

## IMPORTANT NOTICE

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**CONFIRMATION OF YOUR REPRESENTATION:** In order to be able to view the Prospectus or make an investment decision with respect to the securities, investors must not be a U.S. Person (as defined in Regulation S under the Securities Act). The Prospectus is being sent at your request and by accepting the email and accessing this Prospectus, you shall be deemed to have represented to (i) Barclays Bank PLC, The Royal Bank of Scotland plc and Lloyds TSB Bank plc (together, the “**Joint Lead Managers**”), (ii) William Hill PLC (the “**Issuer**”) and (iii) William Hill Organization Limited (the “**Guarantor**”) that (1) you and any customers which you represent are not U.S. Persons, the email address that you have given us is not located in the United States of America, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, and (2) you consent to delivery of the Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers or their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Any comments or statements made herein do not necessarily reflect those of the Joint Lead Managers, their subsidiaries and affiliates.



## William Hill PLC

(incorporated with limited liability in England and Wales with registered number 4212563)

### £375,000,000 4.250 per cent. Guaranteed Notes due 2020

unconditionally and irrevocably guaranteed by

### William Hill Organization Limited

(incorporated with limited liability in England and Wales with registered number 00278208)

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### Issue price: 100 per cent.

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The £375,000,000 4.250 per cent. Guaranteed Notes due 2020 (the “Notes”) will be issued by William Hill PLC (the “Issuer”) and will be unconditionally and irrevocably guaranteed (the “Notes Guarantee”) on a joint and several basis by William Hill Organization Limited (“WHO” or the “Guarantor”) and any other subsidiary of the Issuer which becomes a guarantor of the Notes after the Issue Date (as defined on page 14), as described under “Terms and Conditions of the Notes – Notes Guarantee”. References herein to the “Guarantor” shall, so far as the context permits, also include any subsidiary of the Issuer which becomes a guarantor of the Notes after the Issue Date, together, the “Guarantors”, but shall not include any subsidiary of the Issuer which ceases to be a guarantor of the Notes after the Issue Date, all as described under “Terms and Conditions of the Notes – Notes Guarantee”. References herein to the “Group” are to the Issuer and its subsidiaries. References herein to “William Hill” are to the Issuer or the Group, as the context may require.

The Issuer may, at its option, redeem all, or some only, of the Notes at any time after the Issue Date at the relevant redemption amount described under “Terms and Conditions of the Notes – Redemption and Purchase”. The Issuer may also, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest in the event of certain tax changes as described under “Terms and Conditions of the Notes – Redemption and Purchase”. Upon the occurrence of certain change of control events relating to the Issuer, each Noteholder shall have the option to require the Issuer to redeem or (at the option of the Issuer) purchase the Notes of such holder at a cash purchase price equal to 101 per cent. of the principal amount thereof plus accrued interest, as described under “Terms and Conditions of the Notes – Redemption and Purchase”. The Notes mature on 5 June 2020.

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “UK Listing Authority”) for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the “London Stock Exchange”) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market. The London Stock Exchange’s regulated market is a regulated market for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”).

The Notes are expected to be rated on issue Ba1 by Moody’s Investors Service Ltd. (“Moody’s”) and BB+ by Standard & Poor’s Credit Market Services Europe Limited (“S&P”). Each of S&P and Moody’s is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will initially be represented by a temporary global note (the “Temporary Global Note”), without interest coupons, which will be deposited on or about 5 June 2013 (the “Closing Date”) with a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). Interests in the Temporary Global Note will be exchangeable interests in a permanent global note (the “Permanent Global Note” and, together with the Temporary Global Note, the “Global Notes”), without interest coupons, on or after 17 July 2013 (the “Exchange Date”), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances – see “Summary of Provisions relating to the Notes while represented by the Global Notes”.

**An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “Risk Factors” on pages 18 to 34.**

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#### Joint Lead Managers

Barclays

The Royal Bank of Scotland

Lloyds Bank

The date of this Prospectus is 3 June 2013

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”).

The Issuer and WHO accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and WHO (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and WHO, having made all reasonable enquiries, confirm that this Prospectus contains all material information with respect to the Issuer and WHO and the Notes (including all information which, according to the particular nature of the Issuer, WHO and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and WHO and of the rights attaching to the Notes), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer and WHO accept responsibility accordingly.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Neither the Joint Lead Managers (as described under “*Subscription and Sale*”, below) nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or WHO in connection with the offering of the Notes. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or WHO in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, WHO, the Joint Lead Managers or the Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, WHO, any of the Joint Lead Managers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, WHO, any of the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or WHO. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or WHO, any of the Joint Lead Managers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or WHO is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor(s) during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and Sale*” below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The

distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, WHO, the Joint Lead Managers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, WHO, the Joint Lead Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom), see “*Subscription and Sale*”.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Prospectus, may only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Joint Lead Managers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Joint Lead Managers to publish or supplement a prospectus for such offer.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC AS STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR**

**AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

All references in this document to “pounds sterling”, “Sterling” and “£” refer to the lawful currency of the United Kingdom.

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## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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This document includes forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings “*Overview*”, “*Risk Factors*” and “*Description of William Hill PLC*” and regarding the Group’s strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Issuer’s and/or WHO’s control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Group’s actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or WHO, or persons acting on their behalf, may issue. Factors that may cause the Group’s actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under “*Risk Factors*”.

These forward-looking statements reflect the Issuer’s and/or WHO’s judgement at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and Transparency Rules and/or the Prospectus Rules, in each case of the UK Listing Authority, the Issuer and WHO undertake no obligation to update these forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Issuer and WHO will comply with their obligations to publish updated information as required by law or by any regulatory authority but assume no further obligation to publish additional information.

## PRESENTATION OF FINANCIAL INFORMATION

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The Issuer prepares its consolidated financial statements on the basis of a 52-week or 53-week financial period, generally ending on the Tuesday closest to the 31 December in each year. The audited consolidated financial statements of the Issuer for each of the years ended 27 December 2011 (the “**2011 financial year**”) and 1 January 2013 (the “**2012 financial year**”), respectively, are incorporated by reference into this document. The Issuer prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRS**”).

The audited financial statements of WHO for the 2011 financial year and the 2012 financial year respectively, are incorporated by reference into this document. WHO prepares its financial statements in accordance with generally accepted accounting principles in the United Kingdom (“**UK GAAP**”).

### **Non-IFRS measures**

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

### **Operating profit**

William Hill considers operating profit to be a key financial indicator of the Group’s performance. Operating profit is defined by William Hill as pre-exceptional profit before interest and tax and before the amortisation of specifically identified intangible assets recognised on acquisitions. William Hill considers operating profit to be a useful indicator of the operating performance of the business because it excludes the impact of amortisation charges arising from intangible assets recognised on acquisitions and exceptional items. Operating profit excludes items that can have a significant impact on the Group’s profit or loss and should, therefore, be used in conjunction with, and not as a substitute for, profit before interest and tax.

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

### **Adjusted EPS**

William Hill defines, adjusted earnings per share (“**EPS**”) as EPS adjusted for exceptional items and the post-tax impact of the amortisation of intangible assets arising from acquisitions. For the same reasons explained above under “— *Operating profit*”, William Hill believes that adjusted EPS is a useful indicator for assessing the value of the Issuer’s ordinary shares (for example, by way of price earnings multiples). Adjusted EPS excludes items that can have a significant effect on the Group’s profit or loss and should, therefore, be used in conjunction with, and not as a substitute for, EPS as calculated under IFRS.

### **Gross win margin**

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



Gross win, defined as amounts wagered before the deduction of free bets, bonuses and other goodwill gestures (in the online segment) less customer winnings, is a non-IFRS measure which William Hill uses primarily to calculate gross win margin for certain activities of the Group, as described in the preceding paragraph. In addition, certain taxes and duties, including betting duty and the Horserace Betting Levy, are levied based on gross win. William Hill views gross win as being useful in assessing the underlying performance of gaming machines because, in contrast to revenue, machines gross win is not impacted by the new Machine Games Duty regime. For over-the-counter activities in the retail segment, gross win equates to revenue as free bets, bonuses and goodwill gestures are deducted from amounts wagered, while for sportsbook activities in the online segment gross win is directly related to revenue, with revenue being gross win less fair value adjustments for free bets, bonuses and goodwill gestures.

## DOCUMENTS INCORPORATED BY REFERENCE

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The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Prospectus:

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number in the reference documents</i>
William Hill PLC Annual Report and Accounts for the 52 weeks ended 27 December 2011	Managing our risks	22-23
	Group Independent Auditors' Report	64-65
	Consolidated Income Statement	66
	Consolidated Statement of Comprehensive Income	67
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	Notes to the Group Financial Statements	73-103
	William Hill PLC Annual Report and Accounts for the 53 weeks ended 1 January 2013	Managing our risks
Group Independent Auditors' Report		68-69
Consolidated Income Statement		70
Consolidated Statement of Comprehensive Income		71
Consolidated Statement of Changes in Equity		72
Consolidated Statement of Financial Position		73
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Notes to the Group Financial Statements		77-110
William Hill Organization Limited Report and Financial Statements for the 52 weeks ended 27 December 2011		Independent Auditors' Report
	Profit and Loss Account	8
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William Hill Organization Limited Report and Financial Statements for the 53 weeks ended 1 January 2013	Independent Auditors' Report	8
	Profit and Loss Account	9
	Statement of Total Recognised Gains and Losses	10
	Balance Sheet	11
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	Notes to the Accounts (including accounting policies)	13-39
William Hill PLC Interim Management Statement for the 13 weeks ended 2 April 2013 (the " <b>Interim Management Statement</b> ")	All	

Any information contained in the above documents incorporated by reference and not listed above is either covered elsewhere in this Prospectus or is not relevant for the investors.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus are available free of charge at [www.williamhill.com](http://www.williamhill.com). References to web addresses in this Prospectus are included as inactive textual references only and information in these websites does not form part of this Prospectus.

## OVERVIEW

**This Overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole including the documents incorporated by reference.**

Words and expressions defined in the “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

### **The Group**

William Hill is one of the world’s leading listed betting and gaming groups providing betting and gaming services across multiple channels. It is one of the UK’s largest bookmakers with approximately 2,392 licensed betting offices (“LBOs”) that provide betting opportunities on a wide range of sporting and non-sporting events and gaming on machines and number-based products. The Group’s online business based in Gibraltar, William Hill Online, has the leading share by revenues of the UK’s online betting and gaming markets, providing customers in the UK and elsewhere with access to sports betting, casino games, poker and bingo via all or some of the internet, telephone, mobile devices and text based services. The Group established its US operation, William Hill US, in June 2012 offering land-based sports betting in Nevada. On 19 March 2013 the Group acquired from Sportingbet plc (“**Sportingbet**”) its Australian online business and was granted a call option over Sportingbet’s Spanish online business. On 15 April 2013 the Group exercised its option to acquire from the Playtech Group (“**Playtech**”) the remaining 29 per cent. stake the Group did not own of William Hill Online.

### **Key Strengths**

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

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

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

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

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

As the UK’s largest bookmaker by number of LBOs<sup>1</sup> and with the leading share by revenues of the UK’s online betting and gaming markets<sup>2</sup>, William Hill believes that the Group is well placed to exploit the growing multi-channel trend amongst UK betting and gaming customers and that there are opportunities to apply this multi-channel expertise in certain territories outside the UK.

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

William Hill is recognised for its sports betting expertise and the Group continues to expand its sports betting product range and to offer attractive pricing on high-profile sporting events. It also offers a full range of gaming products in order to provide customers with an exciting gambling experience. Although sports betting margins can

<sup>1</sup> Source: Gambling Commission industry statistics from 2009 to 2012, September 2012.

<sup>2</sup> Source: Gambling Data, Regulated European Online Markets Data Report, 2012.

fluctuate with sporting results, gaming margins are more predictable and provide a more stable source of revenue for the Group. The combination of betting and gaming also enables the Group to cross-sell multiple products to customers, which William Hill believes increases customer value and retention.

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

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

While the Group's core market is in the UK, it is expanding into other locally licensed territories on a selective and targeted basis. This has the benefit of diversifying its sources of revenue and of reducing its exposure to the UK economy, taxation and regulatory framework. In the 2012 financial year, 91.2 per cent. of the Group's revenues were generated from the UK and 1.7 per cent. from locally licensed territories outside the UK. In the last two years, the Group has launched online businesses in the locally licensed Italian and Spanish markets, and established land-based operations in the US. In furtherance of this strategy, on 19 March 2013 the Group acquired Sportingbet's Australian business and certain other assets from Sportingbet as well as a call option over Sportingbet's Spanish online business.

