Monday, 5th September 2005

WILLIAM HILL PLC
ANNOUNCEMENT OF INTERIM RESULTS

William Hill PLC (the 'Group') today announces its results prepared under UK generally accepted accounting practice for the 26 weeks ended 28 June 2005.

Highlights include the following:

- Turnover up 30% to £5,054.5 million (2004: £3,886.6 million) and gross win up 0.3% to £383.4million (2004: £382.1million)

- Profit on ordinary activities before finance charges and exceptional charges down 6% at £123.9 million (2004: £132.5 million)

- Net cash inflow from operating activities fell 6% to £133.6 million (2004: £142.1 million), which represents 108% of operating profit before exceptional charges

- Basic adjusted earnings per share down 6% to 19.2 pence (2004: 20.4 pence)

- Interim dividend up 11% to 6.1 pence per share (2004: 5.5 pence per share) payable on 5 December 2005 to shareholders on the register on 4 November 2005

- Intention to return £200 million - £300 million to shareholders over the next 18 months via on market share buybacks

- The acquisition of Stanley Leisure plc's retail bookmaking operations ("Stanley Retail") was completed on 18 June 2005. Subject to the disposal of approximately 50 licensed betting offices ("LBO's") (in addition to 28 already sold to the Tote) to address competition concerns, the Office of Fair Trading ("OFT") has decided not to refer the acquisition to the Competition Commission. The integration of Stanley Retail into the Group is underway (save for those LBOs to be divested) and is on track to achieve the expected synergies.

- In the nine weeks ended 30 August 2005, gross win for the Group (excluding Stanley Retail) was up 5.5% as sporting results improved relative to those seen in the first five months of the year, and costs increased 2.5%

Commenting on the results, Charles Scott, Chairman, said:

"In common with other bookmakers, the Group's results in the period were adversely affected by sporting results compared to generally more favourable results and the Euro 2004 football tournament in the first half of 2004.

We continue to invest in technology across our operations and in our retail estate. Our programme to install electronic point of sale tills and new audiovisual text systems is proceeding in accordance with our expectations and is approaching two thirds completion.

The acquisition of Stanley Leisure's retail operations substantially enhances our market position and following OFT clearance we have started to integrate the business and are planning the development work required over the medium term to improve the quality and profitability of the Stanley Retail estate.

We remain confident about the Group's future prospects and are committed to returning value to shareholders. The Board has resolved to increase the interim dividend by 11% to 6.1p per share and intends to return a further £200 million to £300 million to shareholders via share buybacks over the next 18 months".

Enquiries:

David Harding, Chief Executive	Tel:	0208 918 3910
Tom Singer, Chief Operating Officer	Tel:	0208 918 3910
James Bradley, Deborah Spencer, Brunswick	Tel:	0207 404 5959

There will be a presentation to analysts at 9.00 am today at the Lincoln Centre, 18 Lincoln's Inn Field, London WC2. Alternatively, it is possible to listen to the presentation by dialling +44 (0)1452 56 12 63. The presentation will be recorded and will be available for a period of one week by dialling 0800 953 1533 (from the UK) and +44 (0)1452 55 00 00 (from outside the UK) and using the replay access number 8860331#. The slide presentation will be available on the Investor Relations section of the website: www.williamhillplc.co.uk.

CHIEF EXECUTIVE'S REVIEW

Despite unfavourable sporting results for bookmakers for the first five months of the period and the tough comparative that included more favourable results and Euro 2004, the Group has achieved a creditable result in the first half of 2005. Retail gross win fell slightly with a reduction in over the counter gross win and amusement with prizes ('AWP') gross win largely offset by an increase in fixed odds betting terminal ('FOBT') gross win; telephone gross win fell due to the unfavourable sporting results; and interactive gross win increased primarily due to the growth of poker. In the absence of income growth, tight cost control limited the fall in operating profit.

It should be noted that the results include a contribution of ten days trading from Stanley Retail.

TRADING PERFORMANCE

Retail Channel

Retail gross win fell 0.5% (1.3% excluding Stanley Retail) compared to the comparative period, with over the counter down by 10.9% (11.6% excluding Stanley Retail) and total gross win from FOBTs and AWPs increasing 35.2% (33.7% excluding Stanley Retail). There is likely to have been some substitution between over the counter business and FOBTs although the level of substitution cannot be quantified.

The over the counter business suffered from disappointing horse racing and football results in the period, whereas the comparative period included more favourable sporting results and the Euro 2004 football championship. However theoretical margins on horseracing appear to have stabilised and since May 2005 there are signs that results have started to improve. The Group continues to increase the number of betting opportunities available to its customers and has extended trading hours by a further half an hour per day in the winter months.

