional items** | **(26.0)** | (76.6) |

The tax impact of exceptional items is as follows:

| | 52 weeks ended 28 December 2010 £m | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Integration costs in respect of William Hill Online [1] | **–** | 2.4 |
| Deferred tax relief on Irish assets write off [3] | **–** | 0.4 |
| Tax on VAT refund [4] | **(1.6)** | – |
| Tax credit in respect of Telebetting operation restructure [5] | **1.1** | – |
| Tax credit in respect of fair value loss on hedging arrangements [6] | **1.1** | 5.7 |
| Tax credit in respect of transfer to income statement on de-designation [7] | **4.0** | – |
| Tax credit in respect of finance costs [8] | **2.1** | 0.3 |
| | **6.7** | 8.8 |

[1] No costs were incurred during 2010 for integration costs in relation to the WH Online transaction (2009: £10.2m, including a £1.4m software write-down).

[2] In 2009, following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors wrote down the carrying value of goodwill in the telephone division by £34.8m.

[3] In 2009, following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors wrote down the carrying value of goodwill in the Republic of Ireland LBOs by £6.8m and also wrote down fixed assets in the Republic of Ireland LBOs by £1.4m.

[4] During 2010, the Group recognised £5.6m in respect of a VAT reclaim received in the period; this arose following a favourable High Court judgement. The reclaim concerned overpaid VAT on the Group's gaming machines during this and previous periods. Due to the size and nature of the amount, it was decided to disclose the item as exceptional. Whilst this refund has been received from HMRC, it remains subject to an appeal by HMRC, which if successful, could result in full repayment of these amounts, although the directors consider this unlikely.

[5] During 2010, the Group's Telebetting operation was restructured. Costs in relation to the restructure were £6.1m. This restructure was completed in February 2011.

[6] In 2010, the Group incurred £4.1m of valuation losses on ineffective swaps and collars, following adverse movements in the forward interest rate curve between the start of the year and the cessation of hedge accounting.

[7] On 2 December 2010, the Group settled its existing loan facility in favour of a new facility and as a result none of the pre-existing collars and swaps were deemed effective. Hedge accounting has therefore been discontinued and the deferred portion of gains and losses in reserves has been reclassified to the income statement as an exceptional expense; £14.2m in total.

[8] On 2 December 2010, the Group settled its existing loan facility early and, as a result, wrote off £7.2m in finance fees.

### 4. Investment income

| | 52 weeks ended 28 December 2010 £m | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Interest on bank deposits | **0.6** | 1.1 |
| Expected return on pension scheme assets (note 13) | **13.4** | 9.9 |
| | **14.0** | 11.0 |

### 5. Finance costs

| | 52 weeks ended 28 December 2010 £m | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Interest payable and similar charges: | | |
| Bank loans and overdrafts | **35.1** | 31.0 |
| Amortisation of finance costs | **5.7** | 1.6 |
| Fair value losses on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt | **11.8** | 21.2 |
| Net interest payable | **52.6** | 53.8 |
| Interest on pension scheme liabilities (note 13) | **15.3** | 12.7 |

| | | |
|---|---|---|
| | **67.9** | 66.5 |

**6. Tax on profit on ordinary activities**

The tax charge comprises:

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Current tax: | | |
| UK corporation tax | **50.6** | 49.9 |
| Overseas tax | **0.7** | 2.0 |
| Adjustment in respect of prior periods | **(5.3)** | (4.1) |
| Total current tax charge | **46.0** | 47.8 |
| Deferred tax: | | |
| Origination and reversal of timing differences | **(2.0)** | (9.9) |
| Impact from changes in statutory tax rates | **(6.0)** | (2.3) |
| Adjustment in respect of prior periods | **(0.7)** | 4.1 |
| Total deferred credit | **(8.7)** | (8.1) |
| Total tax on profit on ordinary activities | **37.3** | 39.7 |

