WILLIAM HILL PLC

Financial Statements prepared in accordance

with International Financial Reporting Standards

27 December 2005

William Hill PLC

Report and financial statements 2005

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INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF WILLIAM HILL PLC ON IFRS PRO-FORMA FINANCIAL INFORMATION

In accordance with our letter of engagement dated 1 March 2006 we have audited the accompanying pro-forma IFRS consolidated statements of income, balance sheet, cash flows, accounting policies and the related notes 1 to 37 for the 52 week period ended 27 December 2005 (together "the IFRS pro-forma financial information"). This IFRS pro-forma financial information is the responsibility of the Company's directors. It has been prepared as part of the Company's conversion to International Financial Reporting Standards (IFRSs). Our responsibility is to express an opinion on this IFRS pro-forma financial information based on our audit.

Our audit report is made solely to the Company in accordance with our engagement letter. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the opinions we have formed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the pro-forma IFRS financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the pro-forma IFRS financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the pro-forma IFRS financial information. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the 'Basis of accounting' as outlined in the Statement of accounting policies explains why there is a possibility that the accompanying IFRS Balance Sheet as at 27 December 2005 may require adjustment before constituting the final opening IFRS Balance Sheet for statutory reporting.

Opinion

In our opinion, the accompanying pro-forma IFRS financial information as at 27 December 2005 has been prepared, in all material respects, in accordance with the basis set out in the Statement of accounting policies, 'Basis of accounting' section.

Deloitte & Touche LLP
Chartered Accountants
London
2 March 2006

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

William Hill PLC

Consolidated Income Statement
for the 52 weeks ended 27 December 2005

	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**52 weeks ended 27 December 2005 Total £m**	52 weeks ended 28 December 2004 £m
Amounts wagered	2	**10,746.1**	**-**	**10,746.1**	8,287.7
Revenue					
Existing operations		**737.0**	**-**	**737.0**	722.1
Acquisitions		**70.7**	**-**	**70.7**	-
	1,2	**807.7**	**-**	**807.7**	722.1
Cost of sales		**(176.5)**	**-**	**(176.5)**	(160.7)
Gross profit	2	**631.2**	**-**	**631.2**	561.4
Other operating income		**5.9**	**-**	**5.9**	4.3
Other operating expenses		**(394.7)**	**(26.9)**	**(421.6)**	(334.8)
Share of results of associate	4	**2.6**	**-**	**2.6**	2.1
Operating profit					
Existing operations		**229.4**	**(7.9)**	**221.5**	233.0
Acquisitions		**15.6**	**(19.0)**	**(3.4)**	-
	5	**245.0**	**(26.9)**	**218.1**	233.0
Investment income	7	**11.1**	**-**	**11.1**	9.0
Finance costs	8	**(52.2)**	**(2.4)**	**(54.6)**	(35.7)
Profit before tax	2	**203.9**	**(29.3)**	**174.6**	206.3
Tax	9	**(60.9)**	**(0.6)**	**(61.5)**	(57.4)
Profit for the period	30	**143.0**	**(29.9)**	**113.1**	148.9

	Notes				
Earnings per share (pence)					
Basic	11			**29.0**	36.3
Diluted	11			**28.6**	35.7

Consolidated Statement of Recognised Income and Expense
for the 52 weeks ended 27 December 2005

	Notes	**52 weeks ended 27 December 2005 £m**	52 weeks ended 28 December 2004 £m
Loss on cash flow hedges	29	**(0.5)**	(0.3)
Actuarial loss on defined benefit pension scheme	35	**(1.6)**	(10.7)
Tax on items taken directly to equity	23	**0.2**	2.6
Net income recognised directly in equity		**(1.9)**	(8.4)
Transferred to income statement on cash flow hedges	29	**1.4**	2.6
Profit for the period		**113.1**	148.9
Total recognised income and expense for the period		**112.6**	143.1

William Hill PLC

Consolidated Balance Sheet
as at 27 December 2005

	Notes	**27 December 2005 £m**	28 December 2004 £m
Non-current assets			
Goodwill	12	**865.7**	733.3
Other intangible assets	13	**467.0**	18.7
Property, plant and equipment	14	**174.5**	104.2
Interest in associate	16	**3.4**	2.9
Deferred tax assets	23	**17.5**	24.6
		1,528.1	883.7
Current assets			
Inventories	17	**0.4**	0.3
Trade and other receivables	18	**20.4**	15.4
Cash and cash equivalents		**76.6**	60.5
		97.4	76.2
Total assets		**1,625.5**	959.9
Current liabilities			
Trade and other payables	19	**(87.0)**	(67.8)
Tax liabilities		**(56.7)**	(46.9)
Bank overdraft and loans	20	**-**	(49.8)
		(143.7)	(164.5)
Non current liabilities			
Bank loans due after more than one year	20	**(1,016.1)**	(447.7)
Retirement benefit obligations	35	**(49.3)**	(55.3)
Other provisions		**(7.5)**	-
Deferred tax liabilities	23	**(160.3)**	(16.1)
		(1,233.2)	(519.1)
Total liabilities		**(1,376.9)**	(683.6)
Net assets		**248.6**	276.3
Equity			
Called up share capital	24	**39.1**	40.5
Share premium account	25	**311.3**	311.3
Capital redemption reserve	26	**3.1**	1.7
Merger reserve	27	**(26.1)**	(26.1)
Own shares held	28	**(57.5)**	(59.3)
Hedging and other reserves	29	**(1.1)**	(1.7)
Retained earnings	30	**(20.2)**	9.9
Total equity		**248.6**	276.3

The financial statements were approved by the board of directors on 2 March 2006 and are signed on its behalf by:

DCI Harding
Director

TD Singer
Director

William Hill PLC

Consolidated Cash Flow Statement
for the 52 weeks ended 27 December 2005

	Notes	**52 weeks ended 27 December 2005 £m**	52 weeks ended 28 December 2004 £m
Net cash from operating activities	32	**156.6**	164.7
Investing activities			
Dividend from associate		**2.1**	-
Interest received		**2.6**	1.9
Proceeds on disposal of property, plant and equipment		**0.7**	0.9
Purchases of property, plant and equipment		**(52.0)**	(18.5)
Purchases of betting licences		**(1.9)**	(0.6)
Expenditure on computer software		**(2.5)**	(9.7)
Acquisition of subsidiary	31	**(498.6)**	(3.2)
Disposal of LBOs net of costs		**34.4**	-
Net cash used in investing activities		**(515.2)**	(29.2)
Financing activities			
Purchase of own shares		**(76.8)**	(145.5)
SAYE share option redemptions		**2.7**	-
Dividends paid		**(66.6)**	(59.6)
Repayments of borrowings		**(500.0)**	(6.3)
New bank loans raised		**1,020.0**	90.0
New facility debt issue costs		**(4.6)**	-
Net cash used in financing activities		**374.7**	(121.4)
Net increase in cash and cash equivalents in the period		**16.1**	14.1
Cash and cash equivalents at start of period		**60.5**	46.4
Cash and cash equivalents at end of period		**76.6**	60.5

Statement of accounting policies

for the 52 weeks ended 27 December 2005

General information

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Greenside House, 50 Station Road, London N22 7TP.

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

Pro forma financial information for the 52 weeks ended 27 December 2005

The Group is preparing for the adoption of International Financial Reporting Standards as its primary accounting basis for the period ending 26 December 2006. The Group's date of adoption and transition will therefore be the 29 December 2004, as comparative information will be prepared for the accounting period beginning on this date.

The pro forma financial information for the 52 weeks ended 27 December 2005 produced here has been prepared for illustrative purposes only. It has been prepared on the basis that the IFRS transition date is 30 December 2003. The actual transition date will be 29 December 2004.

Basis of accounting

The financial information presented in this document has been prepared on the basis of International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the Group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. As a result, information contained within the IFRS financial statements will require updating for any subsequent amendment to IFRS required for first time adoption or those new standards that the Group may elect to adopt early.

On 19 November 2004, the European Commission endorsed an amended version of IAS 39 'Financial Instruments: Recognition and Measurement' rather than the full version as previously published by the IASB. In accordance with guidance issued by the UK Accounting Standards Board, the full version of IAS 39, as issued by the IASB, has been adopted in the preparation of this financial information.

First-time adoption of International Financial Reporting Standards

The financial statements have been prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in note 37.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. Under IFRS 1 the Group will be required to establish its IFRS accounting policies as at 26 December 2006 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 29 December 2004.

IFRS 1 provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of whether an exception has been adopted by the Group.

Business combinations

The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before the 30 December 2003. As a result, in the opening balance sheet, goodwill arising from past business combinations amounting to £732.3m remains as stated under UK GAAP at 30 December 2003.

Employee benefits

The Group has recognised actuarial gains and losses in relation to employee benefit schemes at 30 December 2003. The Group has recognised actuarial gains and losses in full in the period in which they occur in the statement of recognised income and expense in accordance with the amendment to IAS 19 'Employee Benefits', issued on 16 December 2004.

Statement of accounting policies

for the 52 weeks ended 27 December 2005

Basis of accounting (continued)

Share-based payments

The Group has elected to apply IFRS 2 'Share-based Payment' to all relevant share based payment transactions granted after 7 November 2002 but not fully vested at 31 December 2003.