The average number of FOBTs in the William Hill estate increased to 5,710 during the period (first half 2004: 3,658) and following the acquisition of Stanley Retail which had 1,494 FOBTs at the time of acquisition we expect to have around 7500 FOBTS by the year-end. The average net profit per terminal per week in the William Hill estate was £400 for the period (first half 2004: £396). The average number of AWPs in the William Hill estate during the period has fallen to 468 (first half 2004: 2,020) and following the acquisition of Stanley Retail which had 524 AWPs at the time of acquisition, we are targeting just over 550 by the year-end. These targets equate to FOBT and AWP densities of 3.5 per shop and 0.3 per shop, respectively, in those jurisdictions where FOBTs and AWPs are allowed.

Costs in the combined estate in the period increased by 4.7% (2.9% excluding Stanley). Staff costs increased due to an inflation related pay award, property costs increased due to rent reviews and pictures and data costs increased due to a combination of additional meetings and an increase in SIS charges per fixture. Equipment hire costs fell due to new FOBT supplier terms effective from May and a reduced number of AWPs.

Seventy two development and shop fitting projects were completed in the period including 15 new licences and we are targeting a similar number of projects in the second half in the combined estate. We are expecting that this will increase significantly in 2006 as we start to improve the quality of the Stanley Retail estate.

At the end of the period, we had 2,182 LBOs in the United Kingdom, 52 in the Republic of Ireland, 9 in the Channel Islands and 2 in the Isle of Man. We have since sold 28 LBOs to the Tote and as noted below we expect to sell around a further 50 LBOs to meet OFT competition concerns.

Our plans for introducing new technology into the LBOs are progressing well with the the installation of an electronic point of sale (EPOS) system and a replacement text system into existing William Hill shops expected to be completed by the end of 2005 and the upgrading of the Stanley Retail estate on to the same technology platform expected by Spring 2006. The total cash investment in respect of these projects is estimated at £54 million. To date we have installed text systems in 1,150 LBOs and EPOS in 950 LBOs.

<u>Telephone Channel</u>

Telephone gross win fell 17.3% against the comparative period due to adverse sporting results coupled with the relative inability to stimulate recycling amongst higher staking telephone clientele. Total active accounts remained flat at 184,000 as at 28 June 2005 (29 December 2004: 184,000).

Costs in the channel were up 6.5% over the comparative period due to increases in bank charges and a higher allocation of central technology costs.

<u>Interactive Channel</u>

The Interactive channel grew gross win by 17.0% over the comparative period primarily due to a 151% increase in income from poker, growth in arcade games, the introduction of William Hill TV, and a solid performance from our casino offering. Sportsbook gross win was flat compared to the comparative period.

We expanded our range of in-running betting opportunities and launched a live betting console on our Sportsbook which enables the rapid update of in running betting prices. We enhanced our single account proposition and our internet and telephone customers can now bet on sports, poker, casino and arcade from a single account. Our Arcade offering expanded to 8 games by the end of period, and has since increased to 10 games, and our mobile service is supported by 12 handsets.

William Hill TV was launched in late 2004 and now broadcasts Australian horseracing, greyhound racing, Brazilian football, Major League baseball, a weekly poker show and virtual racing. We are planning to trial William Hill TV in the shop environment later this year.

We upgraded our poker product with the addition of lower limit tables, shared guaranteed tournament prize pools of £1 million per month and re-branded our software. Thirty William Hill clients qualified for the World Series of Poker finals in Las Vegas. We also announced our own William Hill Grand Prix Tournament with a guaranteed prize pool of £450,000. The finals of the William Hill Grand Prix will be screened on William Hill TV in December 2005.

We added 19 new games to our download casinos, including 5 new games on our Boss Media European language casinos, and now offer in total over 130 games. We have paid out over £600,000 in shared progressive jackpots in the year to date.

Total active accounts increased to 316,000 as at 28 June 2004 (29 December 2004: 292,000).

Costs in the channel increased 12.1% over the comparative period due to increased marketing activities to support the growth of our poker business and to fund the costs of William Hill TV production and content.

Cost Control

Total Group costs were £183.1 million representing a 10.3% increase over the comparative period. Stripping out exceptional charges and those costs attributable to Stanley Retail, costs increased by 4.6% against the comparative period.

Exceptional Costs

Exceptional costs before tax of £9.5 million are reported in the period of which £2.7 million relates to the installation of EPOS and new text systems, £1.7 million relates to professional fees on due diligence for the acquisition of Stanley Retail, £2.8 million relates to the costs of the return of capital exercise aborted earlier in the year, and £2.3 million relates to unamortised finance fees written off on early repayment of borrowings.

By the year end, the Group expects to incur a further £15 million of exceptional costs in respect of the integration of Stanley Retail (excluding non cash asset write offs) and roll out of new technology in the William Hill estate.