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

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

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

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

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

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

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

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

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

## **Business Strategy**

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

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

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

The Group continually develops and extends its sports betting offering. In the 2012 financial year, for instance, William Hill further extended the quantity of its in-play betting opportunities, in particular in football betting, as well as launching new in-play models for other sports such as volleyball and badminton in time for the London Olympics.

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

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

The Group's goal is to make it easier for customers to access its products wherever and whenever they want to gamble. William Hill believes that a multi-channel operation increases customer loyalty. The Group is continuing to expand its range of channels, beyond its traditional formats, particularly via mobile devices and text-based services. In the last year, William Hill Online improved its mobile capability with the launch of mobile websites and betting and gaming apps to take advantage of the increased use of mobile devices. The William Hill sportsbook app has been the highest rated betting app since its launch in the Apple App Store in February 2012. In the 2012 financial year, 26 per cent. of amounts wagered on sportsbook activities in the online segment were placed from mobile devices. Improvements in technology are continuing to transform the potential for mobile gambling. This channel is experiencing fast growth and is a key focus for William Hill Online. In the LBOs, by the end of the 2012 financial year the Group had introduced 650 self-service betting terminals to provide customers with access to a wider product range.

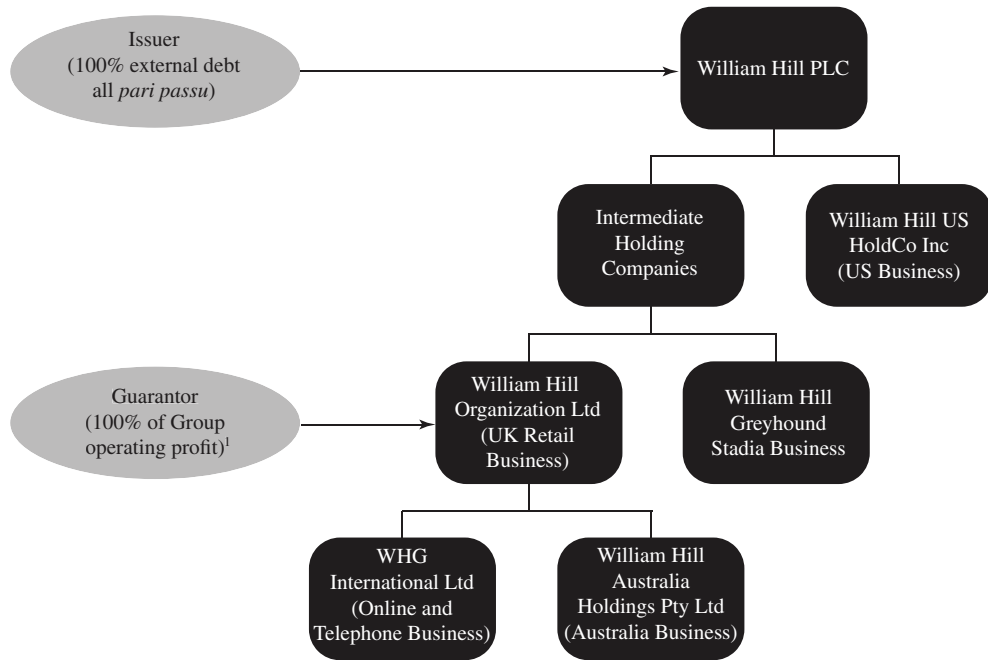
### **Selective international expansion**

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

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

## CORPORATE AND BUSINESS STRUCTURE

The following is a simplified corporate and business structure which shows the principal operating subsidiaries of William Hill PLC:



1. On a consolidated basis.

## OVERVIEW OF TERMS AND CONDITIONS

<b>Issuer:</b>	William Hill PLC
<b>Guarantor:</b>	<p>William Hill Organization Limited</p> <p>Other subsidiaries of the Issuer may become guarantors of the Notes after the Issue Date (as defined below), as described in “<i>Terms and Conditions of the Notes – Notes Guarantee</i>”. WHO or any other subsidiary of the Issuer which becomes a guarantor of the Notes after the Issue Date may also cease to be a guarantor, as described in “<i>Terms and Conditions of the Notes – Notes Guarantee</i>”.</p> <p>References in this Overview to the “<b>Guarantor</b>” shall, so far as the context permits, also include any subsidiary of the Issuer which becomes a guarantor of the Notes after the Issue Date, together, the “<b>Guarantors</b>”, but shall not include any subsidiary of the Issuer which ceases to be a guarantor of the Notes.</p>
<b>Risk Factors:</b>	Investing in the Notes involves risks. See “ <i>Risk Factors</i> ” for a discussion of certain risks you should carefully consider before investing in the Notes.
<b>Description of Notes:</b>	£375,000,000 4.250 per cent. Guaranteed Notes due 2020 (the “ <b>Notes</b> ”), to be issued by the Issuer on 5 June 2013 (the “ <b>Issue Date</b> ”).
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Joint Lead Managers:</b>	Barclays Bank PLC The Royal Bank of Scotland plc Lloyds TSB Bank plc
<b>Interest:</b>	4.250 per cent. per annum payable semi-annually in arrear.
<b>Optional Redemption by Issuer for tax reasons:</b>	The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest in the event of certain tax changes, as described under “ <i>Terms and Conditions of the Notes – Redemption and Purchase</i> ”.
<b>Optional Redemption by Issuer at any time:</b>	The Issuer may, at its option, redeem all, or some only, of the Notes at any time after the Issue Date at the relevant redemption amount described under “ <i>Terms and Conditions of the Notes – Redemption and Purchase</i> ”.
<b>Noteholders’ put option upon Put Event:</b>	Upon the occurrence of a Put Event (as defined in Condition 20), each Noteholder shall have the option to require the Issuer to redeem or (at the option of the Issuer) purchase the Notes of such holder at a cash purchase price equal to 101 per cent. of the principal amount thereof plus accrued interest, as described under “ <i>Terms and Conditions of the Notes – Redemption and Purchase</i> ”.
<b>Events of Default:</b>	Events of Default under the Notes include non-payment of principal or premium or purchase moneys due under Condition 7.3 of the Terms and Conditions of the Notes for seven days, non-payment of interest for 14 days, breach of other obligations under the Notes or the Trust Deed (which breach is not remedied within 30 days), cross-acceleration relating to indebtedness for borrowed money of the Issuer, a Guarantor or any Principal Subsidiary (as defined in Condition 20 of the Terms and Conditions of the Notes) subject to an aggregate threshold of £25,000,000 and certain events related to insolvency or winding up of the Issuer, a Guarantor or any Principal Subsidiary.

<b>Negative Pledge:</b>	The terms of the Notes contain a negative pledge provision pursuant to which none of the Issuer, any Guarantor and any other subsidiary of the Issuer may create, assume or permit to subsist any Security (as defined in Condition 20 of the Terms and Conditions of the Notes) over their present or future revenues or assets to secure any Debt (as defined in Condition 20 of the Terms and Conditions of the Notes) without securing the Notes equally and rateably therewith, subject to certain exceptions, as further described in “ <i>Terms and Conditions of the Notes – Negative Pledge</i> ”.
<b>Notes Guarantee:</b>	The Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by the Guarantors. The obligations of each of the Guarantors under its guarantee will be direct, unconditional and (subject to the provisions of Condition 4 of the Terms and Conditions of the Notes) unsecured obligations of such Guarantor and will rank <i>pari passu</i> with all other outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.
<b>Status of the Notes:</b>	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.
<b>Meetings of Noteholders:</b>	The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not vote on the relevant resolution and Noteholders who voted in a manner contrary to the majority.
<b>Modification, Waiver and Substitution:</b>	The Trustee may, without the consent of Noteholders, agree to (i) any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) the substitution of the Holding Company (as defined in Condition 20 of the Terms and Conditions of the Notes) or of a subsidiary of the Issuer or of a successor in business as principal debtor under any Notes in place of the Issuer, in each case, in the circumstances and subject to the conditions described in Conditions 15.2 and 14, respectively, of the Terms and Conditions of the Notes.
<b>Withholding Tax and Additional Amounts:</b>	The Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by tax authorities in the United Kingdom upon payments in respect of the Notes made by or on behalf of the Issuer or a Guarantor, will equal the respective amounts which would have been received in the absence of any such withholding taxes, subject to customary exceptions, as described in Condition 8 of the Terms and Conditions of the Notes.
<b>Listing and admission to trading:</b>	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange’s regulated market.



**Governing Law:**

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and construed in accordance with, English law.

**Form:**

The Notes will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000.

**Credit Ratings:**

The Notes are expected to be assigned on issue a rating of Ba1 by Moody’s Investors Service Ltd. (“**Moody’s**”), and BB+ by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). Each of Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:**

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the United Kingdom and other Member States of the European Economic Area) only in compliance with applicable laws and regulations. See “*Subscription and Sale*” below.

**Use of Proceeds:**

The net proceeds of the issue of the Notes will be applied by the Issuer to repay the 2012 Bridge Credit Facility (as defined in “Description of Other Indebtedness” on page 54) in full, repay existing bank debt and for its general corporate purposes.

## SUMMARY HISTORICAL FINANCIAL DATA

The table below sets out selected financial information for the Group for the 2011 and 2012 financial years, which has been extracted without material adjustment from, and should be read together with, the Group's audited consolidated financial statements for the 2011 and 2012 financial years.

	<i>53 weeks ended 1 January 2013 £m</i>	<i>52 weeks ended 1 January 2011 £m</i>
<b>Selected Income Statement Data</b>		
Amounts wagered .....	18,879.1	17,911.4
Revenue .....	1,276.9	1,136.7
Gross profit .....	1,104.7	973.1
Profit before tax .....	277.7	187.4
Profit for the period .....	231.0	146.5
Attributable to:		
Equity holders of the parent .....	189.8	115.2
Non-controlling interest.....	41.2	31.3
<b>Selected Balance Sheet Data</b>		
Non-current assets .....	1,685.2	1,643.7
Current assets.....	190.0	164.6
Current liabilities .....	(273.3)	(257.8)
Non-current liabilities.....	(564.9)	(650.9)
Net assets .....	1,037.0	899.6
Attributable to:		
Equity holders of the parent .....	1,022.4	887.8
Non-controlling interest.....	14.6	11.8
Total equity .....	1,037.0	899.6
<b>Cash Flow Data</b>		
Net cash from operating activities.....	294.3	241.7
Net cash used in investing activities.....	(81.8)	(56.1)
Net cash used in financing activities .....	(175.1)	(180.7)

## RISK FACTORS

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*Each of the Issuer as the ultimate holding company of the Group and the Guarantor as the operator of the Group's UK retail business and holding company for the Group's online business believes that the following risk factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor expresses a view on the likelihood of any such contingency occurring. The risk factors which the Issuer and the Guarantor believe are material for the purpose of assessing the market risks associated with the Notes are described below.*

*The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference) and reach their own views prior to making any investment decision.*

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

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

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

#### ***UK taxation***

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

- corporation tax, with a headline tax rate of 23 per cent. up to 31 March 2014, 21 per cent. from 1 April 2014 to 31 March 2015 and 20 per cent. from 1 April 2015;
- general betting duty of 15 per cent. applicable to gross betting profit in the UK;
- machine games duty payable at 20 per cent. of the revenue from gaming machines; and
- the horserace betting levy, a statutory levy on bets struck in the UK on horse races held in the UK, calculated at a rate of 10.75 per cent. of the gross win on such horse racing activities.