Financial instruments

The Group has applied IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' for all periods presented and has therefore not taken advantage of the exemption in IFRS 1 that would enable the Group to only apply these standards from 28 December 2005.

General

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

The accounting treatment for betting activity under IFRS is currently under discussion across the industry and the treatment adopted in the pro-forma financial statements (as set out in note (a) on page 48) may require modification in the event that further guidance is issued and as practice develops.

Presentation of financial information

The primary statements within the financial information contained in this document have been presented substantially in accordance with IAS 1 'Presentation of Financial Statements'. However, this format and presentation may require modification in the event that further guidance is issued and as practice develops.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 27 December 2005. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Investment in associate

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, as set out below.

In the case of the LBO, telephone, interactive sportsbook businesses and online casino operations (including games on the online arcade and other numbers bets), revenue represents gains and losses from betting activity in the period. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Revenue from the online poker business reflects the net income ('rake') earned from poker games completed by the period end.

Amounts wagered represents the gross takings receivable from customers in respect of individual bets placed in the period on events for LBO, telephone and interactive sports businesses, net winnings on gaming activity completed by period end for AWP and online casinos and net income earned from poker games completed by period end.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group makes every effort to match its foreign currency assets and liabilities.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Finance costs

Finance costs of borrowings are recognised in the profit and loss account over the term of those borrowings at a constant rate on the carrying amount.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to profit and loss over the expected useful lives of the assets concerned.

Operating profit

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are shown as a net amount of other finance costs or income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the balance sheet at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	-	50 years
Long leasehold properties	-	50 years
Short leasehold properties	-	over the unexpired period of the lease
Fixtures, fittings and equipment and motor vehicles	-	at variable rates between 3 and 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally generated intangible assets – computer software and systems

Expenditure on initial investigation and design of computer software and systems is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of computer systems is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, generally between three and ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets – licences

Betting licences are recorded at cost or if arising in an acquisition at their fair value. They are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well established market; the proven and sustained demand for bookmaking services; the operation of current law that acts as a barrier to entry for new entrants; and the Group's track record of successfully renewing its betting permits and licences.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its goodwill, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows, which are based on the budgeted figures for the following year and subsequently an annual growth rate of 2.4%, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories represent stocks of consumables in stores and goods for resale within the greyhound stadia. They are stated at the lower of cost and net realisable value.

Share-based payments

On 31 December 2003, the Group applied the requirements of IFRS 2 ‘Share-based Payment’. In accordance with the transition provisions included in IFRS 2, its provisions have been applied to all grants after 7 November 2002 that were unvested as of 31 December 2003.

The Group issues equity-settled share-based payments to certain employees and operates an Inland Revenue approved Save As You Earn (SAYE) share option scheme open to all eligible employees which allows the purchase of shares at a discount. The cost to the Group of share-based payment plans is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management’s best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the Group’s share-based payment plans are given in note 34.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method. Any accrued finance costs are included in accruals and deferred income within trade and other payables.

Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Group uses interest rate swap and collar contracts to hedge its interest rate exposure and retains cash balances in foreign currencies matched against its foreign currency liabilities (client deposit accounts) to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

Bets are carried at fair market value as they meet the definition of a derivative. The resulting gains and losses from bets are included in revenue. Assets or liabilities resulting from open positions are reported gross in financial assets and financial liabilities under the term "Financial derivatives".

Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

William Hill PLC

Notes to the financial statements
for the 52 weeks ended 27 December 2005

1. Revenue

An analysis of the Group's revenue is as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Rendering of services and revenue as disclosed in the consolidated income statement	**807.7**	722.1
Other operating income	**5.9**	4.3
Investment income	**11.1**	9.0
Total revenue as defined in IAS 18	**824.7**	735.4

2. Segmental information

For management purposes, the Group is currently organised into three operating divisions – retail, telephone and interactive. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the 52 weeks ended 27 December 2005:

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Amounts wagered	9,285.5	605.8	826.0	28.8	-	10,746.1
Payout	(8,662.1)	(552.4)	(702.7)	(21.2)	-	(9,938.4)
Revenue	**623.4**	**53.4**	**123.3**	**7.6**	**-**	**807.7**
GPT, duty, levies, VAT and other cost of sales	(138.7)	(13.8)	(23.0)	(1.0)	-	(176.5)
Gross profit	484.7	39.6	100.3	6.6	-	631.2
Depreciation	(17.4)	(1.3)	(1.8)	(0.4)	(0.7)	(21.6)
Other administrative expenses	(283.1)	(25.3)	(37.3)	(6.3)	(15.2)	(367.2)
Share of result of associate	-	-	-	-	2.6	2.6
Operating profit/(loss)	**184.2**	**13.0**	**61.2**	**(0.1)**	**(13.3)**	**245.0**
Exceptional items	(23.9) [a]	-	-	-	(3.0)	(26.9)
Operating profit/(loss) after exceptional items	160.3	13.0	61.2	(0.1)	(16.3)	218.1
Investment income	-	-	-	-	11.1	11.1
Finance costs	-	-	-	-	(54.6)	(54.6)
Profit/(loss) before tax	**160.3**	**13.0**	**61.2**	**(0.1)**	**(59.8)**	**174.6**

Balance sheet information

Total assets	1,316.9	87.0	120.3	14.8	86.5	1,625.5
Total liabilities	(208.5)	(4.8)	(20.4)	(0.5)	(1,142.7)	(1,376.9)
Investment in associate	-	-	-	-	3.4	3.4
Capital additions	46.6	2.1	3.6	-	1.0	53.3

[a] Included in £23.9m of exceptional items relating to the Retail channel are asset impairments of £5.4m in respect of technology and fascia assets acquired as part of Stanley Retail but of limited subsequent value to the integrated Group.

2. Segmental information (continued)

Business segment information for the 52 weeks ended 28 December 2004:

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Amounts wagered	7,020.7	540.8	696.3	29.9	-	8,287.7
Payout	(6,472.6)	(480.5)	(590.2)	(22.3)	-	(7,565.6)
Revenue	**548.1**	**60.3**	**106.1**	**7.6**	**-**	**722.1**
GPT, duty, levies, VAT and other cost of sales	(123.6)	(14.3)	(21.9)	(0.9)	-	(160.7)
Gross profit	424.5	46.0	84.2	6.7	-	561.4
Depreciation	(14.2)	(0.5)	(0.5)	(0.3)	(0.7)	(16.2)
Other administrative expenses	(244.8)	(23.4)	(32.0)	(6.7)	(7.4)	(314.3)
Share of result of associate	-	-	-	-	2.1	2.1
Operating profit/(loss)	**165.5**	**22.1**	**51.7**	**(0.3)**	**(6.0)**	**233.0**
Investment income	-	-	-	-	9.0	9.0
Finance costs	-	-	-	-	(35.7)	(35.7)
Profit/(loss) before tax	**165.5**	**22.1**	**51.7**	**(0.3)**	**(32.7)**	**206.3**
Balance sheet information						
Total assets	647.3	79.9	134.9	15.1	82.7	959.9
Total liabilities	(38.5)	(4.2)	(16.3)	(0.8)	(623.8)	(683.6)
Investment in associate	-	-	-	-	2.9	2.9
Capital additions	31.2	0.8	2.3	0.6	0.1	35.0

The retail distribution channel comprises all activity undertaken in LBOs including AWPs and FOBTs. Other activities include on-course betting and greyhound stadia operations.

Net assets/(liabilities) have been allocated by segment where assets and liabilities can be identified with a particular channel. Corporate net assets include corporation and deferred tax, net borrowings, pension liability and dividends payable as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis. Included within total assets by segment are £681.0m, £80.4m, £97.2m and £7.1m (28 December 2004 - £548.6m, £80.4m, £97.2m and £7.1m), which relates to goodwill allocated to the retail, telephone, interactive and stadia operations respectively.

There are no inter-segmental sales within the Group.

In accordance with IAS 14 'Segment Reporting', segmental information by geographical location is not presented as the Group's revenue and profits arise primarily from customers in the United Kingdom with significantly less than 10% (the minimum required by IAS 14 to necessitate disclosure) of revenue and profits generated from customers outside of this jurisdiction. All of the Group's net assets are located in the United Kingdom.

3. Exceptional items

Exceptional items are those items the Group considers to be one-off or material in nature that should be brought to the readers' attention.

Exceptional operating costs are as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Costs of implementation of EPOS and text systems [1]	**7.4**	-
Costs of integration of Stanley Retail acquisition [2]	**19.0**	-
Costs of aborted return of capital scheme [3]	**3.0**	-
Profit on sale of LBOs disposed [4]	**(2.5)**	-
	26.9	-

[1] Costs arose from the roll out of electronic point of sale and text systems across the LBO network and primarily encompass training and consultancy costs.

[2] Costs arose from the due diligence on and the integration of Stanley Retail (as defined in note 31) and comprise primarily external consultancy costs, redundancy and related staff costs and asset impairments.

[3] Costs represent professional fees incurred in respect of an aborted plan to return capital.

[4] Gain made on the disposal of the 12 William Hill LBOs, as part of the sale of 76 LBOs undertaken after the Office of Fair Trading review of the purchase of Stanley Retail.

