WILLIAM HILL

2012 FINAL RESULTS, RIGHTS ISSUE AND PROPOSED ACQUISITON

1 MARCH 2013

Ralph Topping - *Chief Executive*

Good morning. Apologies for just being diverted by the Blackberry there. We've just had some good news about an employee in Israel, where a member of the family has had remission from a tumor, so that's a good start to the day on a human level. So great to hear that.

Good morning, thank you for joining us. As ever, Neil is with me on the platform. I'll kick things off, then Neil will take us through the numbers, and after that, I'll cover how we're performing.

The key subjects today are, of course, Sportingbet and the call option. This is one of these days when the PR people start talking in metaphors, and milestones and red letter days. And it is a red letter day, because it's St. David's Day, so anybody here from Wales, there you go guys.

Neil's going to pronounce the top line, because he's a top line guy, and I'm going to go for under the lines there. Happy St. David's Day, and Neil will introduce the Welsh bit when he comes on

This has been a business that's been shaped by big moves of Hills and Mecca, Stanley, Playtech, Sportingbet, and I'm proud to be Chief Executive of William Hill today, with these moves being announced. But it's certainly not a time for allowing our feet to come off the ground. And we've been working towards this for four years, and we're definitely ready for this.

But at this point, I'd like to pay a big tribute to Playtech, to the people who actually joined us on the JV, and made it so successful. In particular, three names jump out, Mor Weizer, who is the Chief Executive of Playtech; Roger Withers, who is the Chairman; and a guy called Avigur Zamora, who is one of the smartest guys I've ever worked with, a straight down the middle guy. And I'd like to pay tribute to those guys.

We've all been delighted with the way the JV has gone, and we've made a lot of money out of the JV. However, the time has come when William Hill need complete strategic and operational freedom.

Neil's going to give you some greater granularity in a second, but as you can see, the numbers are strong. I'm pleased that we've got on and delivered strong organic growth, at the same time as working on strategic developments.

That meant we had a lot on our plate, but we did have the capacity to achieve it. Why was that? Well, we've brought in a lot of talent from the very beginning of my becoming Chief Executive, and what we're now seeing is the benefit of having put that talent in place.

You've heard of the corporate development office. A lot of very clever people in that team, and they work on big projects, such as the USA, Australia, and other projects designed to bring significant value to the business. And I'd also pay tribute to that team, and the way it's led.

All in all, we've delivered; so good retail results, terrific online results. 21% EPS growth, and 17% dividend growth. And at the same time, we've now delivered three US acquisitions, and integrated those three small businesses into what I would call a medium-sized business.

We've also found an imaginative approach to buying Sportingbet's Australian and Spanish businesses, and we've found the right solution for those at the right time.

We've got a lot to get through today, so let's start with the organic growth, and I'll hand you over to Neil bach, to run through the numbers. Neil, over to you. Could you put that slide up with the Welsh on it? Only kidding, sorry.

Neil Cooper - *Group Finance Director*

I'd normally start by saying thanks, Ralph, but this morning it should obviously be yaki da boyo (laughter).

Okay, good morning to you all. It is actually easy to lose sight of what's been a good set of numbers, in all of the excitement this week, but I am pleased to be able to outline to you the results for the year to January 1, 2013.

The year was a 53 week year, and so our statutory numbers include 53 weeks, versus 52 weeks in the 2011 financial year. The key slides we have included are 52-week comparative, which I will refer to in my comments, from time to time.

So let's start. Firstly, net revenue grew by 12%, to GBP1,276.9 million, 10% growth on a 52 week basis. William Hill Online led the way in terms of year-over-year net revenue growth, benefiting particularly from a strong Sportsbook performance.

Retail also showed net revenue growth, with both over the counter and gaming machines growing net revenue. For the Group as a whole, operating profit, which I'll remind you, we define as pre-exceptional profit before interest, tax and defined amortization, grew by 20%, to come in at GBP330.6 million.

Pre-exceptional finance costs were broadly in line with the prior year, at GBP32.9 million, which slightly reduced borrowing costs, given reduced net debt, offset by an increase in notional interest arising from a liability revaluation.

Pre-exceptional tax grew by 16%, to GBP48.2 million, with the effective tax rate falling slightly from 17.3% in '11, to 16.5% in '12.

Pre-exceptional retained earnings grew by 21% to GBP202 million, and basic adjusted earnings per share also grew by 21% to 29.4 pence per share. This key metric is calculated by adjusting basic earnings per share for exceptional items and defined amortization.

The Group has announced a final dividend of 7.8 pence per share, taking the total 2012 dividend to 11.2 pence, covered 2.6 times by basic adjusted earnings per share, and up 17% on the prior year.

Finally, reflective of the strong cash generation of the Group, net debt for covenant purposes fell 19% from GBP416 million at the end of last year, or the end of 2011, to GBP339 million at then of '12.

Pre-tax exceptional items totaled GBP15 million, up GBP8 million on the half year, and there were four components to this.

Firstly, we incurred a GBP4.6 million charge for Spanish back taxes relating to our entry into that territory on a licensed basis.

Secondly, there were GBP5.3 million of charges relating to a US acquisition. Together with GBP1.7 million incurred in 2011 this brings the total US exceptional costs to GBP7 million, in line with our guidance.

Thirdly, we've expensed GBP4.6 million so far in 2012 relating to the pending Sportingbet acquisition, and I would just remind you that we have disclosed that we're expecting around GBP16 million in total of exceptional items on that deal.

Finally, we incurred a GBP500,000 fair value loss on our hedging arrangements. I'm pleased to be able to say that there will be no further movements in this area, as all of our interest rate hedges have now expired. Now I'm not sure some of the banks who are on the other side of those hedges are so pleased, but que sera, sera.

Okay turning to Retail, OTC wagering fell 1% or 3% on a 52 week basis. Wagering levels were impacted by horserace fixture cancellations, with 7% fewer fixtures in 2012 on a 52 week basis, as well as by softer trading through the Olympic and Paralympics period.

We've also seen the impact of reduced recycling, given the strong margin growth seen during the year; OTC gross win benefitting from the margin movement grew by 7%, or 6% on a 52 week basis.

Machines net revenue grew 5%, or 3% on a 52 week basis. The combination of growth in net revenue in both OTC and Machines meant that overall net revenue grew 6%, or 4% on a 52 week basis.

Operating costs grew 6%, or 4% on a 52 week basis, and operating profit at GBP211.5 million was in growth by 7%.

Retail gross win margin grew by 1.4 percentage points in '12 and 16.8% in '11 to 18.2%. The chart shows the building blocks of this growth, with improvements in football margin being the major contributor, partly through a mix effect as football stakes grew to around 15% of total OTC stakes in '12, from 13% in '11, and partly through an increase in category margin as results went in our favor.

UK horseracing also saw an improvement in returns; again this was partly through a set of good results in our major festivals. Most materially, the Cheltenham Festival margin went from 3% in 2011 to 24% in 2012, and the Grand National meeting from 16% to 32%.

As well as the majors, margin grew by 0.4 percentage points in non-festival horseracing, which makes up around 83% of our UK horserace staking.

Further, some favorable structural trends emerged over the second half in horseracing, with overround per runner and the average book per race growing over the second half.

Machines net revenue grew 5% in 2012, or 3% on a 52 week basis. The main components of this growth were a 2% increase in the number of machines in the estate, and a 1% increase in gross win per machine, per week from GBP901 in 2011 to GBP911 in 2012.