STANLEY RETAIL ACQUISITION

The acquisition of Stanley Retail was completed on 18 June 2005 adding 624 LBOs to the existing William Hill estate.

Subject to William Hill providing satisfactory undertakings, the OFT has decided not to refer the acquisition to the Competition Commission. The undertakings will relate to the disposal of approximately 50 further LBOs in addition to the 28 LBOs that have already been sold to the Tote.

The headline price of the acquisition was £504 million, which after a working capital adjustment, professional fees and stamp duty resulted in total cash consideration of £508.3 million.

The book value of assets acquired of £252.1 million has been fair valued to £51.5 million. This primarily reflects the requirement of the relevant accounting standard to assess the fair value of the assets and liabilities of Stanley Retail using the Group's accounting policies and in particular to reflect in intangible assets, rather than tangible assets, the value of betting shop licences in accordance with the Group's accounting policies. In addition, 28 LBOs sold to the Tote for a total net consideration of £14.5 million are included as assets held for resale and their earnings are not included in these results. The future sale of a possible further 50 LBO's (which may include some William Hill LBOs) is not treated in the same manner and their results are consolidated as the specific LBOs to be sold have not yet been identified. On this basis, the goodwill arising on acquisition is £456.8 million and may be subject to amendment at the year end in respect of the expected sale of additional LBOs and other minor changes.

A dedicated multi-disciplinary team has been established to take control of Stanley Retail and set about the task of integrating the operation into the enlarged William Hill Group. In June and July 2005, the team's efforts were directed at taking control of the acquired business, managing the sale of 28 shops to the Tote and preparing a detailed integration plan that could be put into effect once the OFT cleared the transaction.

Post OFT clearance, the Group has started to integrate the two businesses (save in respect of those Stanley Retail LBOs to be divested). Key tasks include the harmonisation of products, prices, and betting rules; progressive re-branding of the shops; installation of the same version of electronic point of sale and audiovisual text systems currently being deployed in the William Hill estate; re-negotiation of contracts with key suppliers; and wind down of the Stanley Retail head office. The integration is expected to be substantially complete by the end of March 2006. We remain confident of achieving the £13 million of annual synergies that we expected to realise at the time of the acquisition.

COST OF CONTENT

In July 2005 the Court of Appeal agreed with the European Court of Justice ("ECJ") interpretation of the Database Directive which had previously been referred to the ECJ by the Court of Appeal in relation to the dispute with the British Horseracing Board (BHB) on the use of certain racing data. This judgement supported the Group's position. Subsequently, the BHB has decided not to challenge this judgement thus bringing to an end a dispute that commenced in 2001.

Had the BHB been successful, their database would have been the basis of a commercial deal between racing and betting that would have allowed the statutory levy scheme to end. As a result of the decision, the government has extended the Levy until 2009 and appointed a committee, under the chairmanship of Lord Donoghue, to find an alternative basis for a commercial arrangement. It is anticipated that this committee will report back to the government in late 2005.

The betting industry has contractual arrangements in place with 58 of the country's 59 race tracks for the supply of horseracing pictures into LBOs. These contracts expire between Spring 2007 and Summer 2009.

With regard to football, the Retail division continues to make a payment (£300 + VAT per LBO per annum) to the football authorities as part of an ongoing agreement. It should be noted that at the same time as delivering its judgement on the interpretation of the Database Directive in relation to horseracing, the ECJ took a similar line on three football related cases.

REGULATORY DEVELOPMENT

In April 2005 the new Gambling Act was enacted. We are advised that it is unlikely to be fully implemented before Autumn 2007 pending the setting up of the Gambling Commission.

Proposed deregulation including extended betting shop opening hours, the installation of higher payout gaming machines and the removal of the demand criteria will impact our estate. The new Act also opens up the possibility of a UK based remote gaming industry and over the next two years the government aims to establish both regulation and taxation regimes to enable this to occur. We will continue to work with our trade associations to assist the Gambling Commission to develop appropriate regulation.

DIVIDENDS AND CAPITAL STRUCTURE

The Company will pay an interim dividend of 6.1 pence per share (2004: 5.5 pence per share) on 5 December 2005 to shareholders on the register on 4 November 2005. The Board is proposing an 11% increase in the dividend notwithstanding the adverse impact of unfavourable sporting results on earnings in the period as it remains confident about the Group's future prospects.

Subsequent to receiving clearance from the OFT, the Board has given further consideration to the appropriate financing arrangements for the enlarged Group that achieves an efficient capital structure and preserves the flexibility to deal with the possibility of adverse developments in regulation and/or tax, or a downturn in trading. The Board will target a ratio of net debt to earnings before interest, depreciation and amortisation (EBITDA) of approximately 3.5 times to be achieved over the medium term. As a result, in addition to its progressive dividend policy, the Group expects to be able to return £200 million - £300 million to shareholders over the next 18 months. The Board therefore intends to continue with the on market share buy back programme and will periodically update the market on progress and its future plans.