The effective tax rate in respect of ordinary activities before exceptional items is 20.1% (52 weeks ended 29 December 2009: 24.6%). The effective tax rate in respect of ordinary activities after exceptional items was 19.3% (52 weeks ended 29 December 2009: 32.8%). The current period's charge excluding exceptional items is lower than the statutory rate of 28.0% mainly due to a lower effective tax rate on the income of William Hill Online (defined on page 13), a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 27% and adjustments in respect of prior periods. The differences between the total current tax shown above, and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | **52 weeks ended 28 December 2010** | | 52 weeks ended 29 December 2009 | |
|---|---|---|---|---|
| | **£m** | **%** | £m | % |
| Profit before tax | **193.3** | | 120.9 | |
| Tax on Group profit at standard UK corporation tax rate of 28% (2009: 28%) | **54.1** | **28.0** | 33.9 | 28.0 |
| Impact of changes in statutory tax rates | **(6.0)** | **(3.1)** | (2.3) | (1.9) |
| Lower effective tax rate of William Hill Online | **(7.1)** | **(3.7)** | (5.4) | (4.5) |
| Tax on share of results of associates | **(0.9)** | **(0.5)** | – | – |
| Adjustment in respect of prior periods | **(6.0)** | **(3.1)** | – | – |
| Permanent differences – non deductible expenditure | **3.2** | **1.7** | 13.5 | 11.2 |
| Total tax charge | **37.3** | **19.3** | 39.7 | 32.8 |

The Group earns its profits primarily in the UK and therefore the tax rate used for tax on Group profit for the purposes of this analysis is the standard rate for UK corporation tax.

The UK government has announced its intention to reduce the UK corporation tax rate from 28.0% to 24.0%, lowering the rate by 1% per annum over 4 years. The first reduction, from 28% to 27%, was enacted in the period and will be effective from 1 April 2011 for current tax purposes, but was applied to deferred tax on enactment. The impact of these proposed rate changes from 27% to 24% would be to reduce the net UK deferred tax liabilities in the Statement of Financial Position from £141.1m to £125.7m if they were all to reverse at 24.0%.

### 7. Dividends proposed and paid

| | 52 weeks ended 28 December 2010 Per share | 52 weeks ended 29 December 2009 Per share | 52 weeks ended 28 December 2010 £m | 52 weeks ended 29 December 2009 £m |
|---|---|---|---|---|
| Equity shares: | | | | |
| – current period interim dividend paid | **2.5p** | 2.5p | **17.5** | 17.5 |
| – prior period final dividend paid | **5.0p** | – | **34.8** | – |
| | **7.5p** | 2.5p | **52.3** | 17.5 |
| Proposed dividend | **5.8p** | 5.0p | **40.5** | 34.9 |

The proposed final dividend of 5.8p will, subject to shareholder approval, be paid on 9 June 2011 to all shareholders on the register on 6 May 2011. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and in treasury are given in note 10. The Company estimates that 698.1m shares will qualify for the final dividend.

### 8. Earnings per share

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

| | **52 weeks ended 28 December 2010** | | | 52 weeks ended 29 December 2009 | | |
|---|---|---|---|---|---|---|
| | **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 | **129.7** | **-** | **129.7** | 61.1 | – | 61.1 |
| Exceptional items (note 3) £m | **26.0** | **-** | **26.0** | 76.6 | – | 76.6 |
| Exceptional items – tax charge (note 3) £m | **(6.7)** | **-** | **(6.7)** | (8.8) | – | (8.8) |
| Amortisation of intangibles £m | **2.6** | **-** | **2.6** | 4.0 | – | 4.0 |
| Non-controlling interest share of exceptional £m | **-** | **-** | **-** | (0.5) | – | (0.5) |
| Profit after tax for the financial period before exceptional items £m | **151.6** | **-** | **151.6** | 132.4 | – | 132.4 |
| Weighted average number of shares (million) | **697.9** | **6.5** | **704.4** | 641.3 | 5.8 | 647.1 |
| Earnings per share (pence) | **18.6** | **(0.2)** | **18.4** | 9.5 | (0.1) | 9.4 |
| Amortisation adjustment (pence) | **0.4** | **-** | **0.4** | 0.5 | – | 0.5 |
| Exceptional adjustment (pence) | **2.7** | **-** | **2.7** | 10.6 | – | 10.6 |
| Earnings per share – adjusted (pence) | **21.7** | **(0.2)** | **21.5** | 20.6 | (0.1) | 20.5 |
| Earnings per share – before exceptional items (pence) | **21.3** | **(0.2)** | **21.1** | 20.1 | (0.1) | 20.0 |

An adjusted earnings per share, based on profit for the prior period before exceptional items, has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 3.8m in the 52 weeks ended 28 December 2010 (52 weeks ended 29 December 2009: 4.5m).