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

#### ***Australian taxation***

The Group's Australian online business is subject to Australian taxation which currently includes:

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

Any increases in the levels of taxes or levies to which the Group is now subject, or the implementation of any new taxes or levies in Australia, could have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***Other non-UK taxation***

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

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

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

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

#### ***European Union***

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

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

To the extent that the domestic laws or any prosecutions, suits or other determinations of a national court of a Member State do not implement and/or apply EU law, such actions may fall within the jurisdiction of the European Court of Justice ("**ECJ**") to which reference may be made. On such a reference, the ECJ may scrutinise such domestic laws, prosecutions, suits or other determinations and determine the legality of such operator's

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

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

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

### *United States*

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

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

Although the Group has systems and controls in place which seek to ensure the Group's compliance with applicable US laws and regulations, including the UIGEA and the PASPA, there can be no assurance that these procedures will be completely effective. Should the Group breach any such applicable US laws and regulations it may become subject to civil or criminal sanctions as well as reputational damage, and may have to cease offering its products in the United States. Similarly, should the bills proposed by the US Congress be passed, thereby prohibiting any person from accepting bets on amateur sporting events, the Group may be required to cease offering these products or may not be able to expand its product offering in the US in a way it may otherwise have done so. The occurrence of any one or all of the foregoing events could have a material adverse effect on the Group's business, financial condition and results of operations.

### *Australia*

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

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

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

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

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

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

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

The Group is regulated by certain authorities and currently holds gambling licences and/or permits in the UK, Northern Ireland, Gibraltar, Malta, the Isle of Man, Jersey, Kahnawake (a territory situated in Quebec, Canada administered by the Mohawks of Kahnawake indigenous people), Italy, Spain, the State of Nevada in the United States and the Northern Territory of Australia. If the regulatory framework of any jurisdiction in which the Group operates was to change its licensing requirements, the Group may be required to expend significant capital or other resources in order to comply with the new requirements and/or may not be able to meet the new requirements,

either or a combination of which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, there can be no assurance that any other changes in legislation or regulations enacted by the UK government in the future, for example in relation to stakes and prizes as described below, will not have a material adverse effect on the Group's business, financial condition and results of operations.

### *Great Britain*

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

In addition, there can be no assurance that any other changes in legislation or regulations enacted by the UK government in the future will not have a material adverse effect on the Group's business, financial condition and results of operation. In particular, currently the Department of Culture, Media and Sport is undertaking a consultation on gaming machine stakes and prizes. The Group has submitted a response to this consultation and publication of the submissions and the Department's response is expected in due course but no timeline has been specified. There can be no assurance that any changes to gaming machine stakes and prizes will not have a material adverse effect on the Group's business, financial condition and results of operation.

### *State of Nevada*

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

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

### *Australia*

As part of the acquisition of Sportingbet's Australian online business, the Group has acquired two sports bookmakers licences held in Australia's Northern Territory and has received confirmation from the NT Racing Commission and the Australian Foreign Investment Review Board that each of these bodies has granted their respective approvals of William Hill's ownership of Sportingbet's Australian online business.

The NT Racing Commission imposes extensive probity and approval requirements prior to the grant of new licences or the approval of a change of control of a licence holder and it monitors compliance with licence conditions on a continuous basis. Currently, all sports bookmaking conducted by the Group in Australia is

conducted through the two sports bookmakers licences held in the Northern Territory, which allows the Group's Australian online business to accept bets and wagers from all states across Australia provided that all such bets and wagers are processed through servers located in the Northern Territory (although certain of the Group's Australian operations are conducted in other states). There can be no assurance that the regulatory framework under which the Australian online business is currently governed will not change, thereby requiring, William Hill to hold licences in each individual Australian state and territory in which it operates. If the regulatory framework were to change in this manner, or the terms or conditions of the licences held in the Northern Territory were to change, this could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Gibraltar***

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Risks relating to the Group**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's operations, including in particular William Hill Online and the Group's telephone betting operations, are highly dependent on technology and advanced information systems, and there is a risk that such technology or systems could fail. In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, denial of service attacks, increase in volume of online services usage, sabotage, natural hazards or disasters or other similarly disruptive events, including other security breaches. There can be no assurance that the Group's current systems are or will continue to be able to support a significant increase in online traffic or increased customer numbers. Although the Group has in place business continuity procedures and security measures in the event of network failure or disruption, including backup IT systems for business critical systems, generally in different geographic locations from the main system, these are not, and are not intended to be, a full duplication of the Group's operational systems. Should any of these procedures and measures not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur to a system for which there is no duplication, there may be a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

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

Trends in internet-based activities are rapidly changing, particularly the increasing use of social websites, such as Facebook, for gaming activities. The operators of such sites and activities are exploring the potential of real-money betting and gaming. This could encourage new competitors into the gambling market and/or encourage existing online gambling operators to expand into social gaming activities as a means of reaching a wider population of potential gambling customers. Certain online gambling operators are already making significant investments in this area. The Group's ability to compete may be adversely affected if it fails to exploit emerging trends and product developments of which competitors take advantage, which may have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group's William Hill Online business has the leading share by revenues of the UK's online betting and gaming markets and 31.9 per cent. of Group revenue was generated by the online segment in the 2012 financial year. The market for online gaming and gambling products and services is characterised by rapid technological developments, frequent new product and service introductions and evolving industry standards. The emerging character of these products and services and their evolution requires the Group to use leading technologies effectively, employ personnel with specialist experience, continue to develop the Group's technological expertise, enhance the Group's current products and services and continue to improve the performance, features and

reliability of the Group's technology and advanced information systems. In addition, the widespread adoption of new internet technologies or standards could require substantial expenditure to replace, upgrade, modify or adapt the Group's technology and systems. If the Group fails to keep pace with technological developments and industry standards or to introduce new products and services that satisfy customer demands, it could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

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

The Group's fixed-odds sports betting products involve betting where winnings are paid on the basis of the stake placed and the odds quoted, rather than derived from a pool of stake money received from all customers. Bets in

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

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

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

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

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

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

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

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

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



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

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

### **Issuer's call option**

The Notes contain an optional redemption feature, which is likely to limit their market value. The market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### **Risks related to the Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

#### **Modification, waivers and substitution**

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not vote on the relevant resolution and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Conditions 15.2 and 14 of the Terms and Conditions of the Notes.

#### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### **Change of law**

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus. There is no guarantee that any such changes would not have an adverse effect on the rights under, and the value of, the Notes.

### **Denominations involve integral multiples: definitive Notes**

The Notes have denominations consisting of a minimum of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### **The secondary market generally**

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

#### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Notes and the Guarantor(s) will make any payments under the Notes Guarantee in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### **Interest rate risks**

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

**Credit ratings may not reflect all risks**

The Notes are expected to be rated on issue Ba1 by Moody's Investors Service Ltd and BB+ by Standard & Poor's Credit Market Services Europe Limited. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## **USE OF PROCEEDS**

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The net proceeds of the issue of the Notes, amounting to approximately £371,700,000, will be applied by the Issuer to repay the 2012 Bridge Credit Facility in full (£275,000,000), repay existing bank debt and for its general corporate purposes.

## DESCRIPTION OF WILLIAM HILL PLC

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### Introduction

William Hill PLC (the “**Issuer**”) together with its subsidiaries (the “**Group**” and references herein to “**William Hill**” are to the Issuer and the Guarantor, as the context may require) is one of the world’s leading listed betting and gaming groups by market capitalisation<sup>1</sup>, employing approximately 17,000 people, and is one of the most recognised and trusted brands in the gambling industry, providing betting and gaming services across multiple channels. The Group was founded in 1934 and is the UK’s largest bookmaker by number of licensed betting offices (“**LBOs**”), with 2,392 as at 1 January 2013 of the approximately 9,000 LBOs regulated by the Gambling Commission<sup>2</sup>. The LBOs provide betting opportunities on a wide range of sporting and non-sporting events, and gaming on machines and numbers-based products. William Hill Online, which was operated as a joint venture with Playtech Group (“**Playtech**”) until recently, has the leading share by revenues of the UK’s online betting and gaming markets<sup>3</sup>, and enables customers to access sports betting, casino games, poker and bingo via all or some of the internet, telephone, mobile devices and by text-based services. The Group established its US operation, William Hill US, in June 2012, offering land-based sports betting in Nevada. On 19 March 2013, pursuant to an agreement with GVC Holdings PLC (“**GVC**”) and Sportingbet plc (“**Sportingbet**”) the Group acquired Sportingbet’s Australian online business and certain other assets from the Sportingbet group together with a call option over its Spanish business.

In the 2012 financial year, the Group’s revenue was £1,276.9 million, an increase of 12.3 per cent. compared to the 2011 financial year. Approximately 65.6 per cent. of Group revenue in the 2012 financial year was generated by William Hill’s retail segment from LBOs in the UK and 31.9 per cent. of Group revenue by its online segment. Operating profit<sup>4</sup> in the 2012 financial year was £330.6 million, an increase of 19.9 per cent. compared to the 2011 financial year. Of this, approximately 64.0 per cent. and 44.0 per cent. of Group operating profit was generated by William Hill’s retail segment and its online segment, respectively.<sup>5</sup>

William Hill was incorporated and registered in England and Wales on 8 May 2001 with registered number 4212563 under the Companies Act 1985 as a private limited company with the name Troniclong Limited. On 10 May 2002, William Hill changed its name to William Hill Limited. On 28 May 2002, William Hill re-registered as a public limited company and changed its name to William Hill PLC.

The registered office and the principal place of business in the UK of William Hill is at Greenside House, 50 Station Road, Wood Green, London, N22 7TP, United Kingdom, telephone number +44 20 8918 3600.

### History of William Hill

William Hill was founded in London in 1934 as a telephone bookmaking business and established its first LBOs in 1966. In 1971, it became part of the Sears Holdings Group. In 1988, it was acquired by Grand Metropolitan and merged with its bookmaking subsidiary, Mecca Bookmakers, under the William Hill brand. The integration of these two businesses was continued by the Brent Walker Group, which purchased William Hill from Grand Metropolitan in 1989. It was then acquired by Nomura International in 1997, which in turn sold it to Cinven and CVC Partners. On 20 June 2002, William Hill was floated on the London Stock Exchange. In 2005, it acquired Stanley Leisure plc’s LBOs in the UK and Ireland, which resulted in William Hill becoming the UK’s largest bookmaker by number of LBOs. In December 2008, William Hill created its joint venture business, William Hill Online, through the acquisition of certain assets from Genuity Limited and their subsequent combination with William Hill’s then existing online business, William Hill Interactive. In June 2012, the Group was licensed by the Nevada Gaming Commission and acquired three US land-based sports betting businesses, AWI, Brandywine and the Cal Neva Assets. On 19 March 2013, pursuant to an agreement with GVC and Sportingbet, the Group acquired Sportingbet’s Australian online business and certain other assets from Sportingbet for a total cash consideration

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1 Source: Based on the market capitalisations as at 28 February of William Hill PLC, Ladbrokes plc, Paddy Power PLC, Lottomatica Group SpA, OPAP SA, Tabcorp Holdings Ltd and Tatts Group Ltd.

2 Source: Gambling Commission industry statistics from 2009 to 2012, September 2012.

3 Source: Gambling Data, European Online Regulated Markets Data Report, 2012.

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

5 The operating profit generated by the Group’s retail and online segments exceeds 100 per cent. of the Group operating profit primarily because Group operating profit includes the operating loss in the corporate segment resulting from unallocated central corporate costs.

of £459.4 million. This included a call option in respect of Sportingbet's Spanish online business. On 15 April 2013, William Hill exercised an option to acquire from Playtech all the shares of the William Hill Online joint venture that the Group did not already own for £423.8 million.

## **Key Strengths**

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

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

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

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

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

Multi-channel access facilitates more frequent betting, especially given the constant availability of mobile betting and gaming, and William Hill believes it encourages greater customer loyalty. As the UK's largest bookmaker by number of LBOs<sup>1</sup> and with the leading share by revenues of the UK's online betting and gaming markets<sup>2</sup>, William Hill believes that the Group is well placed to exploit the growing multi-channel trend amongst UK betting and gaming customers and that there are opportunities to apply this multi-channel expertise in certain territories outside the UK which William Hill sees as a route available to the Group for achieving its long-term growth.

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

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

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

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1 Source: Gambling Commission industry statistics from 2009 to 2012, September 2012.

2 Source: Gambling Data, Regulated European Online Markets Data Report, 2012.

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

While the Group's core market is in the UK, it is expanding into other locally licensed territories on a selective and targeted basis. This has the benefit of diversifying its sources of revenue and of reducing its exposure to the UK economy, taxation and regulatory framework. In the 2012 financial year, 91.2 per cent. of the Group's revenues were generated from the UK and 1.7 per cent. from locally licensed territories outside the UK. In the last two years, the Group has launched online businesses in the locally licensed Italian and Spanish markets, and established land-based operations in the US. In furtherance of this strategy, on 19 March 2013, William Hill acquired Sportingbet's Australian business and certain other assets from the Sportingbet group for a total cash consideration of £459.4 million which included granting of a call option over Sportingbet's Spanish online business.