Exceptional interest costs are as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Write off of previously capitalised bank facility fee	**2.3**	-
Breakage fee	**0.1**	-
	2.4	-

Following the negotiation of new banking arrangements and the consequent repayment of the old bank facility, the unamortised costs of £2.3m associated with the old facility were written off.

3. Exceptional items (continued)

A tax charge of £0.6m was recognised in respect of the exceptional items. This represents the net increase in corporation tax payable, which the Group expects to incur in respect of these exceptional items and comprises:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Capital gain on disposal of 76 LBOs [1]	**7.1**	-
Tax relief expected in respect of operating and interest costs	**(6.5)**	-
	0.6	-

[1] Due to the accounting rules governing the subsequent disposal of acquired operations, the profit and loss account bears the full tax charge relating to the capital gain on the disposal of 76 LBOs, while the gain on disposal is only recognised in the income statement in respect of the sale of the 12 William Hill shops. The net proceeds of the remaining 64 Stanley Retail LBOs have been used to determine fair values and hence have been reflected through adjusted goodwill recognised as set out in note 31.

4. Share of results of associate

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Share of profit after taxation in associated undertaking	**2.6**	2.1

The above represents the Group's share of the operating profit of Satellite Information Services (Holdings) Limited (note 16).

5. Operating profit

Operating profit has been arrived at after charging:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Net foreign exchange losses	**0.2**	0.3
Depreciation of property, plant and equipment [1]	**24.3**	15.3
Depreciation of software	**2.7**	0.9
Staff costs (see note 6)	**218.0**	191.9
Auditors' remuneration for audit services (see below)	**0.4**	0.4

[1] Included within ddepreciation of property, plant and equipment of £24.3m is£5.4m impairment in respect of technology and fascia assets acquired as part of Stanley Retail but of limited subsequent value to the integrated Group. The impairment charge is incorporated within the exceptional costs relating to the integration of Stanley Retail (note 3)

5. Operating profit (continued)

Amounts payable to Deloitte & Touche LLP and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services were £1.5m (52 weeks ended 28 December 2004 - £0.2m). A more detailed breakdown of amounts payable to Deloitte & Touche LLP is as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Audit fees and related work:		
Statutory audit	**0.3**	0.3
Further assurance services	**0.1**	0.1
	0.4	0.4
Fees for other services:		
Integration consultancy	**0.6**	-
Consultancy regarding aborted return of capital	**0.3**	-
Acquisition due diligence	**0.4**	-
Tax services		
- compliance services	**0.2**	0.1
- advisory services	**-**	0.1
	1.5	0.2

'Further assurance services' in the table above includes fees paid in respect of auditing industry levy calculations and amounts paid in respect of the audit of financial statements prepared in accordance with International Financial Reporting Standards.

All of the above fees payable to Deloitte & Touche LLP were charged to the income statement with the exception of £0.4m incurred in respect of the acquisition due diligence which is included in intangible assets.

The audit fees payable to Deloitte & Touche LLP are reviewed by the Audit Committee to ensure such fees are competitive. The Committee sets the policy for awarding non-audit work to the auditors and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained. The fees disclosed above consolidate all payments made to Deloitte & Touche LLP by the Company and its subsidiaries.

6. Staff costs

The average monthly number of persons employed, including directors, during the period was 13,174 (52 weeks ended 28 December 2004 - 11,217) all of whom are engaged in the administration and provision of betting services. Their aggregate remuneration comprised:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Wages and salaries	**194.0**	158.6
Social security costs	**14.1**	14.4
Other pension costs (note 35)	**9.9**	18.9
	218.0	191.9

Included in other pension costs is £1.6m relating to actuarial losses (52 weeks ended 28 December 2004 - £10.7m), which have been credited to the statement of recognised income and expense.

7. Investment income

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Interest on bank deposits	**2.5**	1.9
Expected return on pension scheme assets	**8.6**	7.1
	11.1	9.0

8. Finance costs

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Interest payable and similar charges:		
Bank loans and overdrafts	**(41.5)**	(25.6)
Guaranteed unsecured loan notes 2005	**-**	(0.2)
Amortisation of finance costs	**(1.0)**	(1.3)
	(42.5)	(27.1)
Exceptional interest costs (note 3)	**(2.4)**	-
Net interest payable	**(44.9)**	(27.1)
Interest on pension scheme liabilities	**(9.7)**	(8.6)
	(54.6)	(35.7)

9. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
UK corporation tax at 30%	**51.4**	57.4
UK corporation tax – prior periods	**-**	(1.7)
Overseas tax	**0.5**	0.3
Total current tax charge	**51.9**	56.0
Deferred tax – origination and reversal of timing differences (note 23)	**9.6**	1.4
Total tax on profit on ordinary activities	**61.5**	57.4

The effective tax rate in respect of ordinary activities before exceptional items was 29.9% (52 weeks ended 28 December 2004 - 27.8%). The effective tax rate in respect of ordinary activities after exceptional items was 36.6%. This is higher than the statutory rate of 30% due to:

- Chargeable gains arising on the sale of the Stanley Retail LBOs being treated as part of the tax charge whereas for accounting purposes the gains are dealt with in arriving at goodwill (note 3); and
- The Group incurred a number of expenses on which it will not get tax relief.

The relatively low tax rate in the prior period resulted from the utilisation of certain tax losses in that period.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 27 December 2005		52 weeks ended 28 December 2004	
	£m	**%**	£m	%
Profit before tax	**174.6**	**100.0**	206.3	100.0
Tax on Group profit at standard UK corporation tax rate of 30%	**52.4**	**30.0**	61.9	30.0
Non taxable income of associate	**(0.8)**	**(0.5)**	(0.7)	(0.3)
Adjustment in respect of prior periods	**-**	**-**	(1.7)	(0.8)
Permanent differences	**3.5**	**2.0**	0.5	0.2
Held over gains crystallising	**-**	**-**	1.3	0.6
Utilisation of tax losses	**-**	**-**	(3.9)	(1.9)
Tax on profits credited against goodwill	**6.4**	**3.7**	-	-
Total tax charge	**61.5**	**35.2**	57.4	27.8

The Group earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

Notes to the financial statements
for the 52 weeks ended 27 December 2005

10. Dividends proposed and paid

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Equity shares:		
- final dividend of 11.0p per share for the 52 weeks ended 28 December 2004	**43.1**	37.6
- interim dividend of 6.1p per share for the 26 weeks ended 28 June December 2005	**23.5**	22.0
	66.6	59.6
Proposed final dividend of 12.2p per share for the 52 weeks ended 27 December 2005	**46.1**	43.1

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed final dividend of 12.2p will, subject to shareholder approval, be paid on 6 June 2006 to all shareholders on the register on 5 May 2006.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. As at 27 December 2005, the trust held 1.2m ordinary shares. In addition, the Company does not pay dividends on the 10.5m shares held in treasury. The Company estimates that 378.2m shares will qualify for the final dividend.

11. Earnings per share

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

	52 weeks ended 27 December 2005 Pence	52 weeks ended 28 December 2004 Pence
Basic - adjusted	**36.6**	36.3
Basic	**29.0**	36.3
Diluted	**28.6**	35.7

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

11. Earnings per share (continued)

The calculation of the basic and diluted earnings per share is based on the following data:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Profit after tax for the financial period	**113.1**	148.9
Exceptional items – operating expenses	**26.9**	-
Exceptional items – interest	**2.4**	-
Exceptional items – tax charge	**0.6**	-
Profit after tax for the financial period before exceptional items	**143.0**	148.9

	Number (m)	Number (m)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**390.5**	410.1
Effect of dilutive potential ordinary shares:		
Employee share awards and options	**5.5**	7.4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**396.0**	417.5

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 12.7m in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 – 8.7m).

12. Goodwill

	£m
Cost and net book value:	
At 31 December 2003	732.3
Recognised on acquisition of a subsidiary	1.0
At 28 December 2004	733.3
Recognised on acquisition of a subsidiary (note 31)	134.1
Disposal of 12 LBOs (note 3)	(1.7)
At 27 December 2005	**865.7**

13. Other intangible assets

	Licence value £m	Computer software £m	Total £m
Cost:			
At 31 December 2003	-	3.5	3.5
Additions	0.6	12.9	13.5
Acquired on acquisition of subsidiary	3.3	-	3.3
At 28 December 2004	3.9	16.4	20.3
Additions	1.9	2.1	4.0
Acquired on acquisition of subsidiary	447.0	-	447.0
At 27 December 2005	452.8	18.5	471.3
Accumulated amortisation:			
At 31 December 2003	-	0.7	0.7
Charge for the period	-	0.9	0.9
At 28 December 2004	-	1.6	1.6
Charge for the period	-	2.7	2.7
At 27 December 2005	-	4.3	4.3
Net book value:			
At 27 December 2005	**452.8**	**14.2**	**467.0**
At 28 December 2004	3.9	14.8	18.7

The amortisation period for the Group's computer software is between three and ten years. The use of a ten year life in respect of some of the software is supported by warranties written into the relevant software supply contract.

Licences are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well established market; the proven and sustained demand for bookmaking services; the operation of current law that acts as a barrier to entry for new entrants; and the Group's track record of successfully renewing its betting permits and licences.

14. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost:				
At 31 December 2003	125.3	81.9	4.3	211.5
Additions	16.3	4.4	0.8	21.5
Acquisition of subsidiary undertaking	0.1	-	-	0.1
Disposals	(2.6)	(6.0)	(0.9)	(9.5)
At 28 December 2004	139.1	80.3	4.2	223.6
Additions	10.1	39.9	1.2	51.2
Acquisition of subsidiary undertaking	41.3	2.6	-	43.9
Disposals	(0.7)	(2.6)	(1.0)	(4.3)
At 27 December 2005	189.8	120.2	4.4	314.4
Accumulated depreciation:				
At 31 December 2003	44.4	66.4	2.5	113.3
Charge for the period	10.3	4.2	0.8	15.3
Disposals	(2.4)	(6.0)	(0.8)	(9.2)
At 28 December 2004	52.3	64.6	2.5	119.4
Charge for the period	11.2	12.2	0.9	24.3
Disposals	(0.6)	(2.3)	(0.9)	(3.8)
At 27 December 2005	62.9	74.5	2.5	139.9
Net book value:				
At 27 December 2005	**126.9**	**45.7**	**1.9**	**174.5**
At 28 December 2004	86.8	15.7	1.7	104.2

The net book value of land and buildings comprises:

	27 December 2005 £m	**28 December 2004 £m**
Freehold	**48.1**	32.6
Long leasehold	**7.9**	5.0
Short leasehold	**70.9**	49.2
	126.9	86.8

Out of the total net book value of land and buildings, £2.1m (28 December 2004 - £2.2m) relates to administration buildings and the remainder represents licensed betting offices. The gross value of assets on which depreciation is not provided amounts to £7.6m representing freehold land (28 December 2004 - £1.1m).

15. Subsidiaries

The principal subsidiaries of the Company, their country of incorporation, ownership of their share capital and the nature of their trade are listed below:

Directly owned:	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
William Hill Holdings Limited	Great Britain	100%	Holding company
Held through intermediate companies:			
William Hill Investments Limited	Great Britain	100%	Holding company
Will Hill Limited	Great Britain	100%	Holding company
Windsors (Sporting Investments) Limited	Great Britain	100%	Holding company
Camec Limited	Great Britain	100%	Betting services
William Hill Organization Limited	Great Britain	100%	Betting services
William Hill (Course) Limited	Great Britain	100%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services
William Hill (North Eastern) Limited	Great Britain	100%	Betting services
William Hill (North Western) Limited	Great Britain	100%	Betting services
William Hill (Southern) Limited	Great Britain	100%	Betting services
William Hill (Football) Limited	Great Britain	100%	Betting services
William Hill (Strathclyde) Limited	Great Britain	100%	Betting services
William Hill (Caledonian) Limited	Great Britain	100%	Betting services
William Hill (Grampian) Limited	Great Britain	100%	Betting services
William Hill (London) Limited	Great Britain	100%	Betting services
William Hill (Midlands) Limited	Great Britain	100%	Betting services
William Hill (Scotland) Limited	Great Britain	100%	Betting services
William Hill (Western) Limited	Great Britain	100%	Betting services
William Hill (Essex) Limited	Great Britain	100%	Betting services
Camec (Provincial) Limited	Great Britain	100%	Betting services
Camec (Scotland) Limited	Great Britain	100%	Betting services
Camec (Southern) Limited	Great Britain	100%	Betting services
Laystall Limited	Great Britain	100%	Betting services
Brooke Bookmakers Limited	Great Britain	100%	Betting services
James Lane Group Limited	Great Britain	100%	Betting services
Arena Racing Limited	Great Britain	100%	Betting services
Transdawn Limited	Great Britain	100%	Betting services
Willstan Racing Limited	Great Britain	100%	Betting services
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
L Willstan Limited	Northern Ireland	100%	Betting services
BJ O'Connor Limited	Jersey	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
William Hill Casino NV	Netherland Antilles	100%	On-line casino
William Hill Online NV	Netherland Antilles	100%	On-line casino

The proportion of voting rights held is the same as the proportion of shares held.

A full list of the Company's subsidiaries will be appended to the Company's Annual Return.

16. Interests in associate

	Goodwill £m	Provision for impairment of goodwill £m	Share of net assets £m	Total £m
At 31 December 2003	24.0	(24.0)	0.8	0.8
Share of profit before taxation	-	-	3.1	3.1
Share of taxation	-	-	(1.0)	(1.0)
At 28 December 2004	24.0	(24.0)	2.9	2.9
Share of profit before taxation	-	-	3.6	3.6
Share of interest	-	-	0.1	0.1
Share of taxation	-	-	(1.1)	(1.1)
Dividend received	-	-	(2.1)	(2.1)
At 27 December 2005	**24.0**	**(24.0)**	**3.4**	**3.4**

At 27 December 2005 William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 20.95% (28 December 2004 – 19%) of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS), a company incorporated in Great Britain. William Hill Organization Limited's shareholding has increased in the period from 19% to 20.95% due to SIS repurchasing and cancelling a portion of its ordinary share capital. The investment has been accounted for as an associated undertaking using the equity method and the change in the Group's share of its net assets is shown above.

The SIS group of companies provides real time pre-event information and results, as well as live coverage of horse racing, greyhound racing and certain numbers draws, via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The consolidated figures above are based on management accounts for the calendar year 2005.

A provision was made in 1999 against goodwill relating to the acquisition of shares in SIS to recognise impairment in the carrying value.

The following financial information relates to SIS:

	27 December 2005 £m	28 December 2004 £m
Total assets	**46.9**	46.5
Total liabilities	**(28.8)**	(30.7)
Total revenue	**126.9**	114.7
Total profit after tax	**13.2**	11.3

William Hill Organization Limited also holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. In the opinion of the directors, the results of these companies are not material to the results of the Group. Consequently, the investments have been stated at cost and have not been accounted for under the equity method, which would normally be appropriate for an associated undertaking.

17. Inventories

	27 December 2005 £m	28 December 2004 £m
Raw materials, consumables and bar stocks	**0.4**	0.3

18. Other financial assets

Trade and other receivables comprise:

	27 December 2005 £m	28 December 2004 £m
Trade debtors	**2.7**	1.9
Other debtors	**2.2**	1.1
Prepayments	**15.5**	12.4
	20.4	15.4

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

19. Other financial liabilities

Trade and other payables comprise:

	27 December 2005 £m	28 December 2004 £m
Trade creditors	**29.1**	23.7
Financial derivatives	**7.5**	6.4
Other creditors	**5.6**	3.0
Accruals and deferred income	**44.8**	34.7
	87.0	67.8

The average credit period taken for trade purchases is 19 days (28 December 2004 – 20 days).

The directors consider that the carrying amount of trade payables approximates to their fair value.

Included in trade creditors is an amount of £16.0m (28 December 2004 - £13.1m) in respect of amounts due to clients, representing deposits received and customer winnings. This is offset by an equivalent amount of client funds held, which is included in cash at bank and in hand.

20. Bank overdrafts and loans

	27 December 2005 £m	28 December 2004 £m
Bank loans	**1,020.0**	500.0
The borrowings are repayable as follows:		
On demand or within one year	**-**	50.0
In the second year	**-**	60.0
In the third to fifth years inclusive	**1,020.0**	390.0
	1,020.0	500.0
Less: expenses relating to loan	**(3.9)**	(2.5)
	1,016.1	497.5
Less: amount due for settlement within 12 months (shown under current liabilities)	**-**	(49.8)
Amount due for settlement after 12 months	**1,016.1**	447.7

Bank loans

	52 weeks ended 27 December 2005 %	52 weeks ended 28 December 2004 %
The weighted average interest rates paid were as follows:		
Bank loans	**5.5**	6.0

At 27 December 2005, the Group had total bank facilities of £1,200m available to it, split into two tranches:

- Tranche A comprising a term loan of £600m repayable on 1 March 2010;
- Tranche B comprising a revolving facility of £600m available until 1 March 2010.

Mandatory repayments are required to be made under the terms of the loan documentation, including, but not limited to, the net proceeds of certain asset sales. The maturity profile above is analysed on the basis of calendar years from the balance sheet date.

The bank facilities bear interest at a variable margin of between 0.4% and 0.75% above LIBOR, dependent on certain financial ratios. The applicable margin at 27 December 2005 was 0.525%.

A commitment fee of 37.5% of the applicable margin is payable on the undrawn element of the revolving facility. The revolving facility drawn down at 27 December 2005 was £420.0m (28 December 2004 - £330.0m).

The total facility is secured by guarantees given by the Company and certain of its subsidiaries.

Overdraft facility

At 27 December 2005, the Group had an overdraft facility with National Westminster Bank plc of £5.0m (28 December 2004 - £5.0m). The balance of this facility at 27 December 2005 was £nil (28 December 2004 - £nil).

Fair value of loans and facilities

It is the directors' opinion that due to the floating nature of the Group's borrowings and the proven cash generation of the Group, there is no significant difference between book and fair value of the Group's bank facilities and other borrowings.