ADOPTION OF IFRS

The Group is well advanced in its plans to formally adopt International Financial Reporting Standards (IFRS).

The Group has prepared its financial statements for the 26 week period ended 28 June 2005 in accordance with UK generally accepted accounting practice (UK GAAP) and will adopt IFRS as the primary basis for reporting for the 52 week period ending 26 December 2006.

The Group does not expect the adoption of IFRS to have a material impact on the reporting of financial performance as compared to results prepared in accordance with UK GAAP. Furthermore, it expects no adverse impact on its tax affairs or banking arrangements resulting from the transition to reporting in accordance with IFRS.

An interim report for the 26 weeks ended 28 June 2005 prepared in accordance with IFRS will shortly be available on the Group's corporate web site *www.williamhillplc.co.uk*.

CURRENT TRADING

In the nine weeks ended 30 August 2005, gross win for the Group (excluding Stanley Retail) was up 5.5% with growth in all three channels and costs were up 2.5% against the comparative period.

This announcement contains certain statements that are or may be forward-looking regarding the Group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.

William Hill PLC

Consolidated Profit and Loss Account

for the 26 weeks ended 28 June 2005

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	26 weeks ended 28 June 2005 Total £m	26 weeks ended 29 June 2004 (restated) £m	52 weeks ended 28 December 2004 (restated) £m
Turnover	2	**5,054.5**	**-**	**5,054.5**	3,886.6	8,287.7
Cost of sales		**(4,756.7)**	**-**	**(4,756.7)**	(3,589.7)	(7,726.3)
Gross profit	2	**297.8**	**-**	**297.8**	296.9	561.4
Net operating expenses		**(175.9)**	**(7.2)**	**(183.1)**	(166.0)	(330.4)
Operating profit	2	**121.9**	**(7.2)**	**114.7**	130.9	231.0
Share of associate's operating profit		**2.0**	**-**	**2.0**	1.6	3.1
Profit on ordinary activities before finance charges		**123.9**	**(7.2)**	**116.7**	132.5	234.1
Net interest payable	4	**(14.0)**	**(2.3)**	**(16.3)**	(11.9)	(25.2)
Other finance charges		**(0.7)**	**-**	**(0.7)**	(0.9)	(1.5)
Profit on ordinary activities before tax		**109.2**	**(9.5)**	**99.7**	119.7	207.4
Tax on profit on ordinary activities	5	**(33.9)**	**1.8**	**(32.1)**	(34.5)	(57.6)
Profit on ordinary activities after tax for the financial period		**75.3**	**(7.7)**	**67.6**	85.2	149.8
Dividends proposed and paid	6	**(23.8)**	**-**	**(23.8)**	(22.4)	(65.1)
Retained profit for the financial period		**51.5**	**(7.7)**	**43.8**	62.8	84.7

	Notes	26 weeks ended 28 June 2005	26 weeks ended 29 June 2004	52 weeks ended 28 December 2004
Earnings per share (pence)				
Basic - adjusted	7	**19.2**	20.4	36.5
Basic	7	**17.2**	20.4	36.5
Diluted	7	**16.9**	20.0	35.9

All amounts relate to continuing operations for the current and preceding financial periods.

Consolidated Statement of Total Recognised Gains and Losses

for the 26 weeks ended 28 June 2005

	Notes	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 (restated) £m	52 weeks ended 28 December 2004 (restated) £m
Profit for the financial period		**67.6**	85.2	149.8
Actuarial loss recognised in the pension scheme		**(5.7)**	(0.6)	(10.7)
Deferred tax attributable to actuarial loss		**1.7**	0.2	3.2
Currency translation differences on foreign currency net investments		**(0.1)**	(0.1)	-
Total recognised gains and losses relating to the period		**63.5**	84.7	142.3
Prior period adjustment	1	**(0.6)**		
Total recognised gains and losses since last annual report		**62.9**		

William Hill PLC

Consolidated Balance Sheet

as at 28 June 2005

	Notes	**28 June 2005** £m	29 June 2004 (restated) £m	28 December 2004 (restated) £m
Fixed assets				
Intangible assets - goodwill	13	**1,193.9**	732.3	736.2
Tangible assets		**178.3**	100.7	119.0
Investments		**4.3**	1.8	2.9
		1,376.5	834.8	858.1
Current assets				
Stocks		**0.3**	0.3	0.3
Debtors: amounts recoverable within one year		**19.2**	18.1	15.4
Debtors: amounts recoverable after one year		**1.6**	5.3	5.9
Assets held for resale	13	**14.5**	-	-
Cash at bank and in hand		**160.1**	60.0	60.5
		195.7	83.7	82.1
Creditors: amounts falling due within one year		**(162.2)**	(199.6)	(203.6)
Net current assets/(liabilities)		**33.5**	(115.9)	(121.5)
Total assets less current liabilities		**1,410.0**	718.9	736.6
Creditors: amounts falling due after more than one year		**(1,075.6)**	(342.3)	(447.7)
Net assets excluding pension liability		**334.4**	376.6	288.9
Pension liability		**(43.4)**	(30.5)	(38.5)
Net assets including pension liability	2	**291.0**	346.1	250.4