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

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

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

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

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

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

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

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

The Group has been highly and consistently cash generative, generating £294.3 million in net cash inflow from operating activities in the 2012 financial year. The Group's policy has been to balance the application of its cash flow from operating activities between investing in the business, making returns to shareholders and reducing financial indebtedness.

The Group has a good track record of improving credit metrics having reduced its Net Debt/EBITDA<sup>1</sup> ratio from 3.2:1 at the end of 2008 to 1.0:1 at the end of 2012. Since the end of 2012, the Group has taken on more debt to fund the acquisition of Sportingbet's Australian business and part fund the acquisition of Playtech's stake in William Hill Online. Based on the Net Debt<sup>1</sup> level immediately after the completion of the above acquisitions and the Group's 2012 EBITDA<sup>1</sup>, the indicative Net Debt/EBITDA ratio would have been around 2.1:1. The Group's EBITDA/Net Cash Interest<sup>1</sup> credit metric was 9.3:1 at the end of 2012.

<sup>1</sup> Net Debt, EBITDA and Net Cash Interest are calculated according to the definitions contained within the Group's 2010 Revolving Credit Facility and 2012 Bridge Credit Facility Agreements.

## Strategy

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

### Developing a wider product offering

William Hill provides a range of betting and gaming products to appeal to a wide customer base and to encourage use of more than one product. In the 2012 financial year, 51.7 per cent. of William Hill's revenue was generated from betting activities while 47.7 per cent. was generated from gaming activities. In William Hill's retail segment, an estimated 30 per cent. of customers use more than one product and around 75 per cent. of gaming customers also bet over-the-counter<sup>1</sup>. In William Hill's online segment, revenues from key cross-sell gaming products (the Vegas, Games, Live Casino and Skill platforms) grew by 15.0 per cent. in the 2012 financial year.

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

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

### Driving greater multi-channel usage

The Group's goal is to make it easier for customers to access its products wherever and whenever they want to gamble. William Hill believes that a multi-channel operation increases customer loyalty. More than half of online customers are also using LBOs to place bets<sup>2</sup> and, across the industry, 30 per cent. of customers between the ages of 18 and 24 place bets through both retail and online businesses<sup>3</sup>. The Group is continuing to expand its range of channels, beyond its traditional formats, particularly via mobile devices and text-based services. In the last year, William Hill Online improved its mobile capability with the launch of mobile websites and betting and gaming apps to take advantage of the increased use of mobile devices. The William Hill sportsbook app has been the highest rated betting app since its launch in the Apple App Store in February 2012 and was downloaded more than 668,000 times in the first year. In the 2012 financial year, 26 per cent. of amounts wagered on sportsbook activities in the online segment were placed from mobile devices. Improvements in technology are continuing to transform the potential for mobile gambling. This channel is experiencing fast growth and is a key focus for William Hill Online. In the LBOs, by the end of the 2012 financial year the Group had introduced 650 self-service betting terminals to provide customers with access to a wider product range.

### Selective international expansion

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

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

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1 Source: Kantar Retail Gambling Tracker April-June 2011.

2 Source: Kantar Online Gambling Tracker Wave 9.

3 Source: Kantar Retail Gambling Tracker, 2012.



Following the acquisition of Sportingbet's Australian online business, the Group has exposure to the Australian market. William Hill was also granted a call option over Sportingbet's Spanish online business which, if exercised, would increase the Group's exposure to that jurisdiction.

## **Product Offering**

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

## **Betting**

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

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

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

### ***Sports betting***

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

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

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

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

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

## **Gaming**

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

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

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

With William Hill's gaming products, the customer bets against the house and the Group makes its profit based on probabilities in the long run of different events occurring and uses "house" rules and procedures to apply risk limits. With respect to poker and certain other skills games, as well as bingo, William Hill acts as the host or facilitator for customers who play against one another rather than against William Hill; accordingly, William Hill takes no principal gaming risk. In return for facilitating these games, William Hill charges its customers a type of

commission, known in poker as a 'rake', except in tournaments where a one-off entry fee is charged. Poker players can compete online against each other either on individual tables or in tournaments.

## **Principal Segments**

William Hill operates its business through five reporting segments. The two principal segments are: its UK retail segment and its online segment, which operates through William Hill Online, and includes mobile and text-based services as well as internet-based betting and gaming. In addition, William Hill also delivers products to customers via its telephone betting segment and in June 2012 it established William Hill US, a land-based sports betting business. On 19 March 2013, William Hill established a separate Australian online segment following its acquisition of Sportingbet's Australian online business.

### **Retail**

William Hill is the UK's largest high-street bookmaker by number of LBOs, with the Group operating approximately 26 per cent. of all LBOs in the UK.

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

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

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

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

### **Online**

William Hill Online was established as a joint venture in December 2008 with the combination of William Hill's sportsbook-led interactive business and certain gaming assets acquired from Playtech, with 71 per cent. owned by William Hill and 29 per cent. by Playtech. William Hill had a call option to acquire Playtech's shareholding, which was exercisable in the first quarter of either 2013 or 2015. On 15 April 2013, William Hill, having exercised its call option, acquired the remaining 29 per cent. of shares in William Hill Online from Playtech for a total cash consideration of £423.8 million.

William Hill's online business has the leading share by revenue of the UK's online betting and gaming markets. It innovates its product range and content to provide a competitive sports betting and gaming offering, whether online or by telephone, mobile device, text or mobile.

At the time William Hill Online was established, the business took an eight-year licence, running until 2016, for Playtech Software's market-leading casino and poker software, which now has a break right for William Hill on

not less than 6 months' notice. The suppliers of William Hill Online's bingo software (Virtuefusion) and mobile betting platform (Mobenga) have since been acquired by Playtech Software and the licences for these products ran until 28 February 2013 and 25 October 2012 respectively. The parties are in the process of agreeing long-term renewals to these contracts to run until 28 February 2015 (2 year extension) and 1 October 2015 (3 year extension).

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

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

William Hill Online's strategy focuses on maximising its UK market share through product development and channel innovations, such as mobile betting and gaming. Estimates indicate that William Hill Online has successfully increased its market share in the UK to 15 per cent.<sup>1</sup> as a result of its UK revenues growing at a faster rate than the industry average since 2010.

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

## **Telephone**

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

## **William Hill US**

In June 2012, the Group and five of its senior personnel were unanimously granted non-restricted gaming licences by the Nevada Gaming Commission at a meeting held in Las Vegas. A non-restricted licence is the highest tier of gaming licence in Nevada. Thereafter, the Group established William Hill US and completed the acquisitions of AWI, Brandywine and the Cal Neva Assets, for aggregate consideration of approximately US\$49 million (£31 million).

As at 1 February 2013, William Hill US operated in 190 locations in Nevada, both in casino-based sportsbooks and in bar locations. William Hill US is also the exclusive risk manager for the State of Delaware's sports lottery and the risk manager for the Marriott Hotel in St. Kitts, as well as providing hardware and software to many of the major Nevada sportsbooks and operating the leading mobile wagering application available in the United States. William Hill expects the competitiveness of William Hill US and its attractiveness as a partner to be enhanced by combining the operational strength of the existing management teams with William Hill's brand, financial strength and extensive product offering, ensuring it is well-placed to capitalise on any regulatory changes, whether land-based or online.

## **Australia**

On 19 March 2013, William Hill acquired the Australian online business of Sportingbet. This business offers sports betting products to Australian customers via online, telephone and mobile channels. It is licensed by the Northern Territory of Australia and operates through the Sportingbet and Centrebet brands. It has a well-established and experienced management team. William Hill considers the Australian gambling market to be an

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<sup>1</sup> Source: Gambling Data, UK Data Report, June 2012.

attractive one demonstrating good growth trends and an increasing proportion of online and mobile business. The acquired business is one of the leading operators in the Australian online gambling market. William Hill believes that the application of its expertise in online gambling coupled with the inherent strengths of the acquired business leave it well positioned to exploit the growth opportunities offered by the Australian market.

## **Competition**

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

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

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

## **Risk Management**

### **Betting products**

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

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

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

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

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

Access to market information is needed both before odds are compiled and after odds are published. The Group relies on information compiled from its knowledge of the betting and gaming industry, including the sports concerned and participants, both to the extent available in the media generally and from information at events. The Group also relies on information about its potential liabilities from overall betting patterns and total amounts

wagered on particular outcomes drawn from its retail and online segments as well as certain individual bets that are referred before acceptance or notified subsequently, because of the source or size.

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

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

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

### **Gaming products**

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

### **Regulatory risk**

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

### **Marketing**

The Group undertakes both "online" and "offline" marketing to promote its brand and products to customers in the geographies in which it offers betting and gaming products. Offline marketing typically involves television-based advertising and has been a significant focus for the Group's marketing investment, particularly in the UK, in the last three financial years. Online marketing involves a number of internet-based marketing tools, including: search engine optimisation and "pay-per click" agreements to generate or to buy a higher profile for the Group's websites on relevant search engine searches; banner advertising on other websites; and affiliate agreements whereby potential customers can click through to the Group's websites from other websites in return for remuneration for the owner of the other website. The team that operates this specialist online capability, based in Tel Aviv, Israel, was acquired from Playtech as part of the establishment of the William Hill Online joint venture at the beginning of the 2009 financial year. William Hill Online's marketing investment has increased significantly, from £61.2 million in the 2010 financial year to £106.4 million in the 2012 financial year.

## Information Technology Systems

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

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

## Supplier Relationship

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

## Intellectual Property

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

The Group's registered UK and European Union trademarks includes the "William Hill" name which is also either registered or pending registration in appropriate worldwide jurisdictions. Following the acquisition of Sportingbet's Australian online business and its option over Sportingbet's Spanish business, the Group owns rights in the names "Sportingbet", "Centrebet" and "miapuesta", respectively. The Group takes active measures to protect its trademarks.

The Group's domain name portfolio includes williamhill.com, as well as numerous defensive domain names, and the Group has expanded this portfolio pursuant to the acquisition of Sportingbet's Australian business.

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

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

## Administration and Management

The directors of William Hill and their principal outside activities are as follows:

<i>Name</i>	<i>Position held</i>	<i>Principal outside activities</i>
Gareth Davis	Non-executive Chairman	Chairman, Wolseley plc Chairman, DS Smith plc
Ralph Topping	Chief Executive	Non-executive Chairman, Scottish Premier League Director, Scottish Football Association
Neil Cooper	Group Finance Director	None

<i>Name</i>	<i>Position held</i>	<i>Principal outside activities</i>
David Edmonds	Senior Independent Non-executive Director	Board Member, Barchester Healthcare Ltd Chairman, Swanton Care & Community Ltd Chairman, NHS Shared Business Service Chairman, Legal Services Board Board Member, London Legacy Development Corporation
Georgina Harvey	Non-executive Director	None
Ashley Highfield	Non-executive Director	Chief Executive, Johnston Press PLC Member, BAFTA Governor, British Film Institute
David Lowden	Non-executive Director	Non-executive Director, Berendsen plc Non-executive Director, Michael Page International plc
Imelda Walsh	Non-executive Director	Non-executive Director, Mitchell & Butlers plc Trustee, Comic Relief Board Member, Institute of Employment Studies Trustee Director, Now Pensions Ltd Director, Mentoring Foundation Non-executive Director, Mothercare plc

The business address of the directors is Greenside House, 50 Station Road, Wood Green, London N22 7TP, United Kingdom.

No potential conflicts of interest exist between the duties to the Issuer of the directors of William Hill, as listed above, and their private interests and/or duties.

## **Employees**

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

## **Recent Developments**

On 1 March 2013 William Hill announced a rights issue to raise gross proceeds of £384.3 million through the issue of approximately 156.9 million shares at a price of 245 pence each (the "**Rights Issue**"). By the latest time for acceptance of the Rights Issue on 4 April, 98.23 per cent. of the rights had been taken up with the underwriters of the Rights Issue procuring acquirers for the remainder of the shares issued the following day. The Rights Issue is expected to raise approximately £373 million after payment of expenses. The proceeds of the Rights Issue have been used to part fund the acquisition of Playtech's 29 per cent. stake in William Hill Online.

These new shares have been admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange.