### 9. Bank loans and other borrowings

| | 28 December 2010 £m | 29 December 2009 £m | 30 December 2008 £m |
|---|---|---|---|
| Borrowings at amortised cost | | | |
| Bank loans | **260.0** | 375.0 | 1,070.0 |
| £300m 7.125% Guaranteed Notes due 2016 | **300.0** | 300.0 | – |
| | **560.0** | 675.0 | 1,070.0 |
| | | | |
| The borrowings are repayable as follows: | | | |
| Amounts due for settlement within one year | **-** | 375.0 | – |
| In the second year | **-** | – | 820.0 |
| In the third to fifth years inclusive | **260.0** | – | 250.0 |
| After more than five years | **300.0** | 300.0 | – |
| | **560.0** | 675.0 | 1,070.0 |
| Less: expenses relating to bank loans | **(6.5)** | (0.2) | (2.0) |
| Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m | **(1.8)** | (2.1) | – |
| Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016 | **(3.6)** | (4.0) | – |
| | **548.1** | 668.7 | 1,068.0 |
| Less: amount due for settlement within 12 months (shown under current liabilities) | **-** | (374.8) | – |
| Amount due for settlement after 12 months | **548.1** | 293.9 | 1,068.0 |

**Bank Facilities**

As at 28 December 2010, the Group had a committed bank loan facility of £550m provided by a syndicate of banks. On 2 December 2010, £260m of this facility was drawn down. This facility is a Revolving Credit Facility (“RCF”), expiring in November 2015.

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

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

The upfront participation and other fees plus associated costs incurred in arranging the RCF have been capitalised as prepayments in the Consolidated Statement of Financial Position and are being amortised on a straight line basis over the life of the facility. Unamortised finance fees in respect of the Group’s previous bank loan arrangements, which have been terminated, have been written off as an exceptional item (see note 3).

**Corporate Bonds**

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%. Finance fees and associated costs incurred on the issue of the bonds together with the discount on issue have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the bonds.

**Overdraft facility**

At 28 December 2010, the Group had an overdraft facility with National Westminster Bank plc of £5m (29 December 2009: £5m). The balance on this facility at 28 December 2010 was £nil (29 December 2009: £nil).

### 10. Own shares

| | £m |
|---|---|
| At 31 December 2008 | (31.1) |
| Transfer of own shares to recipients | 7.2 |
| At 29 December 2009 | (23.9) |
| Transfer of own shares to recipients | 5.3 |
| **At 28 December 2010** | **(18.6)** |

Own shares held comprise:

| | **28 December 2010** | | | 29 December 2009 | | | 30 December 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of shares** | **Nominal value £m** | **Cost £m** | Number of shares | Nominal value £m | Cost £m | Number of shares | Nominal value £m | Cost £m |
| William Hill Holdings EBT | **3,155,000** | **0.3** | **16.7** | 3,810,000 | 0.4 | 20.2 | 1,000 | – | – |
| Treasury shares | **355,000** | **–** | **1.9** | 701,000 | 0.1 | 3.7 | 5,846,000 | 0.6 | 31.1 |
| | **3,510,000** | **0.3** | **18.6** | 4,511,000 | 0.5 | 23.9 | 5,847,000 | 0.6 | 31.1 |

The shares held in treasury were purchased at a weighted average price of £5.32 (29 December 2009: £5.32). The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £5.32 (29 December 2009: £5.32).

### 11. Non-controlling interest

| | £m |
|---|---|
| At 31 December 2008 | 9.5 |
| Playtech share of profit for the period | 20.1 |
| Amounts paid to Playtech | (17.4) |
| At 29 December 2009 | 12.2 |
| Playtech share of profit for the period | 26.3 |
| Amounts paid to Playtech | (27.0) |
| **At 28 December 2010** | **11.5** |

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

Payments are made to Playtech by the Group subsidiaries under various service and equity agreements. The Group considers the substance of individual payments in determining their accounting treatment. Where it is concluded that the payments are in respect of Playtech's investment in the Group's subsidiary, they are treated as profits attributable to the non-controlling interest. Where they represent additional services rendered, they are disclosed within operating costs in the Online segment.