	Notes	**28 June 2005** £m	29 June 2004 (restated) £m	28 December 2004 (restated) £m
Capital and reserves				
Called-up share capital	8	**40.5**	42.2	40.5
Share premium account	8	**311.3**	311.3	311.3
Capital redemption reserve	8	**1.7**	-	1.7
Merger reserve	8	**(26.1)**	(26.1)	(26.1)
Own shares held	8	**(59.3)**	(37.0)	(59.3)
Profit and loss account	8	**22.9**	55.7	(17.7)
Equity shareholders' funds	8,9	**291.0**	346.1	250.4

William Hill PLC

Consolidated Cash Flow Statement
for the 26 weeks ended 28 June 2005

	Notes	**26 weeks ended 28 June 2005 £m**	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Net cash inflow from operating activities	10	**133.6**	142.1	247.3
Returns on investments and servicing of finance	11	**(13.9)**	(11.9)	(23.3)
Taxation		**(26.6)**	(27.9)	(57.4)
Capital expenditure and financial investment	11	**(24.7)**	(7.2)	(27.3)
Acquisitions	11	**(501.1)**	-	(3.8)
Equity dividend paid		**(43.1)**	(37.7)	(59.6)
Net cash (outflow)/inflow before financing		**(475.8)**	57.4	75.9
Financing	11	**575.4**	(43.8)	(61.8)
Increase in cash in the period	12	**99.6**	13.6	14.1

Notes to the accounts

for the 26 weeks ended 28 June 2005

1. Basis of preparation

The interim report comprises the unaudited results for the 26 weeks to 28 June 2005, comparative unaudited results for the 26 weeks ended 29 June 2004 and the audited results for the 52 weeks to 28 December 2004. The interim report has been prepared by the directors under the historical cost convention and on a basis consistent with applicable UK accounting standards. The interim report has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the 52 weeks ended 28 December 2004 with the exception of the change in policy outlined below. The interim report should therefore be read in conjunction with the 2004 report and accounts. The comparative results for the 52 weeks ended 28 December 2004 do not constitute statutory accounts.

As encouraged by the Accounting Standards Board, the Group has adopted FRS 20 'Share-based payment' in the 26 weeks to 28 June 2005, although it is not mandatory in this period.

FRS 20 changes the basis of charging the profit and loss account for share-based remuneration. Under the provisions of FRS 20, options granted are valued and charged to the profit and loss account on the basis of fair values as calculated by an option pricing model rather than on the basis of the intrinsic value of the share on which the option was granted, as was the case previously. In addition the costs of SAYE schemes are chargeable under FRS 20 whereas formerly they were exempt. The transitional arrangements of FRS 20 also mean that all options granted before 7 November 2002 do not attract a charge.

The effect of these changes is that in the 26 weeks ended 28 June 2005 the charge under FRS 20 is £0.5m less than the charge that would have been reported under UK GAAP prior to the introduction of FRS 20 (26 weeks ended 28 June 2004 – £1.3m; 52 weeks ended 28 December 2004 – £2.1m). In addition, there is a related increase in the tax charge and a reduction of deferred tax asset of £0.2m in the 26 weeks ended 28 June 2005 (26 weeks ended 28 June 2004 – £0.4m; 52 weeks ended 28 December 2004 – £0.6m). As the deferred tax adjustment is the only one that affects cumulative reserves, £0.6m is shown as the prior period adjustment in the statement of total recognised gains and losses.

The interim report for the 26 weeks ended 28 June 2005, which was approved by a committee of the board of directors on 4 September 2005, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the 52 week period ended 28 December 2004 were extracted from the full accounts for William Hill PLC for the 52 weeks ended 28 December 2004, which have been filed with the Registrar of Companies. The auditors' report contained therein, was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

Notes to the accounts

for the 26 weeks ended 28 June 2005

2. Segmental information

The Group's turnover, profits and operating net assets primarily arise from customers in the United Kingdom and therefore segmental information by geographical location is not presented.