## **Acquisition of Sportingbet's Australian Online Business**

On 19 March 2013 William Hill completed the acquisition of Sportingbet Plc's Australian online business and was granted a call option over Sportingbet's Spanish business for a total cash consideration of £459.4 million. This cost was funded by borrowings under the 2010 Revolving Credit Facility and the 2012 Bridge Credit Facility.

## **Exercise of a call option over Playtech's shares in William Hill Online**

On 15 April 2013, William Hill exercised its call option to acquire Playtech's 29 per cent. stake in William Hill Online for a total cash consideration of £423.8 million. The acquisition was financed by the proceeds of the Rights Issue and borrowings under the 2012 Bridge Credit Facility.

## **Material Contracts**

For a description of William Hill's material contracts outside of the ordinary course of William Hill's business, please see "*Description of Other Indebtedness*" starting on page 54 of this Prospectus.

## DESCRIPTION OF WILLIAM HILL ORGANIZATION LIMITED

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### Overview

William Hill Organization Limited (“**WHO**” or the “**Guarantor**”) was established and incorporated as a private limited company in England on 26 July 1933, under the Companies Act 1929, with company registration number 00278208. The registered office of WHO is at Greenside House, 50 Station Road, Wood Green, London N22 7TP, United Kingdom, telephone number +44 20 8918 3600.

### Business Activities

WHO’s principal activities are the operation of LBOs in the UK and, through its subsidiaries, the operation of the Group’s online businesses, William Hill Online and William Hill Australia. For a full description of these activities, please see “*William Hill PLC – Product Offering*” starting on page 40 and “*William Hill PLC – Principal Segments*” starting on page 41 of this Prospectus.

### Organisational Structure

WHO is a wholly-owned subsidiary of the Issuer. Please see “*Corporate and Business Structure*” on page 13 of this Prospectus for an overview of the Corporate and Business Structure of the Group.

### Administration and Management

The directors of WHO and their principal outside activities are as follows:

<i>Name</i>	<i>Position held</i>	<i>Principal outside activities</i>
Anthony David Steele	Director	Director, Association of British Bookmakers Limited
Neil Cooper	Director	None
Thomas Murphy	Director	Alternate Director, Satellite Information Services (Holdings) Limited

The business address of the directors is Greenside House, 50 Station Road, Wood Green, London N22 7TP, United Kingdom. Save for the alternate directorship of Satellite Information Services (Holdings) Limited (“**SIS Holdings**”) held by Mr Murphy, none of the directors have any potential conflicts of interests between their duties to WHO and their private interests or other duties to third parties. Satellite Information Services Limited, a subsidiary of SIS Holdings, is a key supplier of pictures and data to the Group and therefore the potential for a conflict of interest arises between Mr Murphy’s duties as an alternate director of SIS Holdings and his duties as a director of WHO. However, both WHO and SIS Holdings have procedures in place to ensure that no actual conflict of interest arises as a result of Mr Murphy’s position.

### Material Contracts

For a description of WHO’s material contracts outside of the ordinary course of WHO’s business, please see “*Description of Other Indebtedness*” starting on page 54 of this Prospectus.



## INDUSTRY OVERVIEW

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### Overview of the Gambling Industry

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

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

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

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

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

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

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

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

### Overview of the UK Gambling Industry

During the period April 2011 to March 2012, the British gambling industry generated a gross gambling yield of £5.8 billion, a rise of £0.2 billion from the same period in 2010/11. LBOs, which combine over-the-counter sports betting and gaming machines, represented 52 per cent. of this and are the largest single part of the UK gambling industry. LBOs were first legalised by the UK government in 1961. There are currently approximately 9,000 LBOs, having peaked at around 14,000 LBOs in the 1980s. Since then, the market has consolidated into a handful of major providers and a number of small chains and independent providers. Consolidation across the UK retail

gambling market continues as independent providers close while the major providers continue to open LBOs, benefitting from the scale of their operations. There are now four major businesses accounting for around 80 per cent. of all LBOs in the UK. Of these, William Hill has the largest estate in the UK, followed by Ladbrokes, Coral and BetFred.

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

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

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

## **Regulatory Authorities**

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

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

William Hill Online's sportsbook operations and gaming products are regulated in Gibraltar by the Gibraltar Regulatory Authority. The Group's Australian online business is regulated by the Northern Territory Racing Commission.

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

The terms of the licence issued to William Hill by the Nevada Gaming Authorities provide that any person who, individually or in association with others has acquired, directly or indirectly, beneficial ownership of 5 per cent. or more of any class of William Hill voting securities must notify the Nevada Gaming Control Board, in writing, within 10 days after it has knowledge of such acquisition. William Hill must also notify the Nevada Gaming Control Board within 10 days of becoming aware of any such acquisition by any person. In addition, any person who, individually or in association with others, acquires, directly or indirectly, beneficial ownership of 10 per cent. or more of any class of William Hill voting securities must apply to the Nevada Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada Gaming Control Board mails written notice requiring such a filing. If a shareholder required to apply for a finding of suitability is found to be unsuitable for any reason and continues to hold William Hill ordinary shares, they may be guilty of a criminal offence.

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

## **Regulation**

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

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

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

### **Online betting and gaming**

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

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

The unfavourable levels of taxation in the UK have led to significant portions of the industry being based outside the UK, primarily in Gibraltar. As a result, a majority of online businesses owned by UK bookmakers, including William Hill Online, have been established offshore in order to remain competitive. In 2011, the DCMS began a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation is now closed and draft legislation has been published. This approach would require companies transacting with UK residents to be licensed by the Gambling Commission, regardless of where that company was based. HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross win for online sportsbook activities and net revenue for gaming activities at a rate of 15 per cent. from December 2014.

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

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

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

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

In Australia, interactive and internet gambling is regulated by each individual state, in each case applicable to gaming and sports betting activities conducted within such a state, and the Interactive Gambling Act 2001 (Cth) (the "**Interactive Gambling Act**") which purports to regulate certain types of interactive and internet gambling occurring both within and outside Australia. The Group currently holds two licences in the Northern Territory approved by the Northern Territory Racing Commission (the "**NT Racing Commission**") which provide that its Australian online business may accept bets from customers located anywhere in the world provided these are made in accordance with the provisions of the Racing and Betting Act 1983 (NT) by use of telephone, internet, facsimile or other electronic means at designated premises within the Northern Territory on approved sporting events (which is defined to include specified contingencies).

### **European online regulation**

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

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

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

Online gaming is a regulated sector for money laundering pursuant to the third EU Money Laundering Directive (no. 2005/60/EC) and in the UK the Group also adheres to the Proceeds of Crime Act 2002. It has put in place a

number of processes to detect and report suspicious activity, and to handle requests for assistance from law enforcement agencies and regulators, all of which is overseen by the Group's MLRO. In 2011, the Gibraltar Regulatory Authority implemented its Anti-Money Laundering Code of Practice. William Hill Online has put in place the appropriate systems for training, reporting, customer due diligence, monitoring of customer activity, record keeping and screening of risk customers.

## **UK Industry Issues**

### **Costs of content**

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

The British betting industry supports the British horse racing industry via the Horserace Betting Levy, a subsidy now based on the gross win from bets struck in the UK on horse races held in the UK. This levy arrangement has been established on a statutory basis since off-course betting was legalised in 1961. The Horserace Betting Levy is an annual scheme with representatives of all classes of bookmakers (comprising the Bookmakers Committee) responsible to the Horserace Betting Levy Board for recommending the basis of each year's scheme. When the Horserace Betting Levy Board and the Bookmakers Committee cannot agree a basis, the Secretary of State for Culture, Media and Sport ("SCMS") determines the outcome; this last occurred in 2011 for the 2012/13 scheme (effective 1 April 2012 to 31 March 2013). For the 2013/14 scheme, agreement was reached for the Horserace Betting Levy to continue to be 10.75 per cent.

#### ***Greyhound levy***

The Group also voluntarily pays a greyhound racing levy, which is agreed with the Greyhound Association on bets struck in the UK in order to support the greyhound racing industry. The levy is calculated at 0.6 per cent. of amounts wagered in the UK on greyhound racing in the UK.

#### ***Other sports***

Whilst the Group pays licence fees to content suppliers for their established intellectual property rights, the Group does not pay for the right to bet on other sports. The SCMS has in the past raised the issue of bookmakers making contributions to support sport in the UK. To date, there have been no concrete developments affecting the Group from this suggestion.

#### ***Problem gambling***

Problem gambling is an industry-recognised term for what a psychiatrist would call a spectrum disorder covering a range of symptoms associated with gambling, from someone being unhappy about their gambling to a medically diagnosed mental health issue. The issue of problem gambling is taken seriously by the industry. The UK government expects the gambling industry to act in a socially responsible way and to contribute to funding for support for those with gambling problems. The Group encourages a socially responsible attitude within the gambling industry and has been a contributor to the Responsible Gambling Trust, a charity set up by the industry to fund work on these issues. William Hill has always paid the contribution which it undertook to fund. In addition, William Hill has constituted a Corporate Responsibility Committee to assist the Board of Directors of the Issuer in its approach to, amongst other things, problem gambling issues. William Hill works closely with its regulators in the UK and overseas to ensure that high industry standards are adhered to by the Group. William Hill also maintains a regular dialogue with Gamcare, a centre for information, advice and practical help for anyone with gambling problems. Further, the Group recognises the role of both the SCMS and the Gambling Commission in seeking ways of minimising the impact of gambling on young and/or vulnerable people and will continue to work with them.

The 2010 Gambling Prevalence Study was published in February 2011 by the Gambling Commission. It showed no significant increase in overall levels of problem gambling since the last study was undertaken in 2007. The Issuer believes that the vast majority of the Group's customers enjoy its products responsibly. The Group does not believe there is evidence that supports the proposition that any single product is responsible for causing problem gambling.

### ***Taxation***

In addition to the customary business taxes, the gambling industry is also subject to specific additional taxes. In relation to gambling operators in the UK, these are: (i) betting duty calculated at 15 per cent. of gross win and (ii), since 1 February 2013, Machine Games Duty, charged at 20 per cent. on revenue from gaming machines. The Group's retail operation is subject to these taxes.

The Group's online gambling operations are located in Gibraltar and Australia and are subject to the taxes in those jurisdictions. In 2011, the DCMS began a consultation process on the regulation of remote gambling with a view to regulating at the point of consumption, rather than the point of supply. This consultation has now closed and draft legislation has been published. This approach would require companies transacting with UK residents to be licensed by the Gambling Commission, regardless of where the company is based. In March 2012, following the consultation process by the DCMS on the regulation of remote gambling, HM Treasury has commenced a consultation process in respect of the implementation of a point of consumption tax under which bets placed by customers located in the UK would be subject to UK duty regardless of where the bet is settled. The consultation process is ongoing and no definitive legislation has yet been published. HM Treasury has indicated that it anticipates introducing a point of consumption based tax on gross win for online sportsbook activities and net revenue for gaming activities at a rate of 15 per cent. from December 2014. As a significant amount of William Hill Online's business comes from UK-based customers, implementation of this legislation would have a significant impact on the Group's results of operations.

### ***Impact of the economy***

The Group derives most of its revenues from the UK. The current economic climate and the pressure on consumer incomes make for challenging conditions for companies operating in consumer-facing sectors, such as the betting industry. However, whilst not immune to economic conditions, betting and gaming has traditionally been a low-ticket leisure activity, which has provided some resilience in levels of consumer spending on gambling. Furthermore, economic conditions have not prevented some market sectors of the betting and gaming industry, such as online gambling, from growing.

## DESCRIPTION OF OTHER INDEBTEDNESS

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*The following financing arrangements have been entered into by members of the Group:*

(a) **2010 Revolving Credit Facility**

On 29 November 2010, the Issuer, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into a facility agreement with a syndicate of banks under which such banks made available a £550 million revolving credit facility (the “**2010 Revolving Credit Facility**”). The 2010 Revolving Credit Facility was used to refinance the amounts outstanding under the 2009 credit facilities (the “**2009 Credit Facilities**”) and (after the repayment and cancellation in full of the 2009 Credit Facilities) for general corporate and working capital purposes of the Group. The 2010 Revolving Credit Facility is repayable in November 2015.