21. Derivatives and other financial instruments

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. The Group had the following interest rate hedging arrangements at 27 December 2005 under which the LIBOR element of the interest payable is swapped for fixed rate payments:

- Two interest rate swaps, each for a notional principal of £12.5m and expiring on 23 June 2006. The average fixed rate to be paid under these swaps is 5.11725%;
- Four amortising interest rate swaps, each for a notional principal of £43.8m at 27 December 2005 reducing to £26.3m by 30 September 2006 and expiring on 31 December 2006. The average fixed rate to be paid under these swaps is 5.35%;
- One interest rate swap, for a notional principal of £165.0m reducing to £120.0m by 30 September 2006 and expiring on 31 December 2007. The average fixed rate to be paid under this swap is 4.925%; and
- Seven interest rate swaps entered into during the period but not taking effect until after the period end for a total notional principal of £300.0m and expiring on 31 December 2009. The weighted average fixed rate to be paid under these swaps is 4.57%.

In addition the Group has also entered into interest rate collars expiring on 31 December 2009 under which:

- the floating LIBOR rate applicable to £300.0m of notional principal is capped at 5.00% with a floor rate of 4.00%; and
- the floating LIBOR rate applicable to £40.0m of notional principal is capped at 4.75% with a floor rate of 3.75%.

The unrecognised fair value of swaps and collars entered into at 27 December 2005 is estimated at a liability of £1.6m (28 December 2004 - £2.5m). Derivative pricing models have been used to calculate these fair values. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £1.4m (52 weeks ended 28 December 2004 - £2.6m) has been paid against hedged interest payments made in the period.

Currency risk

The main functional currency of the Group is sterling. A number of transactions are conducted in other currencies which give rise to monetary assets and liabilities denominated in other currencies. None of these currency amounts are considered material enough to disclose separately.

Net foreign currency monetary assets/(liabilities) at 27 December 2005:

	Net foreign currency assets/(liabilities)		
	Sterling £m	**Other currencies £m**	**Total £m**
Functional currency:			
Sterling	-	(3.9)	(3.9)
Other currencies	0.1	-	0.1
	0.1	(3.9)	(3.8)

Net foreign currency monetary assets at 28 December 2004:

	Net foreign currency assets/(liabilities)		
	Sterling £m	Other currencies £m	Total £m
Functional currency:			
Sterling	-	-	-
Other currencies	-	-	-
	-	-	-

22. Other provisions

	£m
At 29 December 2004	-
Provided in period	19.0
Acquisition (note 31)	1.4
Utilised	(12.9)
At 27 December 2005	**7.5**

The provisions relate to the costs of integrating the Stanley Retail acquisition.

23. Deferred tax

The following are the major deferred tax (liabilities) and assets recognised by the Group and movements thereon during the current and prior period:

	At 29 December 2004 £m	Acquired during period £m	Amount credited/ (charged) to income £m	Amount credited/ (charged) to statement of recognised income and expenses £m	At 27 December 2005 £m
Accelerated capital allowances	(1.2)	(2.0)	(4.0)	-	**(7.2)**
Held over gains	(0.1)	-	0.1	-	**-**
Retirement benefit obligations	16.6	-	(2.3)	0.5	**14.8**
Licences	(1.0)	(134.1)	-	-	**(135.1)**
Share remuneration	0.7	0.1	0.8	-	**1.6**
Derivatives	0.8	-	-	(0.3)	**0.5**
Tax losses	6.5	-	(5.9)	-	**0.6**
Properties acquired via business combinations	(13.8)	(5.9)	1.7	-	**(18.0)**
	8.5	(141.9)	(9.6)	0.2	**(142.8)**

23. Deferred tax (continued)

	At 31 December 2003 £m	Acquired during period £m	Amount credited/ (charged) to income £m	Amount credited/ (charged) to statement of recognised income and expenses £m	At 28 December 2004 £m
Accelerated capital allowances	1.0	-	(2.2)	-	(1.2)
Held over gains	(0.6)	-	0.5	-	(0.1)
Retirement benefit obligations	13.7	-	(0.3)	3.2	16.6
Licences	-	(1.0)	-	-	(1.0)
Share remuneration	-	-	0.7	-	0.7
Derivatives	1.4	-	-	(0.6)	0.8
Tax losses	5.8	-	0.7	-	6.5
Properties acquired via business combinations	(13.0)	-	(0.8)	-	(13.8)
	8.3	(1.0)	(1.4)	2.6	8.5

The current rate of UK corporation tax of 30% has been used to calculate the amount of deferred tax.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	27 December 2005 £m	28 December 2004 £m
Deferred tax liabilities	**(160.3)**	(16.1)
Deferred tax assets	**17.5**	24.6
	(142.8)	8.5

Deferred tax assets of £10.1m (28 December 2004 - £10.1m) in respect of carried forward tax losses have not been recognised, as it is not expected that taxable profits will arise in the foreseeable future in the companies with the losses.

Temporary differences arising in connection with interests in the associate are insignificant.

24. Called up share capital

	27 December 2005 Number of shares	**£m**	28 December 2004 Number of shares	£m
Authorised - ordinary shares of 10p each				
At 27 December 2005 and 28 December 2004	**800,000,000**	**80.0**	800,000,000	80.0
Called up, allotted and fully paid - ordinary shares of 10p each:				
At start of period	**404,881,389**	**40.5**	421,811,111	42.2
Shares cancelled	**(14,142,398)**	**(1.4)**	(16,929,722)	(1.7)
At end of period	**390,738,991**	**39.1**	404,881,389	40.5

The shares were cancelled during the period as part of the Company's share buy back programme.

The Company has one class of ordinary shares, which carry no right to fixed income.

25. Share premium

	£m
At 31 December 2003, 28 December 2004 and 27 December 2005	**311.3**

The share premium reserve records the excess of the cash actually received on the issue of shares over the nominal amount of the share capital issued.

26. Capital redemption reserve

	£m
At 31 December 2003	-
Shares cancelled (note 24)	1.7
At 28 December 2004	1.7
Shares cancelled (note 24)	1.4
At 27 December 2005	**3.1**

The capital redemption reserve arose on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

27. Merger reserve

	£m
At 31 December 2003, 28 December 2004 and 27 December 2005	**(26.1)**

The merger reserve arose following a Group reorganisation in 2002 in preparation for the flotation of the Company.

28. Own shares

	£m
At 31 December 2003	(5.0)
Treasury shares purchased	(56.1)
Transfer of own shares to recipients	1.8
At 28 December 2004	(59.3)
Transfer of own shares to recipients	1.8
At 27 December 2005	**(57.5)**

Own shares held at 27 December 2005 amounting to £57.5m comprise 10.5m shares (nominal value - £1.1m) held in treasury purchased for £56.1m and 1.2m shares (nominal value - £0.1m) held in The William Hill Holdings 2001 Employee Benefit Trust purchased for £1.4m. The shares held in treasury were purchased at a weighted average price of £5.32. At 27 December 2005 the total market value of own shares held in treasury and in the Trust was £63.8m.

29. Hedging and other reserves

	Other reserve £m	Hedging reserve £m	Total £m
At 31 December 2003	2.1	(3.4)	(1.3)
Change in fair value of hedging derivatives	-	(0.3)	(0.3)
Transferred to retained earnings	(2.1)	-	(2.1)
Transfer to income	-	2.6	2.6
Deferred tax arising	-	(0.6)	(0.6)
At 28 December 2004	-	(1.7)	(1.7)
Change in fair value of hedging derivatives	-	(0.5)	(0.5)
Transfer to income	-	1.4	1.4
Deferred tax arising	-	(0.3)	(0.3)
At 27 December 2005	**-**	**(1.1)**	**(1.1)**

The other reserve arose on the granting of share options that were to be met by issuing shares. The options were exercised in the period and consequently the reserve was transferred to retained earnings.

The hedging reserve records the movements on derivative fair values, where movements on the fair value of those derivatives have qualified to be deferred to equity.

30. Retained earnings

	£m
At 31 December 2003	15.8
Dividends paid (note 10)	(59.6)
Net profit for the period	148.9
Actuarial loss recognised in the pension scheme	(10.7)
Deferred tax arising thereon	3.2
Treasury shares purchased	(89.3)
Expense recognised in respect of share remuneration	1.3
Transferred from other reserve	2.1
Movements on reserves due to transfer of own shares to recipients	(1.8)
At 28 December 2004	9.9
Dividends paid (note 10)	(66.6)
Net profit for the period	113.1
Actuarial loss recognised in the pension scheme	(1.6)
Deferred tax arising thereon	0.5
Treasury shares purchased and cancelled	(78.3)
Expense recognised in respect of share remuneration	2.2
Movements on reserves due to transfer of own shares to recipients	0.6
At 27 December 2005	**(20.2)**

Subsequent to the publication of the accounts prepared in accordance with IFRS for the 52 weeks ended 28 December 2004, an additional deferred tax liability of £12.3m has been recognized in respect of properties previously acquired by acquisition.

31. Acquisition of subsidiary

Stanley Retail

On 18 June 2005, the Group acquired Stanley Leisure plc's retail bookmaking operations in Great Britain, Northern Ireland, the Republic of Ireland, Jersey and the Isle of Man (Stanley Retail) for total cash consideration of £506.6m including costs of £6.6m.

Both of these transactions have been accounted for by the purchase method of accounting. The goodwill arising on this transaction is subject to an annual impairment review in accordance with IAS 36 'Impairment of assets'.

Note 3 details the reorganisation costs incurred in respect of this acquisition.