Segmental information by distribution channel is shown below:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 (restated) £m	52 weeks ended 28 December 2004 (restated) £m
Turnover			
- Retail	**4,298.7**	3,266.1	7,020.7
- Telephone	**331.8**	274.5	540.8
- Interactive	**409.7**	331.4	696.3
- Other activities	**14.3**	14.6	29.9
	5,054.5	3,886.6	8,287.7
Gross win			
- Retail	**289.4**	290.8	548.1
- Telephone	**28.6**	34.6	60.3
- Interactive	**61.9**	52.9	106.1
- Other activities	**3.5**	3.8	7.6
	383.4	382.1	722.1
Operating profit			
- Retail	**89.0**	97.6	165.5
- Telephone	**7.8**	14.0	22.1
- Interactive	**31.7**	24.4	51.7
- Other activities	**(0.3)**	0.2	(0.3)
- Central costs	**(6.3)**	(5.3)	(8.0)
	121.9	130.9	231.0
Exceptional costs (note 3)	**(7.2)**	-	-
	114.7	130.9	231.0
Net assets/(liabilities)			
- Retail	**128.1**	55.3	73.4
- Telephone	**(1.9)**	(2.0)	0.7
- Interactive	**5.7**	(1.0)	2.7
- Other activities	**7.7**	7.2	7.1
- Corporate	**151.4**	286.6	166.5
	291.0	346.1	250.4

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

The directors believe that gross win and operating profit are more important performance metrics than turnover.

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

Notes to the accounts

for the 26 weeks ended 28 June 2005

2. Segmental information (continued)

Turnover of £65.0m and an operating loss of £0.4m have been consolidated into these results in respect of the Stanley Racing acquisition completed by the Group on 18 June 2005 as detailed in note 13.

The segmental analysis of gross win set out above is shown before deducting GPT, duty, levies, VAT and other cost of sales to arrive at gross profit. A reconciliation from gross win to gross profit as presented in the profit and loss account is set out below:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Gross win	**383.4**	382.1	722.1
GPT, duty, levies, VAT and other cost of sales	**(85.6)**	(85.2)	(160.7)
Gross profit	**297.8**	296.9	561.4

3. Exceptional costs

Exceptional operating costs are as follows:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Costs of implementation of EPOS and text systems [1]	**2.7**	-	-
Costs of integration of Stanley acquisition [2]	**1.7**	-	-
Costs of aborted return of capital scheme [3]	**2.8**	-	-
	7.2	-	-

[1] These 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] These costs arose from the due diligence on and the integration of Stanley Racing's LBOs and comprise primarily external consultancy costs.

[3] These costs represent professional fees incurred in respect of an aborted return of capital scheme.

Exceptional interest costs are as follows:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Write off of previously capitalised bank facility fee	**2.2**	-	-
Breakage fee	**0.1**	-	-
	2.3	-	-

Following the negotiation of new banking arrangements and the consequent repayment of the old bank facility, the unamortised costs of £2.2m associated with the old facility were written off.

A tax credit of £1.8m was recognised in respect of the exceptional operating costs and interest costs in the 26 weeks ended 28 June 2005. This represented the reduction in corporation tax payable, which the Group expects to be able to make in respect of these exceptional items.

4. Net interest payable

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Interest receivable:			
Interest receivable	**1.4**	0.7	1.9
Interest payable and similar charges:			
Interest on bank loans and overdrafts	**(15.0)**	(11.7)	(25.6)
Interest on guaranteed unsecured loan notes 2005	**-**	(0.1)	(0.2)
Share of associate's net interest payable	**-**	(0.1)	-
Amortisation of finance costs	**(0.4)**	(0.7)	(1.3)
	(14.0)	(11.9)	(25.2)
Exceptional interest (note 3)	**(2.3)**	-	-
Net interest payable	**(16.3)**	(11.9)	(25.2)

5. Tax on profit on ordinary activities

The expected effective rate in respect of ordinary activities before exceptional costs is 31.0% (26 weeks ended 28 June 2004 – 28.8%; 52 weeks ended 28 December 2004 – 27.8%). The tax charge on ordinary activities after exceptional items has been calculated using an expected effective rate for the full year of 32.2%. This is higher than the statutory rate of 30% due to expenditure incurred for which the Group will not get tax relief. The prior periods' comparative tax rates were impacted by the utilisation of certain tax losses in those periods.

6. Dividends proposed and paid

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Equity shares:			
- interim dividend proposed/paid	**23.8**	22.4	22.0
- final dividend paid	**-**	-	43.1
	23.8	22.4	65.1
Dividend per ordinary share (pence)	**6.1**	5.5	16.5

The interim dividend of 6.1p (26 weeks ended 28 June 2004 – 5.5p) will be paid on 5 December 2005 to all shareholders on the register on 4 November 2005.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. As at 28 June 2005, the trust held 2.8m ordinary shares. In addition, the Company has not provided for dividends on the 10.5m shares held in Treasury. The Company estimates that 390.5m shares will qualify for the interim dividend.