The agreement contains representations, information and financial covenants, undertakings and events of default that are customary for debt facilities involving a publicly listed company. Among other things, the undertakings include restrictions on the Group in relation to disposals, mergers, change of business, financial indebtedness, provision of loans, acquisitions and a negative pledge. In addition, the 2010 Revolving Credit Facility contains the following financial covenants:

- under the Net Cash Interest Cover covenant, the ratio of consolidated EBITDA to consolidated net interest payable (each as defined under the 2010 Revolving Credit Facility) for any relevant period may not be less than 3.0:1; and
- under the Net Debt to EBITDA covenant, the ratio of consolidated net debt as at the last day of any relevant period to consolidated EBITDA for that period (each as defined in the 2010 Revolving Credit Facility) may not be greater than 3.50:1.

Both ratios are measured for each period of four accounting quarters ending on the last day of each financial half year and each financial year of William Hill.

In addition, under the guarantor coverage provision, any subsidiary of the Company whose contribution to adjusted consolidated EBIT (as defined in the 2010 Revolving Credit Facility) equals or exceeds 5 per cent. of adjusted consolidated EBIT of the Group is required to accede as a guarantor to the 2010 Revolving Credit Facility.

The rate of interest on the facility for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The maximum margin is 2.75 per cent. per annum and adjustments are made to the margin depending on the applicable ratio under the Net Debt to EBITDA covenant described above. In addition, a commitment fee equivalent to 40 per cent. of the applicable margin is payable in respect of any amounts under the 2010 Revolving Credit Facility that are available but undrawn.

(b) **2012 Bridge Credit Facility**

On 20 December 2012, the Issuer, as borrower and guarantor, and its subsidiary William Hill Organization Limited, as guarantor, entered into the £325 million 2012 Bridge Credit Facility provided by a syndicate of banks consisting of separate tranches of £225 million and £100 million (the “**2012 Bridge Credit Facility**”). The purpose of the £225 million tranche was to finance in part the cost of acquisition of Sportingbet’s Australian online gambling operations and certain other assets from the Sportingbet group. The purpose of the £100 million tranche was to fund in part the cash consideration payable in respect of the acquisition of Playtech’s stake in William Hill Online. The 2012 Bridge Credit Facility is repayable in June 2014. As at 15 April 2013, immediately after the completion of the acquisitions of Sportingbet’s Australian online business and the acquisition of Playtech’s 29 per cent. stake in William Hill Online, £225 million was drawn under the Sportingbet tranche and £50 million was drawn under the William Hill Online tranche. The undrawn element of the William Hill Online tranche has been cancelled.

The 2012 Bridge Credit Facility contains the same financial covenants, guarantor coverage provisions and undertakings described above in relation to the 2010 Revolving Credit Facility.

The rate of interest for any amounts drawn under the 2012 Bridge Credit Facility for each interest period is the aggregate of (i) the applicable margin, (ii) LIBOR and (iii) mandatory costs, if any. The applicable margin increases throughout the life of the loan with the maximum margin being 4.50 per cent. per annum. Any loans drawn under the 2012 Bridge Credit Facility that are still outstanding on 20 December 2013 will be subject to a duration fee of 0.25 per cent. per annum of the committed amounts under the facility.

(c) **7.125 per cent. Guaranteed Notes due 2016**

In November 2009, the Issuer issued £300 million of 7.125 per cent. Guaranteed Notes to investors (the “**7.125 per cent. Guaranteed Notes**”). The funds raised were used for general corporate purposes and were applied to repay borrowings under the Group’s then existing credit facilities. The 7.125 per cent. Guaranteed Notes due 2016 are repayable in November 2016. The terms and conditions of the 7.125 per cent. Guaranteed Notes due 2016 contain events of default that are customary for notes of this nature and include restrictions on the creation of security (with certain exemptions) and an investor put option that allows noteholders to request that the Company redeem their notes early upon a change of control of the Company. The terms and conditions of the 7.125 per cent. Guaranteed Notes due 2016 also contain a Company call option that allows the Company to redeem the 7.125 per cent. Guaranteed Notes due 2016 under certain circumstances. The 7.125 per cent. Guaranteed Notes also contain various representations, and financial covenants, undertakings and indemnities. The 7.125 per cent. Guaranteed Notes due 2016 carry a fixed rate of interest of 7.125 per cent. per annum payable semi-annually and the Company’s obligations thereunder are guaranteed by William Hill Organization Limited.



## TERMS AND CONDITIONS OF THE NOTES

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The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £375,000,000 4.250 per cent. Guaranteed Notes due 2020 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of William Hill PLC (the “**Issuer**”) are constituted by a Trust Deed dated 5 June 2013 (the “**Trust Deed**”) made between the Issuer, William Hill Organization Limited (the “**Guarantor**” and the expression “Guarantor” shall include any Subsidiary of the Issuer which becomes a Guarantor pursuant to Condition 3.4, together, the “**Guarantors**”, but shall not include any Subsidiary of the Issuer which has ceased to be a Guarantor pursuant to Condition 3.3) as guarantor and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**” respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 5 June 2013 (the “**Agency Agreement**”) made between the Issuer, the Guarantor, Citibank, N.A., London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent and together with any other paying agents appointed from time to time, the “**Paying Agents**”, which expression shall include any additional or successor paying agents) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000, each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer, each Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

### **3. NOTES GUARANTEE**

#### **3.1 Notes Guarantee**

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been jointly and severally unconditionally and irrevocably (subject to the provisions of Condition 3.3) guaranteed by each of the Guarantors (the “**Notes Guarantee**”) in the Trust Deed. As of the Issue Date, the only Guarantor is William Hill Organization Limited.

#### **3.2 Status of the Notes Guarantee**

The obligations of each Guarantor under the Notes Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of such Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.

#### **3.3 Release of a Guarantor**

The Issuer may by written notice to the Trustee signed by two Directors of the Issuer request that a Guarantor cease to be a Guarantor if such Guarantor is no longer providing a Guarantee in respect of any Debt of the Issuer. Upon the Trustee’s receipt of such notice, such Guarantor shall automatically and irrevocably be released and relieved of any obligation under the Notes Guarantee. Such notice must also contain the following certifications:

- (i) no Event of Default is continuing or will result from the release of that Guarantor;
- (ii) no part of the Debt in respect of which that Guarantor is or was providing a Guarantee is at that time due and payable but unpaid; and
- (iii) such Guarantor is not (or will cease to be simultaneously with such release) providing a Guarantee in respect of any other Debt of the Issuer.

If a Guarantor provides a Guarantee in respect of any other Debt of the Issuer at any time subsequent to the date on which it is released from the Notes Guarantee as described above, such Guarantor will be required to provide a guarantee as described in Condition 3.4.

#### **3.4 Additional Guarantors**

If at any time after the Issue Date, any Subsidiary of the Issuer provides or at the time it becomes a Subsidiary is providing a Guarantee in respect of any Debt of the Issuer, the Issuer covenants that it shall procure that such Subsidiary shall at or prior to the date of the giving of such Guarantee or at the time it so becomes a Subsidiary and is providing such a Guarantee execute and deliver a supplemental trust deed to the Trustee, such supplemental trust deed to be in a form and with substance reasonably satisfactory to the Trustee, and accompanied by such opinion(s) as the Trustee shall require pursuant to which such Subsidiary shall guarantee the obligations of the Issuer in respect of the Notes, the Coupons and the Trust Deed on terms *mutatis mutandis* as the Notes Guarantee including, but not limited to, such guarantee being joint and several. Each other Guarantor has in the Trust Deed confirmed that it has consented to any such entity becoming a Guarantor as aforesaid without any need for it to execute any supplemental trust deed.

#### **3.5 Notice of change of Guarantors**

Notice of any release of a Guarantor or addition of a Guarantor pursuant to this Condition will be given to the Noteholders in accordance with Condition 13.

### **4. NEGATIVE PLEDGE**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), each of the Issuer and each Guarantor shall not, and the Issuer shall procure that no other Subsidiary of it shall create, assume

or permit to subsist, as security for any Debt, any Security other than any Permitted Security upon the whole or any part of its present or future revenues or assets unless, in any such case, the Issuer and/or the relevant Guarantor and/or the other Subsidiary, as the case may be, shall simultaneously with, or prior to, the creation or assumption of such Security and, in any other case, promptly, take any and all action necessary to procure that all amounts payable in respect of the Notes by the Issuer and by the Guarantors in respect of the Notes Guarantee, are secured equally and rateably with the Debt secured by such Security to the satisfaction of the Trustee or that such other Security is provided or such other arrangement (whether or not including the giving of Security) is made as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

## **5. INTEREST**

### **5.1 Interest Rate and Interest Payment Dates**

The Notes bear interest on their principal amount from and including the Issue Date at the rate of 4.250 per cent. per annum (the “**Rate of Interest**”), payable semi-annually in arrear on 5 December and 5 June in each year (each an “**Interest Payment Date**”). Each payment (for each full half year from and including 5 June 2013 to but excluding 5 June 2020 and amounting to £21.25 per Calculation Amount) shall be made on the relevant Interest Payment Date, the first Interest Payment Date being 5 December 2013. In the case of any such period, the amount of interest payable in respect of a Note shall be the product of the amount per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note.

### **5.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### **5.3 Calculation of Broken Interest**

Whenever interest is required to be calculated in respect of a period other than the periods described in Condition 5.1, it shall be calculated by (i) applying the Rate of Interest to the Calculation Amount, (ii) multiplying such product by (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two and (iii) rounding the resultant figure to the nearest pence, half of any pence being rounded upwards. In the case of any such period, the amount of interest payable in respect of a Note shall be the product of the amount (determined in the manner provided above) per Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the denomination of such Note, without any further rounding.

## **6. PAYMENTS**

### **6.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **6.2 Method of Payment**

Payments will be made by credit or transfer to an account in pounds sterling maintained by the payee with or, at the option of the payee, by a cheque in pounds sterling drawn on, a bank in London.

### **6.3 Missing Unmatured Coupons**

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

### **6.4 Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

### **6.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5, be entitled to any further interest or other payment if a Presentation Date is after the due date.

### **6.6 Initial Paying Agent**

The name of the initial Paying Agent and its initial specified office are set out at the end of these Conditions. The Issuer and the Guarantors reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 5 June 2020, subject as provided in Condition 6.5.

### **7.2 Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) the Issuer is unable to make payment itself and all of the Guarantors in making payment themselves would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or

regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after (i) in the case of the Issuer or the Subsidiary of the Issuer which is the Guarantor as at the Issue Date, 3 June 2013 or (ii) in the case of any Subsidiary of the Issuer which becomes a Guarantor after the Issue Date, the first day after such Subsidiary becomes a Guarantor pursuant to Condition 3.4; and

- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantors taking reasonable measures available to it or them, as the case may be,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantors would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor(s) taking reasonable measures available to it or them, as the case may be, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

### 7.3 Redemption at the Option of the Holders upon a Put Event

If a Put Event occurs, unless notice of redemption of all of the Notes has previously been given pursuant to Condition 7.2 or 7.4, each Noteholder shall have the option to require the Issuer to redeem or (at the option of the Issuer) purchase the Notes of such holder at a cash purchase price equal to 101 per cent. of the principal amount thereof together with interest accrued to but excluding the date of redemption or purchase, as the case may be. Such option shall operate as set out below.

As soon as practicable after the occurrence of a Put Event and in any case not later than 30 days thereafter, the Issuer shall, and at any time upon the Trustee becoming aware that a Put Event has occurred the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give a notice (the "**Change of Control Notice**") to the Trustee (in the case of a notice from the Issuer) and the Noteholders in accordance with Condition 13 stating:

- (a) that a Put Event has occurred and that each Noteholder is entitled to require the Issuer to redeem or purchase the Notes of such holder pursuant to this Condition 7.3;
- (b) the circumstances and relevant facts regarding such Put Event;
- (c) the redemption or purchase price and the redemption or purchase date (which shall be the date falling seven days after the expiry of the Put Period (the "**Put Date**")); and
- (d) the procedures for exercising the option in this Condition 7.3.

To exercise the option to require the redemption or purchase of a Note under this Condition 7.3, the holder of the Note must deliver such Note at the specified office of a Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 45 days after the Change of Control Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of each Paying Agent (a "**Change of Control Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the Put Date, failing which the relevant Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6.3. The relevant Paying Agent will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made on the Put Date by transfer to that bank account and, in every other case, on or

after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of a Paying Agent. A Change of Control Put Notice, once given shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Issuer shall redeem or purchase the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

The Trustee is under no obligation to ascertain whether a Put Event or any event which could lead to the occurrence of or could constitute a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or other such event has occurred.