### 12. Notes to the cash flow statement

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Profit before interest and tax, excluding exceptional items | **273.2** | 253.0 |
| Adjustments for: | | |
| Share of result of associates and joint ventures | **(3.3)** | 0.3 |
| Depreciation of property, plant and equipment | **26.9** | 28.6 |
| Amortisation of computer software | **10.6** | 8.7 |
| Amortisation of Trade Names, affiliates and NCA | **3.6** | 5.5 |
| Loss on disposal of property, plant and equipment | **0.9** | 1.7 |
| Gain on disposal of land and buildings | **(1.5)** | (0.7) |
| Cost charged in respect of share remuneration | **4.7** | 5.0 |
| Defined benefit pension cost less cash contributions | **(8.2)** | (9.8) |
| Foreign exchange reserve movement | **0.6** | (0.8) |
| Exceptional operating income/(expense) | **3.2** | (8.4) |
| Movement on financial derivatives | **0.8** | 0.7 |
| Operating cash flows before movements in working capital: | **311.5** | 283.8 |
| Decrease in inventories | **-** | 0.2 |
| Increase in receivables | **(2.2)** | (11.7) |
| Increase in payables | **32.0** | 7.6 |
| Cash generated by operations | **341.3** | 279.9 |
| Income taxes paid | **(51.7)** | (49.3) |
| Interest paid | **(65.7)** | (60.2) |
| **Net cash from operating activities** | **223.9** | 170.4 |

### 13. Retirement benefit schemes

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

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Defined contribution scheme (charged to profit before interest and tax) | **2.4** | 2.2 |
| Defined benefit scheme (charged to profit before interest and tax) | **6.0** | 5.2 |
| Defined benefit scheme (charged to finance costs) | **1.9** | 2.8 |
| Defined benefit scheme ((credited)/charged to Statement of Comprehensive Income) | **(6.1)** | 24.2 |
| | **4.2** | 34.4 |

#### Defined contribution schemes

The defined contribution scheme, to which both the Group and employees contribute to fund the benefits are available for all eligible employees. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to income in respect of these schemes represents contributions payable to this scheme by the Group at rates specified in the rules of the scheme. As at 28 December 2010, contributions of £nil (29 December 2009: £0.4m) due in respect of the current reporting period had not been paid over to the schemes.

#### Defined benefit scheme

The Group also operates a defined benefit scheme in the UK for eligible employees which closed to new members in 2002. Under the scheme, employees are entitled to retirement benefits varying between 1.67% and 3.33% of final pensionable pay for each year of service on attainment of a retirement age of 63. The scheme is a funded scheme and the rate of Company contributions paid during 2010 for future service benefits was 25.0% of members' pensionable pay. In addition, during 2010 the Group made an additional contribution of £9.4m as part of a funding plan agreed with the trustees to remove the funding deficit disclosed on the basis of the formal actuarial valuation at 30 September 2007. The general principles adopted by the Trustees for the purposes of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pensions right.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2007 and updated to 28 December 2010 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The current triennial valuation at 30 September 2010 is ongoing.

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

#### Disclosure of principal assumptions

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

| | **28 December 2010** | 29 December 2009 | 30 December 2008 |
|---|---|---|---|
| Rate of increase of salaries | **4.50%** | 4.60% | 3.75% |
| Rate of increase of pensions in payment | **3.50%** | 3.60% | 2.75% |
| Discount rate | **5.50%** | 5.70% | 6.00% |
| Rate of increase in inflation | **3.50%** | 3.60% | 2.75% |

In accordance with the accounting standard, the discount rate has been determined by reference to market yields at the period end date on high quality fixed income investments at a term consistent with the expected duration of the liabilities. Price inflation is determined by the difference between the yields on fixed and index-linked government bonds with an adjustment to allow for differences in the demand for these bonds, which can distort this figure. The Bank of

England target inflation rate has also been considered in setting this assumption. The expected rate of salary growth and pension increases are set with reference to the expected rate of inflation. No change has been made to the basis of inflation applied to pension increases in the scheme.