Whilst this does reflect a slowdown on prior year trends, in part we think we're seeing some impact on machines from the strong year-over-year OTC margin growth. For example, November saw both our weakest machines period versus prior year, and the largest OTC margin movement in our favor during the year.

The operating cost base for Retail grew 6% year over year; 4% on a 52 week basis in line with our guidance. Staff costs grew 4%, or 2% on a comparable 52 week basis. This was driven, in part, by staff pay increases and, in part, through an increase in trading hours, around 4% on a 52 week basis.

Property costs grew by 7%, or 5% on a 52 week basis. On that same basis, repairs and maintenance grew 4%, rates grew 9%, and rent grew 5% with the rent movement largely driven by the rollover of prior year provision releases following better than anticipated rent settlements in 2011.

We've closed 283 rent settlements in 2012, of which the implied annual rent inflation on that [group] was around 1.3%. And circa 60% of those settlements were for a nil increase, both of which is a slightly better statistic than the 2011 equivalent. And as you can see from the chart, content costs continue to rise well ahead of inflation.

Looking ahead, cost guidance gets a little more complicated as we need to adjust for the impact of machine games duty, as the VAT credit we accounted for in operating costs fell away from February this year.

As a result, we expect headline cost growth to be around 6%, or 3% if you exclude this machine game duty effect.

Moving onto Online; following two years of 20% plus net revenue growth, William Hill Online grew net revenue by 27% to GBP406.7 million in 2012.

Sportsbook grew 50%, with strong wagering growth further enhanced by strong margin growth.

Gaming net revenue grew 14%, with both Playtech and Vegas Casinos in growth.

Both Casino categories saw good growth in unique active players, and net revenue per unique active grew faster in the Playtech Casino.

Whilst Poker net revenue fell, operating profit in Poker grew, following changes made in late 2011 to the operation of this product.

Overall, operating profit grew 36% to GBP145.3 million.

Following a successful year in terms of customer acquisition, unique active players grew by 27% year over year. Despite this strong growth, net revenue per unique active only fell back slightly on average, which follows a strong year of growth in this metric in 2011.

Focusing in on the Sportsbook, wagering growth continued apace, up 36%. In-play wagering grew 39%, benefitting from developments in tennis, football, and basketball, amongst others. Pre-match wagering grew 34%.

Overall, Sportsbook margin advance by 0.9 percentage points, from 7% to 7.9%. This was largely driven through pre-match, which saw the benefit of favorable horseracing and football results. In-play margin growth was tempered by the expansion of tennis and basketball staking, the margins of which are slightly below the average for this product.

The rate of operating cost growth benefited from a slowdown in growth in employee costs in 2012, with cost savings in early 2012 arising in the short term, following the vacancies created by the restructuring of our Tel Aviv operation in late 2011. Notwithstanding this feature, average headcount has grown year over year.

Other costs continue to grow, largely reflecting the pace and scale of operational growth. Whilst marketing grew by 24% in absolute terms, the ratio of marketing to net revenue moved down slightly from 27% in '11, to 26% in '12, despite a guided 28% ratio. Whilst partly due to a small undershoot in spending quarter 4, the main driver of this was stronger net revenues than we'd anticipated. And, looking ahead, we do anticipate a return to that 28% ratio.

Finally, although not on this slide, cost of sales grew by 25%, with Spanish and Italian tax, and increased royalties, particularly on mobile software, driving up this cost line.

As guided, CapEx continues to increase as we've seen to invest around GBP40 million per year in our Retail business. William Hill Online spent around GBP20 million for the second year in a row. Our expectation is that we will invest between GBP80 million to GBP90 million in CapEx in 2013, with greater levels of investment in William Hill Online, and in the Australian and US operations.

We grew the Retail estate by a net 21 shops, or 1%, to 2,392 shops at the year end, albeit that the average estate only moved by one shop, reflecting the number of openings that were completed at the tail end of 2012.

Working capital, again, moved favorably in 2012, with ongoing working capital inflow arising from William Hill Online as it grows, and with a circa GBP10 million favorable movement, arising from the phasing out of the AMLD prepayment as we move into a machine-gaming duty regime.

Our effective income statement tax rate was 16.5% in 2012, broadly in line with our 17% guidance. Looking ahead to 2013, I would expect this to be around 15%, prior to the impact of the minority buyback and the Australian acquisition. I expect effective cash tax rate to be higher than this, at around 20%, reflecting, in part, the nature of the deferred tax benefit currently holding our effective income statement rate down. I will give you more details on our tax guidance for the shape of the business, going forward, a little later in the year.

And, finally, in terms of 2012, I am pleased to be able to highlight a 17% increase in the full-year dividend, from 9.6 pence per share in 2011, to 11.2 pence per share in 2012. This is covered by basic adjusted earnings per share 2.6 times. Whilst marginally higher than the 2.5 times we aim for, I would remind you that we've seen an additional week in 2012, plus very strong results-driven margin through the year.

Ralph will talk shortly about the call option of Sportingbet, but let me just touch on funding matters. And to position, or orientate, you we ended the year with a net debt, for covenant purposes, of around GBP339 million, and an EBITDA over net debt ratio, as per the bank covenant, of around 1 times.

As previously outlined, for Sportingbet we intend to use around GBP225 million of the bridge facility we put in place in December, with the remainder coming from our existing revolver. To fund the GBP424 million William Hill Online minority acquisition, we intend to raise GBP375 million net from a rights issue, and to fund the balance from the bridge facility. Playtech have indicated to us the desire to take cash, but do have a right to call for shares as part of the consideration, up to 9.9% of plc equity.

As regards the impact of the various deals on our gearing, you'll recall I outlined a circa 2.5 times gearing expectation following the Australian acquisition announcement. Since then, trading has been better through Q4, and now in our first seven weeks. So this number now looks conservative in hindsight.

Looking forward, we think these financing moves will leave us with the appropriate gearing level, given current trading conditions, potential future developments, and, in terms of the flexibility we need, to pursue our stated strategy.

Focusing on the equity raise in a little more detail, we, as I've said, will seek to raise circa GBP384 million gross, circa GBP375 million net, with a discounted theoretical ex-rights price of 35%. The rate is fully underwritten by a syndicate comprising Citi, Investec, and Barclays. All directors will be taking up their rights.

And for the analysts amongst you, a couple of modeling points to note; firstly, the new shares will not rank for a 2012 dividend. And secondly, you'll need to remember to adjust your pre-rights issue, EPS and DPS, by the bonus factor associated with the deal. This relates both to the period in 2013 prior to the equity raise, as well as to previous years. And, finally, timing-wise, as a related party transaction, we require investor approval, which we will be seeking at the EGM on March 18. The prospectus is out later today.

All things being equal, we anticipate receiving the equity-raised funds by April 6, and the minority interest purchase period runs until the end of April. You may notice from the timetable that we're going ex-divi slightly ahead of the normal time period, which is designed to ensure that we only have one line of stock running, once the right issue completes.

Thank you for listening, and I will hand over to Ralph to give you a business overview.

Ralph Topping - ***Chief Executive***

Thanks, Neil. Current trading; seven weeks in and we're sustaining the momentum in our business. The margin is still strong; that, of course, does affect recycling, but Retail, overall, you have to say is in an excellent net revenue growth position. Over the counter has performed well for three years now, and that's in spite of more fixture cancelations disrupting January and February this year.

We do feel Machines will strengthen as and when that high margin normalizes. And if it doesn't normalize, well, we can live with it. We can live with it being above the norm; we'll struggle on. And, of course, Online is also looking very strong. I told you how this looked for 2012 on the call in January, and here's a wee bit more detail after just seven weeks.