The following table sets out the amalgamated book values of the acquired identifiable assets and liabilities of Stanley Retail and their provisional fair value to the Group:

	Book value £m	Fair value adjustments £m		Fair value to Group £m
Fixed assets				
Intangible assets	-	447.0	a	447.0
Tangible assets	257.9	(214.0)	b,c,d	43.9
Current assets				
Stocks	0.2	(0.1)	e	0.1
Debtors and prepayments	3.2	(0.3)	c	2.9
Assets held for resale	-	31.1	c	31.1
Cash	8.1	(0.1)	c	8.0
Total assets	269.4	263.6		533.0
Creditors				
Creditors and accruals	(15.6)	(1.6)	c,f	(17.2)
Provisions				
Onerous contracts	-	(1.4)	f	(1.4)
Deferred tax	(1.9)	(140.0)	g	(141.9)
Total liabilities	(17.5)	(143.0)		(160.5)
Net assets	251.9	120.6		372.5
Less: cash consideration				506.6
Goodwill arising				**134.1**

The explanations for the fair value adjustments are as follows:

a. Adjustment reflecting fair value of betting licence acquired as determined by the consideration paid;

b. Adjustment of £206.1m to property valuation reflecting the disaggregation of betting licence value which under Stanley Retail's accounting policy was included in tangible assets, while under the Group's accounting policy, are reflected in [a] above;

c. Adjustments to various assets and liabilities reflecting the disposal in July 2005 of 28 LBOs to Tote Bookmakers Limited for total net consideration of £14.7m and the subsequent disposal in December 2005 of 36 LBOs also to Tote Bookmakers Limited for a total net consideration of £15.3m. In addition £1.1m has been included in this adjustment in respect of the profits earned by the disposed of Stanley Retail LBOs in their period of ownership by the Group;

31. Acquisitions (continued)

[d.] Reduction of £7.8m to reflect the depreciated replacement cost of the assets and a £2.6m increase in values representing IS assets in use in Stanley Retail which were previously shown as having no net book value;

[e.] Adjustment of £0.1m to stock items reflecting the Group's policy in respect of certain consumables;

[f.] Adjustment for ante post and sleeper bets (£0.8m), dilapidations and vacant properties (£0.7m), holiday pay (£0.4m) and onerous contracts (£1.4m); and

[g.] Adjustment of £140.0m relates to the recognition of deferred tax in respect of licences in [a] above and in respect of properties acquired.

The cash consideration for the purchase of Stanley Retail comprised the headline figure of £504.0m, less adjustment for working capital of £4.0m plus professional fees and stamp duty of £6.6m.

Net cash outflows in respect of the acquisitions comprised:

	£m
Cash consideration	(506.6)
Cash at bank and in hand acquired	8.0
	(498.6)

Included in cash consideration of £506.6m is £6.6m in respect of professional fees and stamp duty.

Stanley Retail recorded a loss after taxation of £4.4m (excluding any capital gains on the sale of LBOs to the Tote) in the period between its acquisition by the Group and 27 December 2005.

32. Notes to the cash flow statement

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Operating profit	**218.1**	233.0
Adjustments for:		
Share of result of associate	**(2.6)**	(2.1)
Depreciation of property, plant and equipment	**24.3**	15.3
Depreciation of computer software	**2.7**	0.9
Gain on disposal of property, plant and equipment	**(0.2)**	(0.6)
Gain on disposal of LBOs	**(2.5)**	-
Cost charged in respect of share remuneration	**2.2**	1.3
Defined benefit pension cost less cash contributions	**(8.7)**	(2.6)
Movement in provisions	**7.2**	-
	240.5	245.2
Operating cash flows before movements in working capital:		
(Increase)/decrease in receivables	**(1.6)**	0.5
Increase in payables	**3.1**	1.6
Cash generated by operations	**242.0**	247.3
Income taxes paid	**(49.4)**	(57.4)
Interest paid	**(36.0)**	(25.2)
Net cash from operating activities	**156.6**	164.7

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Stanley Retail has generated a total net cash inflow since its acquisition of £4.3m, comprising an operating profit of £15.6m, offset by exceptional costs incurred of £19.0m and with depreciation and impairment provisions added back of £7.7m.

33. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	27 December 2005 £m	28 December 2004 £m
Within one year	**36.2**	28.2
In the second to fifth years inclusive	**121.7**	94.9
After five years	**179.0**	130.9
	336.9	254.0

Operating lease payments represent rentals payable by the Group for certain of its LBO, office properties and amounts payable for the use of certain office and computer equipment.

34. Share based payments

The Group had the following share-based payment schemes in operation during the period, all of which will be settled by equity:

(a) Profit Share Plan (PSP) and Long Term Incentive Plan (LTIP) encompassing awards made in the three years from 2003 to 2005;

(b) Save As You Earn share option scheme involving options granted after 7 November 2002 (SAYE) encompassing grants made in the three years from 2003 to 2005;

(c) Float bonus;

(d) Executive Director Incentive Plan (EDIP); and

(e) Save As You Earn share option schemes involving options granted before 7 November 2002 (2002 SAYE) encompassing a grant made in 2002.

Details of these schemes are provided in the Directors' Remuneration Report published within the Group's 2005 Annual Report.

In accordance with the transition provisions included in IFRS2, the Group has recognised an expense in respect of all grants after 7 November 2002 that were unvested as of 31 December 2003. In the context of the Group's schemes, this includes items (a) and (b) above. The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £2.2m in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 - £1.3m).

(a) Profit Share Plan (PSP) and Long Term Incentive Plan (LTIP)

The PSP provides conditional awards of shares dependent equally on the Group's earnings per share growth and Total Shareholder Return (TSR) performance over a three-year period as well as continued employment of the individual at the date of vesting (awards are usually forfeited if the employee leaves the Group voluntarily before the awards vest). The LTIP provides conditional awards of shares dependent exclusively on the Group's Total Shareholder Return (TSR) performance over a three-year period and continued employment of the individual at the date of vesting. In the case of both plans, if the options remain unexercised after a period of ten years from the date of grant, the option lapses.

	27 December 2005 Number	28 December 2004 Number
Outstanding at beginning of the period	**2,287,528**	1,749,011
Granted during the period	**2,481,919**	981,307
Forfeited during the period	**(27,437)**	(372,504)
Exercised during the period	**(6,147)**	(70,286)
Outstanding at the end of the period	**4,735,863**	2,287,528
Exercisable at the end of the period	**10,470**	-

As the PSP and LTIP are conditional awards of shares and therefore the recipients do not have to pay an exercise price, the shares have, in effect, a zero cost exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £5.76 (52 weeks ended 28 December 2004 - £5.31).

The awards outstanding at 27 December 2005 had a remaining weighted average contractual life of 8.5 years (28 December 2004 – 8.6 years).

34. Share based payments (continued)

The inputs into the Black-Scholes-Merton pricing formula in respect of these awards were as follows:

	27 December 2005	28 December 2004
Weighted average share price at date of grant	**£4.16**	£3.17
Weighted average exercise price	**Nil**	Nil
Expected volatility	**29%**	31%
Expected life	**3.5 years**	3.5 years
Risk free interest rate	**4.4%**	4.5%
Expected dividend yield	**3.3%**	3.4%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life where possible and where this is not possible (due to the fact that the Company was only listed in June 2002), historical volatility has been calculated from a period commencing on 20 September 2002, being three months after the listing of the Company, and ending on the date of grant. This ensures that the volatility calculation is not unduly affected by erratic price movements that arose immediately after flotation. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The value of the option has also been adjusted to take into account the market conditions applicable to the option (i.e. TSR requirements) by applying a discount to the option value. This discount is calculated based on an estimate of the probability of achieving the relevant condition.

The weighted average fair value of the awards granted under the PSP and LTIP schemes at the date of grant was £2.02 per option (28 December 2004 - £0.94). The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP and LTIP schemes in the 52 weeks ended 27 December 2005 was £1.1m (52 weeks ended 28 December 2004 - £0.6m).

(b) SAYE scheme for grants made in the three years from 2003 to 2005

Options under the SAYE Share Option Scheme, which is open to all eligible employees, are based on a three, five or seven year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

	27 December 2005		28 December 2004	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at beginning of the period	**1,828,281**	**2.62**	1,262,604	1.76
Granted during the period	**621,898**	**4.57**	782,534	3.93
Forfeited during the period	**(200,887)**	**(3.47)**	(215,114)	(2.36)
Exercised during the period	**(3,534)**	**(2.68)**	(1,743)	(1.76)
Outstanding at the end of the period	**2,245,758**	**3.08**	1,828,281	2.62
Exercisable at the end of the period	**-**	**-**	-	-

34. Share based payments (continued)

The exercise price for the 2003, 2004 and 2005 SAYE schemes was £1.76, £3.93 and £4.57 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £5.42 (52 weeks ended 28 December 2004 - £4.89). The options outstanding at 27 December 2005 had a remaining weighted average contractual life of 3.0 years (28 December 2004 – 3.5 years).

The inputs into the Black-Scholes-Merton pricing formula in respect of these options were as follows:

	27 December 2005	28 December 2004
Weighted average share price at date of grant	**£3.81**	£3.51
Weighted average exercise price	**£2.98**	£2.56
Expected volatility	**30%**	31%
Expected life	**4.7 years**	4.6 years
Risk free interest rate	**4.7%**	4.8%
Expected dividend yield	**3.2%**	3.1%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life where possible and where this is not possible (due to the fact that the Company was only listed in June 2002), historical volatility has been calculated from a period commencing on 20 September 2002, being three months after the listing of the Company, and ending on the date of grant. This ensures that the volatility calculation is not unduly affected by erratic price movements that arose immediately after flotation. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average fair value of the options granted under these SAYE grants at the date of grant was £1.23 per option (28 December 2004 - £1.26). The expense recognised in respect of relevant SAYE grants in the 52 weeks ended 27 December 2005 was £1.1m (52 weeks ended 28 December 2004 - £0.7m).