A **Put Event** will occur if while any of the Notes remains outstanding:

- (i) a Change of Control occurs; and
- (ii) either (a) the Notes do not have an Investment Grade rating from at least two of the Rating Agencies at the time the Change of Control occurs or (b) the Notes do have an Investment Grade rating from at least two of the Rating Agencies (and if there are more than two such ratings, the Issuer shall be entitled to determine which two Rating Agencies shall be relevant for the purposes of this provision) at the time the Change of Control occurs but at any time during the Change of Control Period either such Rating Agency rates the Notes as non-Investment Grade and such rating is not within the Change of Control Period restored to an Investment Grade rating by such Rating Agency or replaced by an Investment Grade rating of another Rating Agency, or any such Rating Agency withdraws its rating of the Notes and the rating of such Rating Agency is not within the Change of Control Period replaced by an Investment Grade rating of another Rating Agency; and in each case such Rating Agency announces or publicly confirms or informs the Trustee in writing that such non-Investment Grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control (whether or not the Change of Control shall have occurred at the time such rating is given or rating is withdrawn).

#### **7.4 Redemption at the Option of the Issuer**

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a), (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes or, subject as provided in Condition 7.5 below, from time to time some only at any time at such amount as is equal to the greater of the following together with interest accrued to but excluding the date of redemption:
  - (i) the principal amount outstanding of the Notes; and
  - (ii) the price, expressed as a percentage (as reported in writing to the Issuer and the Trustee by a financial adviser approved by the Trustee), at which the Gross Redemption Yield on the Notes (if the Notes were to remain outstanding to their original maturity) on the Calculation Date is equal to (x) the Gross Redemption Yield at 3.00 p.m. (London time) on that date of the 4.750 per cent. Treasury Stock due March 2020 (or, where such financial adviser advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend) plus (y) 0.50 per cent.

For such purposes, "**Calculation Date**" means the date which is the second business day in London prior to the date of redemption and "**Gross Redemption Yield**" means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts and Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998 and subsequently updated on 15 January 2002 and 16 March 2005). For the purposes of the

above calculation, “**business day in London**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

#### **7.5 Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

#### **7.6 Purchases**

The Issuer, any Guarantor or any of the Issuer’s other Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation.

#### **7.7 Cancellations**

All Notes which are purchased and surrendered to the Principal Paying Agent pursuant to Condition 7.6 or redeemed will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly cannot be reissued or resold.

#### **7.8 Notices Final**

Upon the expiry of any notice as is referred to in Condition 7.2, 7.3 or 7.4 above the Issuer shall be bound to redeem (or, as the case may be, purchase) the Notes to which the notice refers in accordance with the terms of such paragraph (in the case of Condition 7.3 or 7.4 above, save as otherwise provided therein).

### **8. TAXATION**

#### **8.1 Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Issuer or a Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of any Relevant Jurisdictions unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on

the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date.

## **8.2 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## **9. PRESCRIPTION**

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Conditions 6.3 and 7.3.

## **10. EVENTS OF DEFAULT**

### **10.1 Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (d) (other than the winding up or dissolution of the Issuer or a Guarantor), and (e) to (g) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (“**Events of Default**”):

- (a) if default is made in the payment of any (i) principal or (ii) premium or purchase moneys due under Condition 7.3 in respect of any of the Notes for a period of seven days or more or if default is made in the payment of any interest due in respect of any of the Notes for a period of 14 days or more; or
- (b) if the Issuer or a Guarantor fails to perform or observe any of its obligations under these Conditions or the Trust Deed (other than any obligation for either the payment of any (i) principal or (ii) premium or purchase moneys due under Condition 7.3 or (iii) interest or as provided in (j) below) and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money of the Issuer, a Guarantor or any Principal Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, a Guarantor or any Principal Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, a Guarantor or any Principal Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, a Guarantor or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other Person; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and remaining unpaid as referred to in (i) to (iv) above which have occurred and are continuing, amounts to at least £25,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, a Guarantor or any Principal Subsidiary, save for (i) the purposes of a



reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Principal Subsidiary, a voluntary solvent winding up in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer, a Guarantor or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or

- (e) if any of the Issuer, a Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for (i) the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, (ii) in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer, a Guarantor or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary) or (iii) the purposes of a Permitted Disposal; or the Issuer, a Guarantor or any Principal Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts (within the meaning of section 123(1)(e) or (2) of the Insolvency Act 1986) pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (i) proceedings are initiated against the Issuer, a Guarantor or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of a liquidator, administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, a Guarantor or any Principal Subsidiary or, as the case may be, in relation to the whole or any substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 21 days, save in any such case for the purpose of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or, in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer, a Guarantor or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or
- (g) if the Issuer, a Guarantor or any Principal Subsidiary (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium), save in any such case for the purpose of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or, in the case of a Principal Subsidiary, in connection with the transfer of all or substantially all of its business, undertaking and assets to the Issuer, a Guarantor or any other Subsidiary of the Issuer which thereby becomes a Principal Subsidiary; or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if the Notes Guarantee ceases to be, or is claimed by the Issuer or a Guarantor not to be, in full force and effect in relation to any Guarantor (except in accordance with Condition 3.3); or
- (i) if a Guarantor ceases to be a Subsidiary wholly-owned and controlled, directly or indirectly, by the Issuer; or
- (j) if the Issuer or a Guarantor fails to perform or observe any of its obligations under Condition 4 and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

- (k) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in subparagraphs (d) to (g).

## **10.2 Reports**

A report by two Directors of the Issuer addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

## **11. ENFORCEMENT**

### **11.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or any one or more of the Guarantors as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

### **11.2 Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **12. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **13. NOTICES**

### **13.1 Notices to the Noteholders**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the Financial Times. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

### **13.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **14. SUBSTITUTION**

The Trustee may agree, subject to the conditions set out in the immediately following sentence, but without the consent of the Noteholders or the Couponholders, to the substitution of the Holding Company or of a Subsidiary of the Issuer or of a Successor in Business (as defined in the Trust Deed) in place of the Issuer as principal debtor under the Notes and the Coupons and under the Trust Deed. Such agreement may only be granted if, *inter alia*, the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders and the Couponholders.

## **15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

### **15.1 Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (as more fully described in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-fourths of the persons voting at such meeting, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in accordance with the Trust Deed) by or on behalf of the holder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

### **15.2 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

### **15.3 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in

Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

#### **15.4 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

### **16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND/OR A GUARANTOR**

#### **16.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

#### **16.2 Trustee Contracting with the Issuer and/or a Guarantor**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

### **17. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

### **18. GOVERNING LAW**

The Trust Deed (including the Notes Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with any of them are governed by, and will be construed in accordance with, English law.

### **19. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 20. DEFINITIONS

For the purposes of these Conditions:

**“Business Day”** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

**“Calculation Amount”** means £1,000;

**“Capital Stock”** of any Person means any and all shares, interests, participations or other equivalents of or interests (including partnership interests) in (however designated) equity of such Person, including any Preferred Stock, and all rights to purchase, warrants, options or other equivalents with respect to any of the foregoing, but excluding any debt securities convertible into or exchangeable for such equity;

**“Change of Control”** means:

- (i) any Person or any Persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006 as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer or any holding company of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006 as amended) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer); or
- (ii) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any Person;

**“Change of Control Period”** means the period:

- (i) commencing on the date that is one Business Day in London before the date of the relevant Change of Control; and
- (ii) ending 90 days after the date of the Change of Control or such longer period for which the Notes are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control and such period not to exceed 60 days after the public announcement of such consideration);

**“Consolidated EBIT”** means, in respect of any period, the EBIT of all members of the Group for such period, calculated on a consolidated basis without double counting; provided that if, in respect of any period, such calculation results in zero or a negative number, Consolidated EBIT for such period shall be deemed to be £1;

**“Debt”** means, with respect to any Person on any date of determination (without duplication):

- (i) the principal of and premium (if any such premium is then due and owing) in respect of:
  - (a) Debt of such Person for money borrowed; and
  - (b) Debt evidenced by bonds, notes, debentures, loan stock or other similar instruments for the payment of which such Person is responsible or liable;
- (ii) all finance or capital leases (as defined by reference to GAAP applied in the preparation of the Original Financial Statements) of such Person;
- (iii) all the principal of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);
- (iv) the principal of any Debt arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset;

- (v) the principal of any Debt arising in connection with any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing;
- (vi) all obligations of such Person in respect of bid, performance, advanced payment, completion, surety or appeal bonds or Guarantees or counter-indemnities of any of the foregoing, VAT guarantees or similar instruments and all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (including Guarantees or indemnities related thereto);
- (vii) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person (but excluding, in each case, any accrued dividends); and
- (viii) all obligations of the type referred to in subparagraphs (i) through (vii) of other Persons and all dividends of other Persons for, the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee,

provided that "Debt" shall not include any netting, set-off or other cash pooling arrangement entered into by any member of the Group in the ordinary course of its banking arrangements;

**"Disqualified Stock"**, with respect to any Person, means any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise prior to the stated maturity of the Notes;
- (ii) is convertible or exchangeable at the option of the holder for Debt or Disqualified Stock; or
- (iii) is mandatorily redeemable or must be purchased, upon the occurrence of certain events or otherwise, in whole or in part, in each case on or prior to the first anniversary of the stated maturity of the Notes,

and any Preferred Stock of a Subsidiary of the Issuer, provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require the Issuer or a Subsidiary of it to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the first anniversary of the stated maturity of the Notes shall not constitute Disqualified Stock if:

- (i) the "change of control" provisions applicable to such Capital Stock are not more favourable to the holders of such Capital Stock than the terms applicable to the Notes and described under Condition 7.3 ("Redemption at the Option of the Holders upon a Change of Control"); and
- (ii) and any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the redemption or purchase of any Notes tendered pursuant thereto.

If Capital Stock is issued to any plan for the benefit of directors, officers or employees of the Issuer or any of its Subsidiaries or by any such plan to such directors, officers or employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or any Subsidiary of it in order to satisfy applicable statutory or regulatory obligations;

**"EBIT"** means, in respect of a member of the Group, in respect of any period, the profit or loss of that member of the Group for such period:

- (i) before any deduction of tax;
- (ii) before interest or other finance income or expense;
- (iii) before any write off, charge or amortisation of any fair value adjustments on acquisitions;
- (iv) excluding extraordinary or exceptional items;

- (v) after deducting (to the extent otherwise included) the amount of profit (or adding back the loss) of that member of the Group which is attributable to any third party (not being a member of the Group) which is a shareholder in that member of the Group;
- (vi) after deducting (to the extent otherwise included) any gain over book value arising in favour of that member of the Group on the disposal of any asset (not being any disposals made in the ordinary course of trading) during such period and any gain arising on any revaluation of any asset during such period;
- (vii) after adding back (to the extent otherwise included) any loss against book value incurred by that member of the Group on the disposal of any asset (not being any disposals made in the ordinary course of trading) during such period and any loss arising on any revaluation of any asset during such period;
- (viii) without taking into account any non-cash and non-trading items included in the statement of total recognised income and expense;

“**GAAP**” means generally accepted accounting principles in the United Kingdom;

“**Group**” means the Issuer and its Subsidiaries;

“**Guarantee**” means any obligation of any Person directly or indirectly guaranteeing any Debt of any other Person and any obligation, direct or indirect, of such Person:

- (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

The term “**Guarantee**” used as verb has a corresponding meaning;

“**Holding Company**” means the Issuer or otherwise the ultimate holding company for the time being of the Issuer or, if at any relevant time there shall be no such Holding Company, then Holding Company shall mean the Issuer itself;

“**Indebtedness for Borrowed Money**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) moneys borrowed, (ii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash or (iii) any liability under or in respect of any acceptance or acceptance credit;

“**Investment Grade**” means, with respect to a rating given by a Rating Agency, an investment grade credit rating (Baa3 or BBB-, as the case may be, or equivalent, or better) from such Rating Agency;

“**Issue Date**” means 5 June 2013;

“**Original Financial Statements**” means the audited consolidated financial statements of the Issuer, for the financial year ended 1 January 2013;

“**Permitted Disposal**” means a *bona fide* disposal for full value on an arm’s length basis of the whole or substantially the whole of the business, undertaking and assets of the Issuer, a Guarantor or a Principal Subsidiary;

“**Permitted Security**” means:

- (i) any Security existing at the Issue Date;
- (ii) any Security on assets acquired by a member of the Group after the Issue Date provided that (a) any such Security is in existence prior to, and has not been created at the instigation of the Issuer and/or any Guarantor, as the case may be, in contemplation of, such acquisition and (b) the

amount secured by such Security does not exceed, at any time, the amount secured thereby as at the date of acquisition (the “**Maximum Amount**”);

- (iii) any Security on assets of a company which becomes a member of the Group after the Issue Date provided that (a) any such Security is in existence prior to, and has not been created at the instigation of the Issuer and/or any Guarantor, as the case may be, in contemplation of, such company becoming a member of the Group and (b) the amount secured by such Security does not exceed, at any time, the amount secured thereby as at the date such company becomes a member of the Group (the “**Maximum Amount**”);
- (iv) any Security created after the Issue Date as additional security for the amount secured by any Security falling within (i), (ii) or (iii) above the agreement for which contains an obligation to create such additional security;
- (v) any Security created for the purpose of securing a counter-indemnity or any other obligations provided by any member of the Group in connection with the issuance of any performance bonds, advance payment bonds or documentary letters of credit arising in the ordinary course of its business;
- (vi) any Security created as security for any Debt incurred solely for the purpose of any extension of maturity, renewal or refinancing of any indebtedness secured by Security permitted by (i) to (v) above; and
- (vii) (x) any Security on assets acquired by a member of the Group or on assets of a company which becomes a member of the Group, in each case referred to in (ii) and (iii) above to the extent that the Debt secured thereby exceeds the relevant Maximum Amount and (y) any other Security created over any asset of any member of the Group (other than any Security referred to in (i) to (vi) above) provided that the maximum aggregate amount of the Debt secured by such Security referred to in (x) and (y) (being, in the case of any Security referred to in (x) above, the excess over the relevant Maximum Amount) does not, on the date of creation of the latest such Security or, as the case may be, the assumption of any such additional Debt, exceed £150,000,000;

“**Person**” means, any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity;

“**Preferred Stock**”, as applied to the Capital Stock of any corporation, means Capital Stock of any series (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other series of such corporation;

“**Principal Subsidiary**” means each Subsidiary of the Issuer whose contribution to Consolidated EBIT equals or exceeds 5 per cent. of Consolidated EBIT in respect of any financial year. For this purpose:

- (i) the contribution of a Subsidiary of the Issuer shall be made by reference to:
  - (a) the latest unconsolidated financial statements of the relevant company used for the purpose of the latest consolidated financial statements of the Issuer; and
  - (b) the latest consolidated financial statements of the Issuer; and
- (ii) any Subsidiary of the Issuer to which any Principal Subsidiary transfers all or substantially all of its assets or business shall be deemed to be a Principal Subsidiary. In such case, the relevant transferring Subsidiary shall cease to be a Principal Subsidiary; and
- (iii) any company that becomes a member of the Group shall (on becoming a member of the Group) be a Principal Subsidiary if such would have been the case had the relevant company become a member of the Group prior to the end of the relevant financial year, but a company becoming a Principal Subsidiary under this paragraph (iii) shall cease to be a Principal Subsidiary on the next occasion on which such accounts are published, unless it is otherwise determined to be a Principal Subsidiary in accordance with the other provisions of this definition;



**“Presentation Date”** means a day which (subject to Condition 9):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a pounds sterling account in London as referred to above), is a Business Day in London;

**“Put Event”** is as defined in Condition 7.3;

**“Rating Agency”** means (i) Moody’s Investors Services Limited, (ii) Standard & Poor’s Financial Services LLC or (iii) Fitch Ratings Ltd or their respective successors or any internationally recognised securities rating agency or agencies substituted for any of them by the Issuer from time to time with the prior written approval of the Trustee (which approval may be given by the Trustee if to do so would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders) (and the Trustee may (and shall if so required by the Issuer, subject to its being indemnified and/or secured and/or prefunded to its satisfaction) consult promptly and may rely absolutely on advice from a reputable financial adviser in this regard and shall not be liable to the Noteholders, Couponholders or any other person for such reliance) and, in each case, their successors but excluding any rating agency providing a rating of the Notes on an unsolicited basis;

**“Relevant Date”** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13;

**“Relevant Jurisdiction”** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or any Guarantor, as the case may be, is or becomes subject in respect of payments on the Notes and Coupons;

**“Security”** means (a) any mortgage, charge, pledge, lien or other security interest other than a lien arising solely by operation of law; (b) any trust or similar agreement or arrangement entered into with the intention of creating security; and (c) any right of set-off, flawed asset or similar arrangement relating to credit balances and which (in the case of any of (a), (b) or (c)) secures any Debt of any Person; and

**“Subsidiary”** means a subsidiary within the meaning of section 1159 of the Companies Act 2006 as amended.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

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*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as “Events of Default”;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 17 July 2013, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 13. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **4. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 10 and Condition 7.3) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **5. Prescription**

Claims against the Issuer and the Guarantors in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 20).

### **6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

### **7. Put Option**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.3 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

## **8. Redemption at the Option of the Issuer**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Notes will be required under Condition 7.5 in the event that the Issuer exercises its call option pursuant to Condition 7.4 in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note(s) are to be subject to such option.

## **9. Euroclear and Clearstream, Luxembourg**

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

### United Kingdom

The following summary of certain United Kingdom tax issues applies only to persons who are the beneficial owners of Notes. It is based on a summary of the Issuer's understanding of United Kingdom law and published practice relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may therefore differ to that set out below or may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. This summary only deals with the matters expressly set out below.

#### A. Interest on the Notes

##### 1. *Withholding tax on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

**The references to "interest" above mean "interest" as understood in United Kingdom tax law and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest which is subject to the withholding tax provisions discussed above and reporting requirements as outlined below.**

##### 2. *Guarantee payments in respect of interest*

The United Kingdom withholding tax treatment of payments in respect of interest on the Notes made by the Guarantor under the terms of the Notes Guarantee is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief that may apply.

##### 3. *Provision of information*

Noteholders may wish to note that, in certain circumstances, HMRC has powers, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest; and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities, so HMRC could still obtain information from persons who are not individuals.

Information so obtained may, in certain circumstances, be exchanged by HMRC with tax authorities in other jurisdictions.

#### **4. *Further United Kingdom Income Tax Issues***

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

#### **B. *United Kingdom Corporation Tax Payers***

5. In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

#### **C. *Other United Kingdom Tax Payers***

Paragraphs 6 to 9 below do not apply to Noteholders who are subject to United Kingdom corporation tax.

#### **6. *Interest***

Noteholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Notes.

#### **7. *Taxation of Chargeable Gains***

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

**8. *Accrued Income Scheme***

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

If the Finance Bill 2013 is enacted as currently drafted then, with effect as from 6 April 2013: (i) the concept of ordinary residence referred to above will be abolished; and (ii) the current residence test will be replaced with a new statutory residence test.

**D. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

9. No United Kingdom stamp duty or SDRT is payable on the issue or transfer by delivery of the Notes or on their redemption.

**EU Savings Directive**

Under EC Council Directive 2003/481EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to (or for the benefit of) certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

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Barclays Bank PLC, The Royal Bank of Scotland plc and Lloyds TSB Bank plc (the “**Joint Lead Managers**”) have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 3 June 2013, jointly and severally agreed to subscribe for the Notes at the issue price of 100 per cent. of the principal amount of Notes. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or WHO; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **General**

No action has been taken by the Issuer, WHO or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief having made all reasonable enquiries, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.



## GENERAL INFORMATION

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### Authorisation

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 17 April 2013 and resolutions of a committee of the Board of Directors of the Issuer dated 22 May 2013 and 31 May 2013.

The giving of the Notes Guarantee was duly authorised by a resolution of the Board of Directors of WHO dated 22 May 2013.

### Listing

2. It is expected that official listing will be granted on or about 5 June 2013 subject only to the issue of the Temporary Global Note. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately £2,975.

### Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0941604307 and the Common Code is 094160430.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg.

### No Significant or Material Adverse Change

4. Save as disclosed in "*Recent Developments*" on page 46 of the Prospectus and in the section entitled "*Material events, transactions and financial position*" in the Interim Management Statement incorporated by reference herein, there has been no significant change in the financial or trading position of the Issuer, WHO, or the Group since 1 January 2013 and there has been no material adverse change in the prospects of the Issuer, WHO or the Group since 1 January 2013.

### Litigation

5. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or WHO is/are aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past had a significant effect on the financial position or profitability of the Issuer, the Guarantor and/or the Group.

### Auditors

6. The auditors of the Issuer and WHO are Deloitte LLP, a member firm of the Institute of Chartered Accountants of England, who have audited (i) the Issuer's accounts, without qualification, in accordance with IFRS and (ii) WHO's accounts, without qualification, in accordance with UK GAAP, in each case for the 52 weeks ended on 27 December 2011 and the 53 weeks ended 1 January 2013.

### U.S. Tax

7. The Notes and Coupons will contain the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **Documents Available**

8. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:
- (a) the articles of association of the Issuer and the memorandum and articles of association of WHO;
  - (b) the Annual Report and Accounts of the Issuer in respect of the 52 weeks ended 27 December 2011, the Annual Report and Accounts of the Issuer in respect of the 53 weeks ended 1 January 2013, the Report and Financial Statements of WHO in respect of the 52 weeks ended 27 December 2011 and the Report and Financial Statements of WHO in respect of the 53 weeks ended 1 January 2013;
  - (c) the most recently published audited annual financial statements of the Issuer and WHO and the most recently published unaudited financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith; and
  - (d) the Trust Deed and the Agency Agreement.

## **Yield**

9. The yield of the Notes is 4.250 per cent. per annum calculated on the basis of the Issue Price and as at the date of this Prospectus.

## **Joint Lead Managers Transacting with the Issuer and WHO**

10. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, WHO and their affiliates in the ordinary course of business.

## **Third Party Information**

11. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## GLOSSARY

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accumulator bet	a single bet that links together two or more outcomes and is dependent on all of those outcomes occurring
B2 gaming machine	gaming machines with a maximum stake of £100 (in multiples of £10) and a maximum prize of £500
B3 gaming machine	gaming machines with a maximum stake of £2 and a maximum prize of £500
betting duty	a duty charged by the UK government based on bookmakers' gross win
casino	a sub-category of gaming activities within the online segment which includes traditional casino games, slot machines and skill games
gaming machines	electronic machines into which customers insert coins to play games of chance; the March 2002 Government Paper differentiated these machines into four categories ranging from Category D with a maximum stake of 10p and maximum prize of £5 to Category A with unlimited stakes and prizes
greyhound racing levy	a voluntary levy, currently calculated at 0.6 per cent. of the amounts wagered in the UK on greyhound racing in the UK, for the purpose of supporting greyhound racing in the UK
Horserace Betting Levy	a levy attributable to bets taken on horse racing in the UK and payable to the Horserace Betting Levy Board, primarily for the purpose of augmenting the prize money available for winning horses and providing certain racecourse amenities
LBO estate	the Group's LBOs collectively
Machine Games Duty	a duty of 20 per cent. of revenue from gaming machines in the UK
odds	the ratio of potential winnings to the stake placed by the customer; for example, if the odds are 2-1, the winnings will be £2 for every £1 staked
rake	the fee charged for participation in the Group's poker games, comprising a percentage of the total pot in each game plus the fees from entry into tournament poker games
sportsbook	bets accepted on sporting and other events
unique active player	a customer who has staked a bet, performed a gaming transaction or generated rake in the period

## **THE ISSUER**

**William Hill PLC**  
Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

## **THE GUARANTOR**

**William Hill Organization Limited**  
Greenside House  
50 Station Road  
Wood Green  
London N22 7TP

## **TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX

## **PRINCIPAL PAYING AGENT**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canary Wharf  
London E14 5LB

## **LEGAL ADVISERS**

*To the Issuer and WHO as to English law*

**Ashurst LLP**  
Broadwalk House  
5 Appold Street  
London EC2A 2HA

*To the Joint Lead Managers and the Trustee as  
to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

## **AUDITORS**

*To the Issuer and WHO*

**Deloitte LLP**  
Hill House  
1 Little New Street  
London EC4A 3TR

## **JOINT LEAD MANAGERS**

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

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
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**Lloyds TSB Bank plc**  
10 Gresham Street  
London EC2V 7AE