Sportsbook turnover has, in fact, been higher than OTC's in every one of those seven weeks. So we've taken more through our Online business than we are taking over the counter. And that doesn't mean to say we've got a weak Retail business. It means we've got two (expletive deleted) strong businesses in Online and Retail.

Retail depends on horseracing, and we have to take into account fixture cancelations; a large chunk of Retail anyway is accounted for by horseracing, but the direction of travel on those numbers there is well established.

Mobile weekly turnover averaged GBP16 million a week, and has been above our target for six of those seven weeks. Again, Mobile has generated, on average, 34% of our Sportsbook turnover, and we're on track for a 40% target.

Strategy, how are we doing it? Well, just for those who have never run a business, and you want to, it's not rocket science. It's actually just about putting more product in front of the customers, and putting in-play and pre-match football, tennis, basketball, cricket, racing, darts, golf, snooker and American football. Easy. It's about making our own product. We actually don't have third parties delivering it to us.

And then there's gaming too, our own products, our own innovations, like Live Casino. The brainchild, actually, of our own team who understand -- come from a land-based background, but understand what customers want and set about giving it to them. When you do that, you make it easy as well for the customers to use the product.

Mobile has been one of our priorities for a long, long, time now, and our top-ranked Sportsbook app has been downloaded 668,000 times, and generated 90,000 new accounts for us. We launched a number of mobile-gaming sports sites in apps in the second half of last year, and an iPad version of the Sportsbook in December.

We continue to focus on innovation and we're keen to get into social gaming, but it definitely needs to be regulated. We're working with a number of social gaming companies.

With more product, we need to get that into Retail as well, which is where the SSBTs are coming in. We'll have 1,000 by the year end. There's international opportunities of course, Italy, Spain, Australia, and the US. As a team, as a business, we're focused, and we're determined not to spread ourselves too thinly. We've also had a sustained record of being innovative and flexible, growing both organically as a business, and also through acquisition.

We're open minded. We think in multichannel terms, and we're definitely interested in what land base can do for us as well as online. We're even more interested in the crossover between the two, something we'll get now that the JV is coming to a conclusion.

Retail, I don't apologize for saying this once more. It's not about OTC or Machines any more, it's about both. It's about what the client is prepared to leave when he walks out of the betting shop, and it's about getting the right balance between the two. So when the margin is up in OTC, the Machines may not grow as fast, but the overall Retail business does. And I don't think I'm discouraging people agonizing about it.

Retail net revenue increased by 6% balanced, as I say, between OTC and Machines. We acquired 32 new licenses and installed 650 SSBTs, which give our customers a wider range of betting. I'm not going to tell you how we choose the shops, that's because our competitors would love to know, and I'm waiting on somebody telling me anyway. So once I know how we choose our shops and James Henderson tells me, I'll tell you, but I won't tell our competitors, he lied.

We're running technical trials of gaming machines in 100 shops. They are technical trials; it's an upgrade to Storm in a number of important areas, and I think we've got some of the machines outside.

You can actually see the way we operate Retail in our football coupons range, which gave us a 17% increase in football stakes last year.

We also set about optimizing our broadcast schedule from the studio we operate in Leeds. We've got our own studio, to give punters more opportunities to bet during gaps and at the right time. That's pushed last year's virtual stakes up 26%.

We've got a very measured approach to shop openings; we believe in going for opportunities that deliver long-term value. And in Retail we're still innovating, being the first to bring in video walls. We've got around 100 across the estate now.

So what's ahead? Well, we've got the new shop design, the video walls, obviously, and the SSBTs out there. We've got a new cabinet ,and you can see a prototype in the room outside, so take a look. We've now got card readers across the Estate so the Machines Bonus Club will get the full rollout shortly. And we'll get stuck into, now, get stuck into cross selling on line and retail as we go through the spring and summer.

Let's take a look at Online. We've got a whole pipeline of developments in that business. We're still focused on product. We talked at the interims about increasing basketball, tennis and football coverage in midyear in the second half. Turnover on those three products is up 59% in the second half of last year.

We launched Live Casino I referred to earlier in September, and saw a revenue increase of 57% in a year. Off a low base, Mobile grew revenues [726%] in gaming, and that's barely scratching the surface of gaming.

Sportsbook, bingo, casino, virtual football, virtual racing, virtual greyhounds have all been done and we've also launched William Hill Casino club, bingo, Sportsbook iPhone and Sportsbook iPad in the app store.

We've also launched Cash in my Bet. We're the first bookmaker to give punters a real alternative to laying off on exchanges, and you don't need to buy an exchange to do Cash in my Bet, but some people don't listen to the message and go ahead and do it.

We've made a move into Spain and extended the product range in Italy where slots are going great guns, but we claim no credit for the election result this week; that's down to the Italians.

What's next for Online? Well, given today's news about the call option that's certainly a topical question. The answer, I firmly believe there's a lot more to come from this business. We're extending our tennis product, turning our attention to cricket ,and making it mainstream will be betting in play ball by ball on every domestic match in England this season, plus selective international matches.

We're working on our American sports products. Every NBA match is going to be live and every NFL match ditto. Our attention is turning to baseball and ice hockey; every match there in due course, hopefully this year.

We'll be expanding our Mobile offering again and taking it into our international sites. We've just launched live blackjack for iPad, and Cash in My Bet for mobile is now a priority, given the success we've seen through other avenues. So the Sportsbook iPhone offering is also subject to an upgrade even as we speak, and there's a lot more gaming to come.

On top of that, we've got player management and CRM, big areas of focus for us. We've got improved bonus systems, and a single customer view giving us more tailored promotions.

Turning to the US, it's very early days here in this business. You already know the numbers. I think the most important fact to register is the integration has been done; we're now in more locations than before and our brand is out there.

Our management team has been strengthened with three significant additions in the last month. There's an excellent opportunity to capitalize on the platform we've created. And just by way of an example on that, land-based Sportsbooks with major Casino groups, potentially outside Nevada as well as legislation changes. There's online gaming which looks to be a real opportunity, and other related areas. You should never forget that we are good at machine management, and that's a core skill at William Hill.

Larger scale expansion typically involves capital outlay and partnerships with major casinos and racetracks who act as the gateway for the customer. We're starting to get more product out there too, including in play; in fact, we offered in play on the Super Bowl. We had a soft launch, we didn't have any fanfare, and we took almost as much money as we did in Online. We're changing the way US customers bet, and you'll see more of that this year and next year.

Turning now to Sportingbet. Investors know that we've a very cautious investment approach and have many checks and balances within our approval system to ensure we really get the return we require from any investment. You all know enough about Sportingbet, and you will have seen the update to say we're paying GBP460 million now instead of GBP454 million. What I will say about this acquisition is it's right in the sweet spot of our strategy. It's giving us online revenues, locally licensed revenues and international revenues.

It gives us a leading position in Australia, and it can accelerate our position in Spain. We've tied in the management team and, naturally, I'll be very interested to see what they can achieve.

Potential bolt-ons, which would be highly synergistic, are still available in Australia at low cost, low risk and low multiple, and we'll be giving that some attention, no doubt, as we go forward in the year.

The rationale for the deal is clear and what's the status? Well, I'm sure you've all been tracking this. We've got our Australian approvals; Sportingbet and GVC have got their shareholder and bondholder approvals, and we're on track for the deal to become effective on March 19. Sportingbet's a really interesting business; it's got a lot of potential and, as I say, we're looking forward to working with the team to realize that potential.