(c) Pre 7 November 2002 schemes

In accordance with the transition provisions included in IFRS2, the Group has not recognised an expense in respect of all grants before 7 November 2002 that were unvested as of 31 December 2003. In the context of the Group's schemes, this includes options outstanding in relation to a float bonus, the Executive Director Incentive Plan (EDIP) and the 2002 SAYE Share Option Scheme. The float bonus and EDIP were incentive arrangements for Messrs. Harding and Singer arising out of the flotation of the Group. They were structured as zero cost options. The float bonus and 30% of the EDIP arrangement were exercised in the 52 weeks ended 28 December 2004. The remaining EDIP has now vested but has not been exercised by the period end.

	27 December 2005		28 December 2004	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at beginning of the period	**5,880,593**	**1.41**	7,581,833	1.14
Forfeited during the period	**(129,724)**	**(1.80)**	(179,526)	(1.80)
Exercised during the period	**(1,503,470)**	**(1.80)**	(1,521,714)	(0.03)
Outstanding at the end of the period	**4,247,399**	**1.26**	5,880,593	1.41
Exercisable at the end of the period	**1,294,728**	**0.02**	550,000	N/a

34. Share based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was £5.76 (28 December 2004 - £5.31). The options outstanding at 27 December 2005 had a remaining weighted average contractual life of 2.4 years (28 December 2004 – 3.4 years).

35. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes in the United Kingdom. The respective costs of these schemes are as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Defined contribution scheme (charged to operating profit)	**1.1**	0.6
Defined benefit scheme (charged to operating profit)	**6.1**	6.1
Defined benefit scheme (charged/credited to other finance costs/investment income)	**1.1**	1.5
Defined benefit scheme (charged to statement of recognised income and expense)	**1.6**	10.7
	9.9	18.9

Defined contribution scheme

The Group operates a defined contribution retirement benefit scheme for all eligible employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income in respect of the scheme represents contributions payable to this scheme by the Group at rates specified in the rules of the scheme. As at 27 December 2005, contributions of £nil (28 December 2004 - £nil) due in respect of the current reporting period had not been paid over to the scheme.

Defined benefit scheme

The Group operates a defined benefit scheme for eligible employees, which is now closed to new members. Under the scheme, the employees are entitled to retirement benefits varying between 1.67% and 3.33% of final salary for each year of service on attainment of a retirement age of 63. No other post-retirement benefits are provided. The scheme is a funded scheme and the contribution rate for future service benefits for 2005 was 19.2% of members' pensionable pay. In addition, during 2005 the Group made an additional contribution of £9.4m as the first annual payment of a five-year funding plan agreed with the Trustee to remove the funding deficit disclosed at the last formal actuarial valuation at 30 September 2004. This funding plan will be reviewed following the next formal actuarial valuation, which is due as at 30 September 2007.

A full actuarial valuation of the scheme was carried out at 30 September 2004 and updated to 27 December 2005 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

35. Retirement benefit schemes (continued)

The major assumptions used by the actuary were:

	27 December 2005	28 December 2004
Rate of increase of salaries	**3.75%**	3.75%
Rate of increase of pensions in payment	**2.75%**	2.75%
Discount rate	**4.90%**	5.25%
Inflation assumption	**2.75%**	2.75%

The mortality assumption adopted for these calculations reflects an assumed life expectancy of 22.1 years for a male, aged 63.

The assets in the scheme and their expected rate of return were as follows:

	27 December 2005		28 December 2004	
	Expected return %	**Value £m**	Expected return %	Value £m
Equities	**6.10**	**141.4**	6.50	114.0
Corporate bonds	**4.90**	**12.5**	5.25	9.0
Gilts and cash	**4.10**	**18.0**	4.50	8.2
Total market value of assets		**171.9**		131.2
Present value of scheme liabilities		**(221.2)**		(186.5)
Deficit in scheme		**(49.3)**		(55.3)

Analysis of the amount charged to operating profit:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Current service cost	**5.9**	5.7
Past service cost	**0.3**	0.4
Total operating charge	**6.2**	6.1

Analysis of the amount charged to finance costs:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Expected return on pension scheme assets	**(8.6)**	(7.1)
Interest on pension scheme liabilities	**9.7**	8.6
Net return	**1.1**	1.5

35. Retirement benefit schemes (continued)

Analysis of the amount recognised in statement of recognised (income) and expenses:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Actual return less expected return on pension scheme assets	**(18.8)**	(4.3)
Experience gains and losses arising on the scheme liabilities	**(2.1)**	(2.6)
Changes in assumptions underlying the present value of the scheme	**22.5**	17.6
	1.6	10.7

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

	27 December 2005 £m	28 December 2004 £m
At beginning of period	**186.5**	158.1
Movement in period:		
Service cost	**5.9**	5.7
Interest cost	**9.7**	8.6
Contributions from scheme members	**1.4**	1.4
Actuarial gains and losses	**20.3**	15.0
Benefits paid	**(2.9)**	(2.7)
Past service cost	**0.3**	0.4
At end of period	**221.2**	186.5

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

	27 December 2005 £m	28 December 2004 £m
At beginning of period	**131.2**	112.5
Movement in period:		
Expected return on scheme assets	**8.6**	7.1
Actuarial gains and losses	**18.8**	4.3
Contributions from the sponsoring companies	**14.8**	8.7
Contributions from scheme members	**1.4**	1.4
Benefits paid	**(2.9)**	(2.8)
At end of period	**171.9**	131.2

35. Retirement benefit schemes (continued)

History of experience gains and losses:

	52 weeks ended 27 December 2005	52 weeks ended 28 December 2004
Difference between the expected and actual return on scheme assets:		
Amount (£m)	**18.8**	4.3
% of scheme assets	**11%**	3%
Experience gains and losses on scheme liabilities:		
Amount (£m)	**2.1**	2.6
% of the present value of the scheme liabilities	**1%**	1%

36. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

Trading transactions
During the period the Group made purchases of £23.4m (52 weeks ended 28 December 2004 - £18.6m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 28 December 2004 the amount payable to Satellite Information Services Limited by the Group was £nil (28 December 2004 - £nil).

Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Remuneration of key management personnel
The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Short-term employee benefits (including salaries)	**1.2**	1.6
Post-employment benefits (employer's contribution)	**0.1**	0.1
Other long-term benefits	**-**	-
Share-based payment (IFRS 2 charges)	**0.5**	0.2
	1.8	1.9

37. Explanation of transition to IFRSs

This is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. For the purposes of these financial statements, the last financial statements prepared under UK GAAP were for the 52 weeks ended 28 December 2004 and the date of transition to IFRS was taken to be 31 December 2003.

Reconciliation of equity at 31 December 2003 (date of transition to IFRS):

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Goodwill		732.3	-	732.3
Other intangible assets	a	-	2.8	2.8
Property, plant and equipment	a	101.0	(2.8)	98.2
Interest in associate		0.8	-	0.8
Deferred tax assets	b,c,d,g	6.2	15.7	21.9
Total non-current assets		840.3	15.7	856.0
Inventories		0.4	-	0.4
Trade and other receivables		15.7	-	15.7
Cash and cash equivalents		46.4	-	46.4
Total current assets		62.5	-	62.5
Total assets		902.8	15.7	918.5
Trade and other payables	d,e,f	(93.1)	31.3	(61.8)
Tax liabilities		(48.1)	-	(48.1)
Bank overdraft and loans		(45.9)	-	(45.9)
Bank loans due after more than one year		(366.6)	-	(366.6)
Retired benefit obligations	b,g	(31.7)	(13.9)	(45.6)
Deferred tax liabilities	c,i	-	(13.6)	(13.6)
Total liabilities		(585.4)	3.8	(581.6)
Net assets		317.4	19.5	336.9
Equity				
Called up share capital		42.2	-	42.2
Share premium account		311.3	-	311.3
Merger reserve		(26.1)	-	(26.1)
Own shares		(5.0)	-	(5.0)
Hedging and other reserves	d	2.1	(3.4)	(1.3)
Retained earnings	e,f,g,i	(7.1)	22.9	15.8
Total equity		317.4	19.5	336.9