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

| Life expectancy at age 63 | **28 December 2010** | 29 December 2009 |
|---|---|---|
| Member currently aged 63 | **24 years** | 24 years |
| Member currently aged 45 | **25 years** | 25 years |

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

| | **28 December 2010** | | 29 December 2009 | | 30 December 2008 | |
|---|---|---|---|---|---|---|
| | **Expected return %** | **Value £m** | Expected return % | Value £m | Expected return % | Value £m |
| Equities | **6.3** | **149.9** | 6.5 | 132.0 | 5.9 | 91.4 |
| Corporate Bonds | **5.5** | **37.4** | 5.7 | 33.3 | 6.0 | 28.4 |
| Gilts and Cash | **4.3** | **74.5** | 4.5 | 64.9 | 3.9 | 69.6 |
| Total market value of assets | | **261.8** | | 230.2 | | 189.4 |
| Present value of scheme liabilities | | **(292.7)** | | (273.4) | | (215.3) |
| Deficit in scheme | | **(30.9)** | | (43.2) | | (25.9) |

Analysis of the amount charged to profit before interest and tax:

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Current service cost | **5.7** | 4.8 |
| Past service cost | **0.3** | 0.4 |
| Total operating charge | **6.0** | 5.2 |

Analysis of the amount charged/(credited) to finance costs:

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Expected return on pension scheme assets | **(13.4)** | (9.9) |
| Interest on pension scheme liabilities | **15.3** | 12.7 |
| Net cost | **1.9** | 2.8 |

Analysis of the amounts recognised in the Consolidated Statement of Comprehensive Income:

| | **52 weeks ended 28 December 2010 £m** | 52 weeks ended 29 December 2009 £m |
|---|---|---|
| Actual return less expected return on pension scheme assets | **(12.5)** | (22.6) |
| Experience gains arising on the scheme liabilities | **-** | (2.6) |
| Changes in assumptions underlying the present value of the scheme liabilities | **6.4** | 49.4 |
| | **(6.1)** | 24.2 |

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

| | **28 December 2010 £m** | 29 December 2009 £m |
|---|---|---|
| At beginning of period | **273.4** | 215.3 |
| Movement in period: | | |
| Service cost | **5.7** | 4.8 |
| Interest cost | **15.3** | 12.7 |
| Contributions from scheme members | **0.8** | 1.0 |
| Actuarial losses | **6.4** | 46.8 |
| Benefits paid | **(9.2)** | (7.6) |
| Past service cost | **0.3** | 0.4 |
| At end of period | **292.7** | 273.4 |

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

| | **28 December 2010 £m** | 29 December 2009 £m |
|---|---|---|
| At beginning of period | **230.2** | 189.4 |
| Movement in period: | | |
| Expected return on scheme assets | **13.4** | 9.9 |
| Actuarial gains | **12.5** | 22.6 |
| Contributions from the sponsoring companies | **14.1** | 14.9 |
| Contributions from scheme members | **0.8** | 1.0 |
| Benefits paid | **(9.2)** | (7.6) |
| At end of period | **261.8** | 230.2 |

## Glossary and abbreviations

| | |
|---|---|
| Amortisation | Where Operating profit and EPS are adjusted for amortisation, this pertains to £3.6m (2009: £5.5m) of William Hill Online amortisation relating to trade names, affiliate relationships and non-competition agreements. |
| Amounts wagered (also described elsewhere as turnover) | This comprises the gross takings receivable from customers in respect of individual bets placed in the period for LBO (including machines), Telephone and Online sports businesses and net revenue for the period for online Casino, Poker and Bingo products. As it includes customers' recycling of winnings, it does not reflect the actual cash spent with the Group, which is reflected in the gross win/net revenue line. In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income. |
| Basic, adjusted EPS | Basic, adjusted earnings per share (EPS) is stated before exceptional items and £3.6m (2009: £5.5m) of William Hill Online amortisation relating to trade names, affiliate relationships and non-competition agreements. |
| 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.<br><br>Gross win is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines. Gross win is being used as the primary top-line reporting measure for machines as the net revenue number is distorted by the changes in the VAT rate in both 2009 and 2010.<br><br>Net revenue is the primary measure for Retail, Telephone and William Hill Online. This is defined as gross win less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in Retail. In Retail, net revenue is relevant to machines and represents gross win less VAT. All other betting tax charges in the Group are recorded in cost of sales. |
| Gross win margin / net revenue margin | This is a measure, *inter alia*, of the effect of sporting results on the business. The margin is defined as gross win/net revenue divided by amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers. |
| Operating profit | Profit before interest, tax and amortisation relating to trade names, affiliate relationships and non-competition agreements as described in note 12 to the Group Financial Statements, excluding exceptional items. |
| PBIT | Profit before interest and tax. |
| William Hill Online | William Hill Online is a joint venture between William Hill PLC and Playtech Limited (Playtech). William Hill owns 71% and Playtech 29%. |