No doubt you'll have questions about the likes of cost savings so on and so on, but I can tell you I'm not going to get drawn on that at this stage.

I'm certain that there will be ways in both William Hill Online and Sportingbet can benefit this Company. This is definitely about building a platform for future revenue and earnings growth.

Which brings us on to the news of the day. After much navel-gazing by the banks, the independent valuation process has thrown out a number and it's GBP424 million. There's no doubt that some question's going to be asked about how many envelopes were opened. There were two envelopes opened; I left one envelope not opened. And for those of you who can't work out which envelope didn't get opened, could you kindly leave the room and seek a career elsewhere (laughter).

The prize for being closest to that number, there was a prize, goes to Nigel Hicks. Is Nigel here? Nigel, would you like to come up please, and get your prize? It's very topical; it's four cans of Foster's lager, (laughter) which we had flown in last night by the boys out in Australia. They said give that to Nige, will you, and I said, okay. Okay, so there you are, fair dinkum to you Nige, well done (applause).

There's also a Barossa Shiraz here, bottled by St. Hallett Wines, with which I'm sure you are very familiar, and it's from Waitrose, a company that's dear to my own heart, and I'd like to give you that. And I'd also like to say that we have, as a special prize, got two tickets to an Australian rugby league match, for you.

Yes, the World Club Championships played in Leeds every February (laughter). You didn't think -- sorry, sorry Nigel, you didn't catch that, but enjoy those tubes of lager, try keeping the noise down as you open them during the presentation (laughter and applause). And if you get spray all over you, Lindsay's got paper towels over there.

So now we all know what Online is worth. The price, let me say, is a fair one for both sides. Full ownership, however, will give us increased strategic and operational flexibility, to grow the business, and realize its potential over the medium term. This is not just about two or three years.

We've notified Playtech that we're exercising the call option, and we're looking to raise GBP375 million from the rights issue, to fund it, alongside the debt facilities. There's no operational risk from this deal, as there is no change to operations or management.

In our view, the JV structure, whilst very, very successful over the last four years, isn't right for the future of this business in the long term. The only question then that we're left with was, do we buy out now, or do we wait two years?

Our conclusion was and is that it's throwing off good earnings and cash flows, and why wouldn't you want to own 100% of those? It's a growth business, and we do want, and you've heard me saying it right through the presentation, the strategic and operational flexibility to underpin that growth.

But what does it mean, what does it actually mean? It means we should be investing more than GBP20 million CapEx in this business, GBP20 million a year CapEx in this business, but we couldn't under the JV.

It means, if and when they come up, we can do bolt-on acquisitions, but that proved difficult with the JV structure. It means we want the stellar online team that we've assembled to work with the rest of the William Hill Group, whether on promoting multichannel promotions, or in Australia, or in the US.

So why not, why not in two years? Well, our major shareholders have backed our view of the world. It's simple, and in our view it could well cost more in two years; it's earnings enhancing today against the rights issue, adjusted alternative. And we won't be paying out a minority dividend over the next two years. We're confident we shall get the benefits of that operational and strategic freedom for those two years.

Neil and I have been round to see our major shareholders this week. They're a very high quality bunch of people and institutions, and we were very pleased with the strength of the support we received, both for this and for the rights issue.

So last but not least, William Hill is a strong story, and a clear one. We've come a long way as a business, and these are major milestones for William Hill as we move to make full control of William Hill Online and develop William Hill in Australia.

The JV has been a success, and we have been delighted by that success. It is time to move on, though. Our proposed rights issue will ensure we have the appropriate capital structure to underpin future growth.

The rights issue, as Neil said, is fully underwritten, and we expect good shareholder support. We are heading for Australia, and let me be clear, we have no intention to enter into any large scale M&A for the foreseeable future.

However, we will seek to strengthen our existing markets of the UK, USA and Australia, talking futuristically, with smart and targeted investments, should they become apparent.

The USA, in particular, is attractive to William Hill, for a whole host of reasons. And if we are to achieve an ambition for the William Hill brand of becoming a GBP5 billion plus Company, then the USA, and its many forms of gambling opportunities, will offer us the chance for that step up.

We've delivered strong 2012 results. The start of 2013 is, indeed, looking good. I'm sure you've got plenty of questions, so let's get started.

QUESTION AND ANSWER

Vaughan Lewis - *Morgan Stanley*

Vaughan Lewis, Morgan Stanley. Just following on from that last point on bolt-on deals, can you give us an idea about what sort of size you'd be thinking about over the next few years?

And are you looking to broaden your capability and technology base, or is it more just bulking up and getting synergies in markets that you're in, and should we look at other regulated markets that you're maybe not in?

Ralph Topping - *Chief Executive*

The concentration for us [in terms of] markets is definitely Australia, the UK, Italy, Spain and USA. At the moment, we're not looking at any other markets.

We're not going to rule anything out, in terms of acquisitions. I think there have been some compelling technology opportunities for us in the last two or three years, which we haven't had the opportunity to take up.

But there is also opportunities in other areas, with small bolt-on companies, sort of specialist skill sets that we would look at. We're looking at a lot of things, some at very early stages, some medium stages, but none at conclusion.

Vaughan Lewis - *Morgan Stanley*

And on the CapEx, I'm not sure if I missed it, but did you say how much the CapEx would go up to, from GBP20 million in Online?

Ralph Topping - *Chief Executive*

You never missed it. That's correct, you never missed; I never said. That's right, I can confirm [that I never said it]. Thank you.

Vaughan Lewis - ***Morgan Stanley***

So what will it be, and what are you --

Ralph Topping - ***Chief Executive***

I never said either. Do you want to have a bash?

Neil Cooper - ***Group Finance Director***

I'll have a bash, yes. Just to remind you, we did around GBP20 million this year, with around GBP40 million of Retail, plus around GBP5 million of corporate, and system wide IT. We're expecting to do GBP40 million again next year.

I think we've got ambitions to do around GBP30 million for Online, so it's a 50% increase in percentage terms, and then around GBP15 million between the US -- around GBP15 million to GBP20 million between some corporate IT, the US and Australia.

Vaughan Lewis - ***Morgan Stanley***

Great, thank you. And then one final one on the Retail side. You talked about the cost inflation, does that include Sky TV, and are you going --?

Ralph Topping - ***Chief Executive***

Listen, given the way technology is going, and the fact that you can walk into, say, a betting shop with Wi-Fi, with your own Sky+ iPad, you've got to be absolutely fundamentally mental to put Sky TV into your shops, haven't you? I don't know of anybody who would do that. If you can tell me who they are, I would strongly counsel them.

If you're talking of technology development, you just don't stick in that kind of level of investment in your betting shops, do you? Is there anybody doing it? I've never heard, have you heard?

Vaughan Lewis - ***Morgan Stanley***

But people will still walk into the shop and bet in cash rather than on their [mobile].

Neil Cooper - ***Group Finance Director***

If I could just really remind you of one point. We used to have Sky TV for football and we took it out. Commercially, if that decision had been a bad decision for us, and we can't comment on other, well we shouldn't be commenting (laughter) --

From our perspective, we got all the data we need to make a rounded decision for us, because we had it and we took it out and we haven't put it back in.

Ralph Topping - ***Chief Executive***

You've got to remember one thing, Vaughan, you look young enough not to have been around when the silent movies were here. It must have been hellish going out to a picture house at that time and watching a silent movie and saying, why can't they speak? You went into a betting shop to watch a football match, you've got to remember the [blowers] on with the racing. You've got a studio trying to sell virtual betting, virtual this, virtual that; you can't watch a match in peace. So where do you go to watch a match in peace that you're interested in it? You go to the pub. The pub. Well done. I can tell you who was the guy that took Sky TV out of William Hill. Guess? Vaughan, it's [an odd] a question for you.