37. Explanation of transition to IFRS (continued)

Reconciliation of equity at 28 December 2004:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Goodwill	h	736.2	(2.9)	733.3
Other intangible assets	a,h	-	18.7	18.7
Property, plant and equipment	a	119.0	(14.8)	104.2
Interest in associate		2.9	-	2.9
Deferred tax assets	b,c,d,g	5.9	18.7	24.6
Total non-current assets		864.0	19.7	883.7
Inventories		0.3	-	0.3
Trade and other receivables		15.4	-	15.4
Cash and cash equivalents		60.5	-	60.5
Total current assets		76.2	-	76.2
Total assets		940.2	19.7	959.9
Trade and other payables	d,e,f	(106.9)	39.1	(67.8)
Tax liabilities		(46.9)	-	(46.9)
Bank overdraft and loans		(49.8)	-	(49.8)
Bank loans due after more than one year		(447.7)	-	(447.7)
Retired benefit obligations	b,g	(38.5)	(16.8)	(55.3)
Deferred tax liabilities	c,h,i	-	(16.1)	(16.1)
Total liabilities		(689.8)	6.2	(683.6)
Net assets		250.4	25.9	276.3
Equity				
Called up share capital		40.5	-	40.5
Share premium account		311.3	-	311.3
Capital redemption reserve		1.7	-	1.7
Merger reserve		(26.1)	-	(26.1)
Own shares		(59.3)	-	(59.3)
Hedging and other reserves	d	-	(1.7)	(1.7)
Retained earnings	e,f,g,i	(17.7)	27.6	9.9
Total equity		250.4	25.9	276.3

37. Explanation of transition to IFRS (continued)

Reconciliation of equity at 27 December 2005:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Goodwill	f,h	1,177.1	(311.4)	865.7
Other intangible assets	a,h	-	467.0	467.0
Property, plant and equipment	a	188.7	(14.2)	174.5
Interest in associate		3.4	-	3.4
Deferred tax assets	b,c,d,g	-	17.5	17.5
Total non-current assets		1,369.2	158.9	1,528.1
Inventories		0.4	-	0.4
Trade and other receivables		20.4	-	20.4
Cash and cash equivalents		76.6	-	76.6
Total current assets		97.4	-	97.4
Total assets		1,466.6	158.9	1,625.5
Trade and other payables	d,e,f	(129.6)	42.6	(87.0)
Tax liabilities		(56.7)	-	(56.7)
Bank overdraft and loans		-	-	-
Bank loans due after more than one year		(1,016.1)	-	(1,016.1)
Retired benefit obligations	b,g	(31.8)	(17.5)	(49.3)
Other provisions		(7.5)	-	(7.5)
Deferred tax liabilities	c,h,i	(5.0)	(155.3)	(160.3)
Total liabilities		(1,246.7)	130.2	(1,376.9)
Net assets		219.9	28.7	248.6
Equity				
Called up share capital		39.1	-	39.1
Share premium account		311.3	-	311.3
Capital redemption reserve		3.1	-	3.1
Merger reserve		(26.1)	-	(26.1)
Own shares		(57.5)	-	(57.5)
Hedging and other reserves	d	-	(1.1)	(1.1)
Retained earnings	e,f,g,i	(50.0)	29.8	(20.2)
Total equity		219.9	28.7	248.6

37. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity

(a) Software classification - application software, which can be run independently from any specific hardware configuration, is typically included within other intangibles under IFRS rather than tangible assets as is the norm under UK GAAP. The effect of this is to reclassify software of £14.2m (28 December 2004 - £14.8m; 30 December 2003 - £2.8m) from tangible assets to intangible assets. Total net assets are not affected by this adjustment.

(b) Deferred tax associated with pension liabilities – under IFRS deferred tax relating to the pension scheme cannot be netted off against the pension liability as it is under UK GAAP. This has the effect of increasing the Group's deferred tax asset by £13.6m (28 December 2004 - £16.5m; 30 December 2003 - £13.6m) with a consequent increase in the net pension liability presented. Net assets are not affected by this adjustment.

(c) Deferred tax offset - due to more restrictive rules on the ability to offset deferred tax liabilities and assets, the deferred tax liabilities and assets are grossed up by £2.2m (28 December 2004 - £1.3m; 30 December 2003 - £0.6m).

(d) Financial instruments - all derivative instruments are required by IFRS to be carried on the balance sheet at fair value. Under IFRS, hedge accounting for derivatives is only allowed where detailed documentation in accordance with IAS 39 is in place. This allows the movements in fair values of the relevant derivative instrument (but not the related borrowings) to be recognised directly in reserves and therefore not impact earnings. This issue will have no impact on the Group's earnings as acceptable hedge accounting documentation has been in place since 30 December 2003. However the balance sheet does reflect a financial liability of £1.6m (28 December 2004 - £2.5m; 30 December 2003 - £4.8m) representing the fair value of the relevant derivatives, as well as a related deferred tax asset of £0.5m (28 December 2004 - £0.8m; 30 December 2003 - £1.4m) offset by corresponding entries in a new 'hedging reserve'.

(e) Dividends – under IFRS dividends payable may only be recorded as a liability of the Group when a legal or constructive liability has been incurred. This is likely to be when the dividend proposed by the Board is made public on the announcement of the Group's results. Currently under UK GAAP, dividends are recorded in the period to which they relate, even if only proposed after the period end. This has the effect of increasing the net assets of the Group by the amount of the proposed dividend of £46.1m (28 December 2004 - £43.1m; 30 December 2003 - £37.6m).

(f) Holiday pay - it is accepted practice under IFRS to provide for pay for holidays to which staff are entitled but which they have not yet taken. This has resulted in the recognition of an accrual for holiday pay of £1.9m, £0.4m of which arises from the Stanley acquisition and affects goodwill calculation (28 December 2004 - £1.5m; 30 December 2003 - £1.5m).

(g) Pensions - a difference arises in the valuation of the pension scheme assets under IFRS, because pension assets must be valued using bid prices rather than using mid-market prices as is the convention under UK GAAP and there are also differences in measuring the value of life assurance schemes. This results in an increase in the pension scheme liability of £3.9m (28 December 2004 - £0.3m; 30 December 2003 - £0.3m) and a consequent adjustment to deferred tax assets of £1.2m (28 December 2004 - £0.1m; 30 December 2003 - £0.1m).

(h) Acquisitions - the Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before 30 December 2003.

The Group has adopted IFRS 3 'Business combinations' in full for the 52 weeks ended 28 December 2004. This has resulted in the recognition of additional intangible fixed assets of £452.8m (28 December 2004 - £3.9m) and related deferred tax liabilities of £141.0m (28 December 2004 - £1.0m). Under UK GAAP the intangible fixed assets would have been recognised in goodwill and the deferred tax liability would not have arisen.

(i) Deferred tax on properties acquired via business combinations – under IFRS, a tax timing difference of £12.1m (28 December 2004 - £13.8m; 30 December 2003 - £13.0m) has been recognised in respect of properties previously acquired via acquisitions.

37. Explanation of transition to IFRS (continued)

Reconciliation of profit or loss for 52 weeks ended 28 December 2004:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Revenue	a	8,287.7	(7,565.6)	722.1
Cost of sales	a	(7,726.3)	7,565.6	(160.7)
Gross profit		561.4	-	561.4
Other operating income		4.3	-	4.3
Other operating expenses		(334.8)	-	(334.8)
Share of results of associate		3.1	(1.0)	2.1
Operating profit		234.0	(1.0)	233.0
Investment income	b	9.0	-	9.0
Finance costs		(35.7)	-	(35.7)
Profit before tax		207.3	(1.0)	206.3
Tax	c	(57.5)	0.1	(57.4)
Profit for the period		149.8	(0.9)	148.9

Reconciliation of profit or loss for 52 weeks ended 27 December 2005:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Revenue	a	10,746.1	(9,938.4)	807.7
Cost of sales	a	(10,114.9)	9,938.4	(176.5)
Gross profit		631.2	-	631.2
Other operating income		5.9	-	5.9
Other operating expenses		(421.6)	-	(421.6)
Share of results of associate	b	3.6	(1.0)	2.6
Operating profit		219.1	(1.0)	218.1
Investment income	b	11.2	(0.1)	11.1
Finance costs		(54.6)	-	(54.6)
Profit before tax		175.7	(1.1)	174.6
Tax	c	(64.3)	2.8	(61.5)
Profit for the period		111.4	1.7	113.1

37. Explanation of transition to IFRS (continued)

Notes to the reconciliation of profit or loss

(a) Revenue and cost of sales – under IFRS revenue represents gains and losses on betting activity for all revenue streams. This is different from UK GAAP where revenue from retail, telephone and internet sportsbook (including FOBTs, games on the online arcade and other numbers bets) represents total amounts wagered by customers. The effect of this change is to reduce both revenue and cost of sales by £9,938.4m (52 weeks ended 28 December 2004 - £7,565.6m). This has no impact on operating profit

(b) Associate profit - under IFRS, the share of the associate's result included in the Group's operating profit is after a charge for interest and tax. These items were shown within the Group's interest and tax charges under UK GAAP. This has the effect of reducing operating profit by £1.0m (52 weeks ended 28 December 2004 - £1.0m), representing interest income of £0.1m (52 weeks ended 28 December 2004 - £nil) and the tax charge of the associate (see (c) below).

(c) Tax charge – the tax charge is £2.8m (52 weeks ended 28 December 2004 - £0.1m) lower under IFRS compared to UK GAAP reflecting a combination of:

- £1.1m reduction (52 weeks ended 28 December 2004 - £1.0m) arising from the different treatment of associate tax highlighted in (b) above; and
- £1.7m reduction (52 weeks ended 28 December 2004 - £0.9m increase) reflecting a deferred tax movement on properties acquired via business combinations, which are ignored under UK GAAP but provided for under IFRS.

Explanation of material adjustments to the cash flow statement for 2005 and 2004

There are no significant adjustments between the cash flow statements produced under IFRS as against UK GAAP.