7. Earnings per share

The basic and diluted earnings per share are calculated based on the following data:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 (restated) £m	52 weeks ended 28 December 2004 (restated) £m
Profit after tax for the financial period	**67.6**	85.2	149.8
Exceptional items – operating expenses	**7.2**	-	-
Exceptional items – interest	**2.3**	-	-
Exceptional items – tax credit	**(1.8)**	-	-
Profit after tax for the financial period before exceptional items	**75.3**	85.2	149.8

	Number (m)	Number (m)	Number (m)
Basic weighted average number of shares	**392.1**	418.4	**410.1**
Dilutive potential ordinary shares:			
Employee share awards and options	**7.1**	7.5	**7.4**
Dilutive weighted average number of shares	**399.2**	425.9	**417.5**

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares in the 26 weeks ended 28 June 2005 by 13.3m (26 weeks ended 28 June 2004 – 4.5m; 52 weeks ended 28 December 2004 – 8.7m).

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.

8. Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Profit and loss account £m	Total £m
At 28 December 2004 (as previously reported)	40.5	311.3	1.7	(26.1)	(59.3)	(17.1)	251.0
Prior period adjustment (note 1)	-	-	-	-	-	(0.6)	(0.6)
As restated	40.5	311.3	1.7	(26.1)	(59.3)	(17.7)	250.4
Retained profit for the financial period	-	-	-	-	-	43.8	43.8
Actuarial loss recognised in the pension scheme	-	-	-	-	-	(5.7)	(5.7)
Deferred tax arising thereon	-	-	-	-	-	1.7	1.7
Expense recognised in respect of share remuneration	-	-	-	-	-	0.9	0.9
Currency translation differences	-	-	-	-	-	(0.1)	(0.1)
At 28 June 2005	**40.5**	**311.3**	**1.7**	**(26.1)**	**(59.3)**	**22.9**	**291.0**

8. Reserves (continued)

Own shares held at 28 June 2005 amounting to £59.3m comprise 10.5m shares (nominal value - £1.1m) held in treasury purchased for £56.1m and 2.8m shares (nominal value - £0.3m) held in The William Hill Holdings 2001 Employee Benefit Trust purchased for £3.2m. The shares held in treasury were purchased at a weighted average price of £5.32. At 28 June 2005 the total market value of own shares held was £70.9m.

9. Reconciliation of movements in equity shareholders' funds

	28 June 2005 £m	29 June 2004 (restated) £m	28 December 2004 (restated) £m
Profit for the financial period	**67.6**	85.2	149.8
Other recognised gains and losses relating to the period (net)	**(4.1)**	(0.5)	(7.5)
	63.5	84.7	142.3
Dividends	**(23.8)**	(22.4)	(65.1)
Own shares purchased during period	**-**	(34.0)	(145.4)
Expense recognised in respect of share remuneration	**0.9**	0.4	1.2
Net addition to equity shareholders' funds	**40.6**	28.7	(67.0)
Opening shareholders funds (as previously reported)	**251.0**	317.4	317.4
Change in accounting policy	**(0.6)**	-	-
As restated	**250.4**	317.4	317.4
Closing equity shareholders' funds	**291.0**	346.1	250.4

10. Reconciliation of operating profit to net cash inflow from operating activities

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 (restated) £m	52 weeks ended 28 December 2004 (restated) £m
Operating profit	**114.7**	130.9	231.0
Depreciation	**9.3**	7.9	16.2
Profit on sale of fixed assets	**(0.3)**	(0.4)	(0.6)
Expense recognised in respect of share remuneration	**0.9**	0.4	1.2
(Increase)/decrease in debtors	**(0.3)**	(2.3)	0.5
Increase in creditors	**8.7**	8.8	1.6
Cash contributions less than/(greater than) defined benefit pension cost	**0.6**	(3.2)	(2.6)
Net cash inflow from operating activities	**133.6**	142.1	247.3

11. Analysis of cash flows

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Returns on investments and servicing of finance:			
Interest received	**1.4**	0.7	1.9
Interest paid	**(15.3)**	(12.6)	(25.2)
Net cash outflow	**(13.9)**	(11.9)	(23.3)
Capital expenditure and financial investment:			
Purchase of fixed assets	**(25.1)**	(7.8)	(28.2)
Sale of tangible fixed assets	**0.4**	0.6	0.9
Net cash outflow	**(24.7)**	(7.2)	(27.3)
Acquisitions			
Purchase of subsidiary undertaking	**(509.2)**	-	(3.9)
Net cash acquired with subsidiary undertaking	**8.1**	-	0.1
Net cash outflow	**(501.1)**	-	(3.8)
Financing			
Loan facilities repaid	**(500.0)**	(15.0)	(145.5)
Own shares purchased during period	**-**	(28.8)	(6.3)
Loan facilities drawn down	**1,075.4**	-	90.0
Net cash inflow/(outflow)	**575.4**	(43.8)	(61.8)

12. Analysis and reconciliation of net debt

	29 December 2004 £m	Cash flow £m	Other non-cash items £m	**28 June 2005 £m**
Analysis of net debt				
Cash at bank and in hand	60.5	99.6	-	**160.1**
Debts due within one year	(49.8)	50.0	(0.2)	**-**
Debts due after more than one year	(447.7)	(625.5)	(2.4)	**(1,075.6)**
Total	(437.0)	(475.9)	(2.6)	**(915.5)**

Other non-cash items of £2.6m comprise written off and amortised debt issue costs.