Vaughan Lewis - ***Morgan Stanley***

Ralph Topping.

Ralph Topping - ***Chief Executive***

Well, done.

Matthew Gerard - ***Credit Suisse***

Matthew Gerard, Credit Suisse. Two from me. Firstly, in Online, with the progress you made in mobile gaming, it's still kind of two years behind sport in terms of the take-up or penetration relative to the channel. Is there any structural reason, that you've seen so far, that makes you think that it won't just track what Mobile Sportsbook has done, in terms of relative penetration, either from a product or customer perspective?

Ralph Topping - ***Chief Executive***

I think it's got fantastic potential, Matt, and I know that Andy and his guys have concentrated on mobile gaming and the development in mobile gaming. I think later in the year, when we have our customary visit to Gibraltar, I think you'll be quite gobsmacked at the amount of work that's going on there, and what will appear on your mobile phones over the course of the next three to six months. We're big believers in mobile gaming, and there's a lot of activity going into it, to the extent we're kind of saying to the guys, we're saying make priorities and make all your priorities around development of the mobile apps rather than just sticking more games onto computers. Certainly a big area of growth for us. Second question?

Matthew Gerard - ***Credit Suisse***

The second was on Retail. You consistently said you don't really care how customers leave the cash behind, whether it's OTC or Machines. They left 6% more behind last year than they did in 2011, 4% on a like-for-like basis?

Ralph Topping - ***Chief Executive***

And the guy that should get the credit for that is actually not in the room today, but James Henderson. He's probably one of the best operators I've ever worked with in retail betting and he deserves a lot of credit for that, together with some other guys who have been active on the machines, like David Steel and Vince Bateson. They've squeezed the revenue out of punters' pockets, in a nice way; nobody's been any way up to get their money.

Matthew Gerard - ***Credit Suisse***

Given that theory, and I suppose the fact the UK consumer isn't in a lot worse state this year than it was last, is that the kind of growth we should be looking for this year?

Ralph Topping - ***Chief Executive***

I don't think you can ever give a growth figure, because everything depends on results, ultimately. I think we'll be able to get an indication of where we're going after Cheltenham, after the Grand National, after we end the football season in May. At that point, we'll have an idea how things are going but, at the minute, we've got a good eight weeks' start to the year a good seven weeks' figures we've put up. I think we'll just wait and see and be a bit cautious, but I'm expecting it to be positive. I'm not expecting it to be negative.

Neil Cooper - ***Group Finance Director***

You've also got to be cognizant of the fact that the demographic for Retail is C2DE orientated, but even this week we're at record high petrol prices, the average income in the UK is GBP25,000, after tax. Petrol hikes, take up discretional income, and we are not in a buoyant economy, or economic conditions nationally or particularly for our demographics. So I think, yes, you've got to be cautious.

Ralph Topping - ***Chief Executive***

No matter how hard things are for C2DE and old boys, we're not giving up our pleasure. I still have a wee gamble; the Chairman still has a wee gamble. I still think the working families are orienting their pleasure to low ticket, low cost items, and there's a bit of readjustment to what I would call their capital expenditure as families [are not] laying out on the big tickets like motor cars and washing machines and whatever else. But like Gareth and I, they're having a wee drink, a wee swally when they want to have one, a wee puff, and still have a wee bet. I still do my 10 pence yankee every Saturday.

Matthew Gerard - ***Credit Suisse***

Thank you.

Ivor Jones - ***Numis Securities***

Ivor Jones, Numis. Do you expect that profit over the next couple of years in Online are going to grow enough to pay for point of consumption tax? And are there any strategic changes to a business that is paying point of consumption tax in the way it operates markets, that sort of thing?

Ralph Topping - *William Hill Plc* - *Chief Executive*
Point of consumption tax is about 22 months away, if it does, indeed, have the December 2014 deadline. I think it's far enough away for us just to be beginning to think about how we operate our business and what we do in that business.

I'll tell you what I said to shareholders this week. As we go through the year we'll firm up on our plans going into next year as well and, during that time, we'll give you an idea what we're thinking about and what we potentially will be looking to do in that business.

I think there's two ways you can approach it. You can either say, well, look at the size you are, you have a mix of saving on some costs, but also pressing the button on keeping it going on marketing, to get market share and grow the business. I think it's far too easy for the turtle to stick his neck back in the shell. I think it's important that you get a balance right in your thinking.

We'll start with the broad picture what we're going to do, and work from that. But we'll have some idea by end of the year, in the next year, Ivor.

Ivor Jones - ***Numis Securities***

Do you think that could include you saying that you expect the geographic mix to be different? That you're going to significantly spend more heavily outside the UK to shift the mix to lower tax areas?

Ralph Topping - ***Chief Executive***

Well, I think we want to grow Australia, and I think we'll be -- I'm not going to use the word aggressive, because I remember somebody talking about parking a tank on somebody's lawn, many years ago, and that backfired on him. But I will say that we will give the Australian business the investment we think it needs. We'll back the Australian management team, and some of the guys that we've got looking after that business in a corporate sense, over the course of the next 12 months, certainly will do.

Ivor Jones - ***Numis Securities***

Thank you. Could you just talk about the discussion about primary purpose of a betting shop? Whether we should be --

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Ralph Topping - ***Chief Executive***

This is new; it's one decision. I think primary purpose is an issue that has come up in one location. I don't know where they got the idea that they should look at that at all. And I think it's been challenged, I think it was Paddy Power wasn't it? I don't think it's something that I'm going particularly worry about at the moment because I haven't seen anywhere else.

I haven't seen it reflected in discussions with the Gambling Commission. I certainly haven't heard that from the Minister. I haven't heard it from the Economics Secretary of Treasury I met the other day. I'm meeting Lord Devlin very shortly, and I've also been inviting to number 11 Downing Street to have a cup of tea with George Osborne. So I'll ask at that point over a cup of Darjeeling with George, and I'm sure he'll be on the ball with that.

Ivor Jones - ***Numis Securities***

Before the budget?

Ralph Topping - ***Chief Executive***

I'm seeing after the budget. Apparently, he's just having a soiree for some people, so I say that we'd go along this time. I've turned it down twice before, so we'll see.

Nick Edelman - ***Goldman Sachs***

Nick Edelman, Goldman Sachs. Three questions, please. First, just on the self-service betting terminals; could you just give a bit of color on how happy you are with their performance? And then in terms of adding a few more terminals, is that that they'll still be added on a trial basis and you may roll out further? Or are you looking to change the terminals you're using in due course? Just how is that progressing?

Ralph Topping - ***Chief Executive***

SSBTs, I'm happy with the performance. I think what they do do is give, as I said in the presentation, give punters the opportunity to bet on products that we can't physically put in front of them.

If you imagine a [betting shop] with 13, 15 or 17 or 21 screens, and you've got live transmission of racing through the day, it's very difficult to put up other products such as football matches until the racing's finished, the greyhounds are finished. So SSBTs cater for that. I'm happy with the type of betting that's going on through SSBTs. Very strong on accumulators, very strong on European football matches in particular, which surprised me when I saw it. And we're getting a good margin out of those transactions.

So overall, where we've got them I'm pleased with them. Probably, as I say, we're rolling them out in 350 locations, and we're gathering evidence of where they work, in what circumstances they work, and we're trying do it in a detailed analytic way. But I think SSBTs are here to stay, actually. I think they will become a feature of betting shops, going forward. But there's no master plan to turn them into something else, if that's what you're aiming at unless some of the guys have that master plan haven't shown it. But there's no grand design.

It's just a way of getting product in front of people who -- the generations that are coming through now are generations which use their fingers a lot, and like to have in their face with screens. Generations with [each way] bets are still there in our business, but more and more they're quite familiar and much more sophisticated as to how you use that technology. So when you look at the usage of the machines, it's just not all young people that are using them. So it's the product again and what we put out there that's the big attraction in SSBTs for me, plus the margin. All right?

Nick Edelman - ***Goldman Sachs***

Thank you. The second one was just, post the minority about buyout, will there be any further integration of the Oz business than you originally planned?

Ralph Topping - ***Chief Executive***

No, I'll tell you what, we had a good stare at the Oz business through due diligence. Now, we're going to have a gaze at it and see what our plans are for it, going forward. But my inclination is to run it as a separate business for a period of time. It is a standalone business, and anything that we touch it with I think will around marketing trading. And marketing trading and operations I'm sure there's ways in which we can learn from those guys as well, because it'll pay.

Australia is the biggest [trivia can] and I think they are superb traders of horseracing, because they've got a balance between tab tax, they're own prices, Betfair in Australia and so it's real trading in the strongest sense of the word. And there's a lot I think that we can learn them around horse trading and we've got an Australian trading Director who I think is the best; he's definitely the best I've ever worked with.

Terry's over there principally to look at the ways in which can up our anti on horserace betting which will take a bit of time, because we just need to look at the way they do it. And it's not so much intellectually how they do it, but how do it technology-wise. So I think there's a bit we can learn from that business as well.

Certainly, might look at the Sportingbet technology in how it applies to the US because there's broad similarities there between the betting offering in Australia and the US. So there's a lot to gaze at, and a lot to think about, and a lot to plan. But the guys in Australia are making a fairly good job -- a very good job of managing that business. So we won't just have a stare at it; maybe for a couple of weeks and a wee bit longer before we make plans.

There's some branding issues we may look at well, because we have a Sportingbet brand and a Centrebet brand, and I think, in a way, that confuses me. But I'm sure I'll learn a wee bit more about that when I go over and have a few tubes of lager with Michael.

Neil Cooper - ***Group Finance Director***

I think the one area that, yes for the avoidance of doubt, the one area that clearly will have a different complexion on it is the Spanish option on the Miapuesta brand. So I think that is far more likely to come into relevance in that context.

Nick Edelman - ***Goldman Sachs***

Sorry, one last one was just on (multiple speakers) into one. But just on the like-for-like Retail cost inflation, could you just say what that is, just on a 52 week basis, ignoring the Machines part?

Neil Cooper - ***Group Finance Director***

Yes, so the guidance I gave you is headline, so it's 53 on 52. Now, on a adjusting for machine game duty, which I think it is the fair comparison, I quoted 3%. On a 52 on 52 it's going to be 5%, well, the guidance would be 5%.

That features some non like-for-like cost growth, given the development plans for the business. So I think frankly, if you boiled it down with all the various moving parts, I don't think 4% for a like-fo-like 52 on 52 machine gaming duty consistent treatment is not going to be far away from where you should be. I apologize for only putting the two numbers up, but once I've sat down to think through the permutations, well, this could be a whole slide in itself. And there'll be one or two people interested and everyone else asleep.

Nick Edelman - ***Goldman Sachs***

Sorry [about that]. Thank you.

Simon Davies - ***Canaccord Genuity***

Simon Davies, Canaccord. Two from me, please. On Retail OTC betting, can you give us a split by sport and talk about the underlying trends that you're seeing in racing, i.e., if you adjust for cancellations, are we reverting to growth there?

And secondly on Spain, I know it's only an option, but obviously once you've got full control of William Hill Online, one assumes that that business would be fully integrated and, therefore, they won't be material synergies. Can you give us any pointers and any thoughts in terms of your branding strategy in Spain?

Neil Cooper - ***Group Finance Director***

Yes, just in terms of that, we haven't broken out our OTC staking by sport in that much detail. But what you can see is that, on a 52 week basis, our staking fell 3%. Horserace fixtures were down 7%, and horseracing makes up about 50% of OTC staking levels on UK horseracing.

So there is -- sorry, it's actually higher than that. So directionally, you can read that much from it. Football stakes were up; in the mix, it was up from around 13% to 15%. Football would be the third biggest; greyhounds is going to be somewhere around 20%.

Virtual grew quite strongly, because we've seen some benefit from tweaking the schedule and changing the times between what we think is the optimum scheduling pattern of events through the day. So virtual's up, football's up, horseracing is down, greyhounds has been broadly static, and the fixtures are down 7%.

Simon Davies - ***Canaccord Genuity***

And on Spain?

Neil Cooper - ***Group Finance Director***

Your question was about --?

Simon Davies - ***Canaccord Genuity***

About potential cost energies from integration of Online.

Neil Cooper - ***Group Finance Director***

Yes, I think -- well, the first thing is we haven't bought Sportingbet yet. We anticipate we will, but we're still a couple of weeks away from closing the deal. And equally, we haven't completed the purchase of the minority either yet. So it's a little bit premature to be talking in those levels of details, which I think is -- I'm sure Ralph would echo that thought. We will talk to you about that once we're clear on our plans, or clearer than we are now.

James Hollins - ***Investec***

James Hollins, Investec. I'm just interested in the US. I was wondering if you could give me a bit of detail on what a normalized margin would be, any guidance range on that.

The second one on cost. I think you said the --

Ralph Topping - ***Chief Executive***

7% would be the kind of margin you're looking for.

James Hollins - ***Investec***

It was 7%, was it?

Ralph Topping - ***Chief Executive***

Yes.

James Hollins - ***Investec***

And then on the -- you say you've completed the integration; is there anything more you can do on stripping out underlying cost to move that back to making profits? And what the estate expansion would be over the next couple of years, or two or three years.

Neil Cooper - ***Group Finance Director***

Our expectation, without delving too much into making a forecast, our expectation is that, at a normalized level of profit, at a normalized margin level on the staking levels we anticipate, we will be making a profit on the current old structure.

Otherwise, frankly, we wouldn't have the current old structure, as I'm sure you appreciate.

Ralph Topping - ***Chief Executive***

It's also a business that you may invest in, because if you're seeking to get representation on the strip, and we're in the local market, and build relationships with the bigger players on the ladder, then you're going to have to think of investment in that business.

And that includes investing in -- it's a theme for me -- investing in talent, and people who are used to dealing with big businesses and used to interfacing with the kind of guys that operate the casinos on the strip.

That means our headcount will need to go up, our talent base will need to go up, but we're using Nevada as a springboard for the rest of the States as well. You've got to remember that. So all in all, more investment in people, more investment and capital in Nevada, over time.

Last year's performance, I think I landed there in November on the worst weekend they've had in 40 years of trading on the NFL. I have a real talent for doing that. I'm going out to Australia on March 19. Do you want to mark that date down in your diary and check the racing results in Australia that day? But it was a bad NFL season, no more than that. It's a short hockey season as well; lost a lot of the hockey.

So all in all, if it normalizes then it's a good wee business. But you've got to have ambitions in business. You just don't want to sit there and milk it. You want to grow it, and you want to strengthen your presence only if the opportunity is there. And the opportunities are out there in Nevada and they're certainly there in the States. So to strengthen the business you've got to have the right quality of management around to do that in the right roles.