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Increase in cash in the period	**99.6**	13.6	14.1
Cash (inflow)/outflow from (increase)/decrease in net debt	**(575.5)**	15.0	(83.7)
Change in net debt resulting from cash flows	**(475.9)**	28.6	(69.6)
Debt issue costs written off and amortised	**(2.6)**	(0.7)	(1.3)
	(478.5)	27.9	(70.9)
Opening net debt	**(437.0)**	(366.1)	(366.1)
Closing net debt	**(915.5)**	(338.2)	(437.0)

13. Acquisitions

Stanley Racing

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 Racing) for total cash consideration of £508.3m including costs of £6.8m. The capitalised goodwill on this transaction was £456.8m representing licence value and goodwill. This goodwill is subject to an annual impairment review in accordance with FRS 10 and 11.

Stanley Racing earned a profit after taxation of £0.7m in the period from 2 May 2005 to 28 June 2005 (year ended 1 May 2005 - £17.3m), of which £1.1m arose in the period from 2 May 2005 to 18 June 2005. The summarised profit and loss account for the period from 2 May 2005 to 18 June 2005, shown on the basis of the accounting policies of Stanley Racing prior to the acquisition, was as follows:

	£m
Turnover	88.3
Profit on ordinary activities before tax	1.5
Tax on profit on ordinary activities	(0.4)
Profit on ordinary activities after tax	**1.1**

13. Acquisitions (continued)

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

	Book value £m	Fair value adjustments £m		Fair value to Group £m
Fixed assets				
Tangible assets	257.9	(212.0)	a,b,c	45.9
Current assets				
Stocks	0.2	(0.1)	d	0.1
Debtors and prepayments	3.0	(0.1)	b	2.9
Assets held for resale	-	14.5	b	14.5
Cash	8.1	(0.1)	b	8.0
Total assets	**269.2**	**(197.8)**		**71.4**
Creditors				
Creditors and accruals	(15.2)	(2.8)	b,e	(18.0)
Provisions				
Deferred tax	(1.9)	-		(1.9)
Total liabilities	**(17.1)**	**(2.8)**		**(19.9)**
Net assets	**252.1**	**(200.6)**		**51.5**
Less: cash consideration				**508.3**
Goodwill arising				**456.8**

The explanations for the provisional fair value adjustments are as follows:

a. Adjustment of £206.7m to property valuation reflecting the disaggregation of betting licence value which under Stanley Racing's accounting policy was included in tangible assets, while under the Group's accounting policy, they remain part of goodwill;

b. Adjustments to various assets and liabilities reflecting the disposal in July 2005 of 28 LBOs to the Tote for total net consideration of £14.5m;

c. Reduction of £6.6m to reflect the depreciated replacement cost of the assets and a £2.6m increase in values representing IS assets in use in Stanley Racing which were previously shown as having no net book value;

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

e. Adjustment for ante post and sleeper bets (£0.8m), dilapidations and vacant properties (£0.7m) and onerous contracts (£1.4m).

The cash consideration for the purchase of Stanley Racing comprised the headline figure of £504.0m, less adjustment for working capital of £2.5m (still subject to final agreement with Stanley Leisure plc) plus professional fees and stamp duty of £6.8m.

Although the Group is in the process of negotiating undertakings with the Office of Fair Trading to sell approximately a further 50 LBOs, no fair value adjustment has been included above for this item due to uncertainty as to which LBOs will be sold to meet this commitment.

13. Acquisitions (continued)

Other acquisition

The Group also purchased another LBO in the period for total cash consideration of £0.9m, principally representing goodwill and the value of the relevant licence. The other net assets acquired with this LBO were negligible.

Stanley Racing and other acquisition

Net cash outflows in respect of the acquisitions comprised:

	£m
Cash consideration	(509.2)
Cash at bank and in hand acquired	8.1
	(501.1)

Included in cash consideration of £509.2m is £6.8m in respect of professional fees and stamp duty.

INDEPENDENT REVIEW REPORT TO WILLIAM HILL PLC

Introduction

We have been instructed by the Company to review the financial information for the 26 weeks ended 28 June 2005, which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting polices and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 28 June 2005.

Deloitte & Touche LLP
Chartered Accountants
London

5 September 2005