And as I said earlier in my presentation, we've taken on three guys for the States who are business development people, and we'll see what they produce over the next 12, 18 months. Robin Chhabra's done a great job for us in terms of heading up CDO, developing a strategy. Robin's got a remit which covers Australia and the USA, so a lot to come from him and his team. They're brimful of ideas.

James Hollins - ***Investec***

I had a follow-up question just on your views on expected margin. There's been a lot of chat from the sector about expected margins; what do you see as your potential plans to perhaps move your expected margin in Sports and Retail and Online? Or whether it's up to the competition to catch up to where you are.

Ralph Topping - ***Chief Executive***

Well, I think we're happy where we are at the moment. We certainly -- to develop the margin, you've got to get people doing more in the way of cumulative bets. We've had strong growth in our bet in play, which reduces your overall margin, but your overall bottom line improves.

I think that, within the figures, there's a bit of movement because of what we're doing in terms of encouraging people, or people are feeling encouraged because of the value and the odds we're offering to add more to their accumulators.

But I don't know what other people are doing and why they're not getting the margin approaching ours. You need to ask them that. I'm certainly not going let the genie out of the bottle, and that's why you never see Terry at these presentations, just in case Nigel gives him a can of lager and he starts talking. (laughter)

Edward Birkin - ***Barclays***

Edward Birkin, Barclays. Just on the point of consumption tax; now you've got a price for Playtech, has your base case view on the level changed on what we should expect in December 2014?

Ralph Topping - ***Chief Executive***

On the point of consumption tax?

Edward Birkin - ***Barclays***

Yes.

Ralph Topping - ***Chief Executive***

No, I've no change.

Neil Cooper - ***Group Finance Director***

The Government have said they anticipate it being 15% in December 2014. We haven't got any other reasonable basis on which to make an assumption, frankly.

Ed Birkin - ***Barclays***

And can you clarify, on a pro forma basis, now you've exited some of the European markets, what percent of the Online revenue is from the UK?

Neil Cooper - ***Group Finance Director***

For the year as a whole in '12 and for the quarter 4, I think we've said it's around 74%, 75%.

Ed Birkin - ***Barclays***

And on the Retail, I don't know if you mentioned net shop openings for 2013, and also what you're going to do to opening hours.

Neil Cooper - ***Group Finance Director***

Net shop openings are expected to be around 1%, which is obviously somewhere around 25-ish. In terms of shop hours, it's difficult to forecast in advance, because we genuinely do review our whole estate on a quarter basis by half-hour increments around opening and closing.

The bulk of the benefits over '12 and '11 have come from tweaking on Sundays, predominantly. I don't think it's something that we would typically expect to have said, here's X. Here's our challenge to get X and we're going to go for it and we'll guide to it because, frankly, it is situational. We look at the data and if we think there's an opportunity, we will expand by half an hour.

But, conversely, if the business isn't there, we won't have the marginal labor cost and we'll close that hour as well. So I think what I'm telling you is at the moment, don't assume anything until you hear back.

Ed Birkin - ***Barclays***

Okay, thanks. And, finally, what difference is there, if any, between your Bonus Club Card and Odds On?

Ralph Topping - ***Chief Executive***

It's machine based, our bonus. It's not for over-the-counter betting, so it's machine based.

Neil Cooper - ***Group Finance Director***

And we're not logging people's names and addresses and details. The data is held in the card, which is obviously unique to that individual. So whilst we're collecting data, it's against anonymous names, by definition. It's not being tracked against names and addresses, so there is an anonymity about the process, which in our view has always been one of the challenges in our mind when thinking about something like an odds-on scheme.

Ralph Topping - ***Chief Executive***

I'm not familiar with the Odds On product. Is it something that rewards people for being losers in a betting shop? Is it?

Neil Cooper - ***Group Finance Director***

I think the other thing is ours is blue and theirs is red.

Ralph Topping - ***Chief Executive***

Yes, and they run at a lower margin than we do, I think, or something like that. I'm not convinced there's a case for that despite several layers of management that some company that runs it, and historically, former management who are no longer there, advocating this scheme as well.

Ed Birkin - ***Barclays***

And on that, given that bonusing is used to encourage higher rates of play, do you think there's a concern from outside people looking in, be it the Gambling Commission, politicians, etc., over encouraging more people to use the gaming machines?

Ralph Topping - ***Chief Executive***

No, I think the bonus thing is -- you've got to be very careful here, because we bonus on horseracing, but I haven't heard anybody turn around and say you should ban horseracing because we bonus on it.

Machines is another product; it's purely another product; I fact it's a low margin product. Horseracing's a high margin product. So in effective people are going to lose money quicker betting on horses than they can on the machines.

So I've not heard anybody yet saying we should ban horseracing; that's how illogical the case is. Everything has to be fact based, and we'd be quite happy if someone can produce evidence to say that we have a real problem in this country with problem gambling, and there's the source of it.

The reality is there has never been anyone who has come along and produced the evidence. And that includes academics, and that includes responsible operations involved with problem gamblers. If anything, recently they've been saying the problem is around horseracing. So you've just got to be very careful.

What the Responsible Gambling Trust has done is say they'll fund research in this area, and will come up with the facts. And let's cut some of the emotion out of it, because there's certain journalists who write on Sundays, they can't write on any other story. If I was their editor I'd be booting them down the stairs and saying, can you not think of anything else to write on? And I think the lady at the Daily Mail knows who she is. (laughter)

Ed Birkin - ***Barclays***

Thank you.

Nigel Hicks - ***Agency Partners***

Nigel Hicks, Agency Partners. Thank you very much for my present. Can I ask, you've talked about the response of amounts staked in OTC due to margin, I just wondered what you see --

Ralph Topping - ***William Hill Plc - Chief Executive***

Nigel, you're either mumbling or slurring your words. Could you just tell us what you -- speak up a bit.

Nigel Hicks - ***Agency Partners - Analyst***

With the response of customers to the higher margin in OTC, what sort of response do you see with Online, because your amount staked is still growing at, whatever it was, 27% in the first seven weeks, even though the margin was 11%. And if people are losing do they just put on more bets and almost play it like a machine, effectively?

Ralph Topping - ***Chief Executive***

I think what you've got to look here is that the Online customer, if they're watching a football match, there's plenty of football matches to bet on, so [they were there] -- as far as stake, if they win the stake on other football matches. So I don't think there's any real basis for what you're trying to get to. I think we should just say that the Online customers, what are they doing with their margin? I'm kind of lost with what you're saying there, Nigel.

Neil Cooper - ***Group Finance Director***

Nigel, the difference is, typically the Online customers will pre-fund their account, so they will not be sitting on zero funds.

We have over GBP56 million worth of customer deposits at any one time in the business, based on the year-end number. So if you've sitting on a balance of GBP100 or something, the marginal gains and losses may not have as immediate an effect on the pounds in your pocket as a guy walking into Retail with GBP20 in his pocket. So I think you get slightly different behavior because of that.

Ralph Topping - ***Chief Executive***

I'd also say, in the Retail you never get out all the money that a client has in his pocket, or her pocket. There's always more to get, and you see it when you have a staggeringly good margin on a high-volume event, at the weekend, where you can -- let's just say, you run at a 33% on an average turnover at the weekend -- you see GBP12 million, GBP13 million, where you normally running at 18%.

You see how much money the punters are prepared to leave behind. So you never quite get at all the money someone has in their pocket. And that's actually in the case of online and offline, Nigel, so it's a difficult one to be precise about.

Nigel Hicks - ***Agency Partners***

No, it was just you're sort of saying amount staked was down, because margin was up in OTC. But actually, amount staked was still strong, even with a high margin in (multiple speakers) [Online].

Ralph Topping - ***Chief Executive***

If you look at what's happening Online, with the technology, there's more and more people having, coming in and cross-betting between retail and mobile. And I think the trick, going forward, is to how you keep the balance going between the both so that people who are betting on mobile can actually bet in a betting shop as well. And I think that's where, potentially, there's some technological developments will take us in the next few years.

So don't know; don't know where it's going, sorry.

Nigel Hicks *- Agency Partners*

Just on Machines, do you think gross win per machine per week is likely to be in the 0% to 5%s, rather than the 5% to 10%s, going forward? And do you think you've lost some market share somewhere?

Ralph Topping *- Chief Executive*

No, we've not lost market share, that's for sure. But I do think we can -- we're budgeting for a lower growth in our Machines. I think the expectation is that they've become almost -- they've been through their growth phase, and now they'll more likely -- the rest of the business Online that'll be much more in line with inflation and whatever else.

Nigel Hicks *- Agency Partners*

And, sorry, finally, you were confused about the brands for Australia. Is there the possibility that you take William Hill as a brand into Australia, or is that a given, or -- ?

Ralph Topping *- Chief Executive*

I think we'll be -- Sportingbet you have to say is a very strong brand in Australia, as is Centrebet, and I think everybody's a marketing expert; everybody's got an opinion on marketing in the organization, including the Marketing Director.

So I think we're just going to take our time, and we're going to research it. I've asked for some research to be done amongst the Australian punters on this issue.

I would like to see some association there with the William Hill brand, whether it's Sportingbet, a William Hill Company, or Centrebet, a William Hill Company.

But we really need to get the brand positioning right in Australia, both for Sportingbet and Centrebet. So there's a bit of work to be done there. First of all, to understand it. I've warned my team not to go and make quick conclusions, but to take their time and let's have their [view]. Because you're making a decision for the long term, and we want to get that right, definitely.

Neil Cooper *- Group Finance Director*

I think it's also, for the accounting experts amongst you, you'll know that we will have to fair value the assets that we acquire, and there will be intangible value linked to the brands, regardless of the decision we take, going forward. There is a value to these assets in the marketplace. So there will be value on those brands, which we'll be driving through non-cash amortization over time.

We haven't indicated to you what we expect that to look like yet, because frankly, we haven't finished the analysis as yet.

James Ainley *- Citi*

James Ainley, Citi. I've got two questions, if that's all right? Firstly, when I think about the Online business, going forward, what percentage of cost do you regard as now variable or effectively variable?

Neil Cooper - *Group Finance Director*

I think we look at the offer -- clearly cost of sales by definition should be largely variable, otherwise we've allocated something incorrectly. Always possible, but we'd like to think not. When you look at the operating cost base, I think marketing, given our strategy around pegging to net revenue, is clearly going to vary. Things like depreciation will be a step variance as you invest in CapEx. Bank charges, historically, will map net revenue growth fairly closely. And you're then into the sort of structural and operational costs of the business, staff, and so on.

Now, growth was lower in '12 than in previous years, not because we haven't finished expanding the businesses, but because we had some headcount savings early in the year following the disruption in Tel Aviv, and with resulting exit of people in both Tel Aviv and Bulgaria.

We are, on average, growing the headcount across both years, regardless of those vacancies, and so I think the growth rate in overhead -- in people, staff costs, will accelerate again next year, as you get out of the benefit of the empty positions early in this year.

I don't anticipate that being one-for-one with net revenue, but certainly whilst we're in the growth phase of the business, and whilst we're continuing to invest and see a good return, it's difficult to believe that we want to not put that next marginal job in, if there's a reasonable business case for it, frankly. Because there are very few businesses with the market share that Online has, that are growing consistently with the strength that Online has.

So there's number of things that are going on around the investment shape that we'd have to be cautious about changing, or we change at our peril. So I think we're not at the -- clearly, we will have to start thinking about it as we start to think and plan about point of consumption tax, going forward. But we're certainly not, right now, in the camp of saying we wouldn't to put in a marginal headcount if there was a sensible pay-off on paper.

So I think that growth rate will push back up again. I don't see any reason why it would be ahead of net revenue, but I think the staff costs will grow faster next year on this year than we did this year on the previous year.

James Ainley - *Citi*

My second was, just can you give us any color on recent trading in Australia?

Ralph Topping - *Chief Executive*

Can't because when we (multiple speakers).

Neil Cooper - *Group Finance Director*

It's not our business. It's a PLC. We can't comment on other people's --

Ralph Topping - *Chief Executive*

But having talked with people who are in other businesses (laughter) I can see the horseracing results have been okay recently, so don't know yet until we get in there. It's unfair on the -- it'd be unfair to ask at this point in time. We've got plenty of time anyway. We'll see on March 19 when we get there. All right? Well, it's the last question.

Simon French - ***Panmure Gordon***

Simon French, Panmure Gordon. Just three from me. The first one, you've always been very clear in the past that the liability for the 32Red court case lay with William Hill Online. You now have 100% ownership of that business, so do you pay all the damages?

Ralph Topping - ***Chief Executive***

That's a question we can't answer because of legal reasons. Next?

Simon French - ***Panmure Gordon***

When you mentioned the Cash In My Bet function, did you give a number of how many customers have actually used that?

Ralph Topping - ***Chief Executive***

No, I didn't. And you know that; you're not that daft. Next question.

Neil Cooper - ***Group Finance Director***

I think we are disclosing that number in the annual report, aren't we, Lindsay? Since that annual report's out today, do you know what it is off the top of your head?

Ralph Topping - ***Chief Executive***

Can you cross-reference the page, Lindsay?

Neil Cooper - ***Group Finance Director***

We'll get you the number after the meeting, because we are disclosing that as one of our factoids in the annual report; yes, we are.

Simon French - ***Panmure Gordon***

Supplementary to that, then. Have you seen any change in behavior from people who do cash in their bet? Are they quicker to recycle profits?

Ralph Topping - ***Chief Executive***

You can't see them, because they're Online (laughter).

Neil Cooper - ***Group Finance Director***

I think it genuinely is premature to be answering that level of detail, frankly, on something that has not been in place for that long.

Simon French - ***Panmure Gordon***

The very last question. You made a cryptic comment about your expertise in machines, and leveraging that in the United States. Where do you see that opportunity? Is that in machines at race tracks, in casinos?

Ralph Topping - ***Chief Executive***

No, I didn't say where I saw it. I said there's -- when you look at the States, and you're sit over this side of the pond and you think about the US, the mistake you make is, you think US is only Nevada, or Atlantic City. It's much more than that, and there's other forms of gambling which are institutionalized over there, and machine gambling is one of them. They've got, in various States, what they call routs, r-o-u-t-e-s, we would pronounce it, roots, and essentially what it is, is a daisy-chain of machines owned by private individuals or companies. And there's one heck of an amount of those machines across the US.

So once you get there and you get closer into it and understand what's going on, it isn't all about Vegas, and it isn't all about Atlantic City or the Indian reservations or whatever. There's more forms of gambling in the States than you can shake a stick at.

Simon French - ***Panmure Gordon***

Okay. Thanks.

Ralph Topping - ***Chief Executive***

Thank you very much. We'll call it to a halt. Thank you very much.