William Hill **4th August 2009**

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Ralph Topping: Good morning, it's good to see you again, thanks for coming. Well it's August, it's the holiday time and the Met Office has defended its barbecue summer forecast by saying it was only giving us the odds. Well, if I promise not to forecast the weather today, perhaps [Rob McElwey] will promise to keep out of bookmaking.

Happily we don't need to go on holiday to catch the sun at William Hill. We now have a business with customers and bases around the world and we've got people nowadays in Israel, Bulgaria and in the Philippines.

On the screen you can see the splendid City of Leeds, that's where we have our Head Office; and I imagine you've spotted Gibraltar too. Gib is going to figure prominently today, there's news for you on that, but I'll come to it in a moment.

I'm going to talk about the year so far and my view of operations. I'm going to take some time over that with a dozen or so slides, so you get a real picture of what's going on. Simon Lane, our Finance Director, will take you through the figures; then I'm going to get Henry [Birch] who heads up William Hill online to stand up and tell you exactly what is going on in our online operation and it's a good story.

Finally, I'll update you on current trading and will take questions at the end. Ian [Chuter] our UK and European Operations Director will join us for that.

So how is the year looking so far? Well I think the word that best describes our performance, is solid. You've seen the figures; the 5% increase in the revenue for our business as a whole, but a decline in EBITDA of 7%. Earnings of 11.9p per share and a dividend of 2½p. I think in the first half we've seen a recession resilient performance from retail and some good progress in establishing William Hill online for the growth.

Also I think there are other big positives. First the progress we're making in integrating the business we bought from Playtech. We've never doubted the challenge in integrating these businesses as quickly as we planned. But I'm pleased to say that the project team has acquitted itself well thus far. Putting everything together is complex. It may look easy in theory but making it work is the really hard bit; and we're doing better than okay thus far.

Now when you look at that 12% rise in online net revenue, you can see why online is important to us and how we're moving a good speed and we're definitely moving in the right direction. I'm pleased with the number of new online customers we've attracted during the first half and signs of busy-ness in key parts of online, such as the sports book.

Quite properly, I've talked a lot about online, everything we've met in the last 18 months, about the need for this great old company, it is a great old company, to make up for lost time and lost ground. We actually did the equivalent of hanging round on the street corner for about four years watching the traffic speed by on the internet; that's why bookmakers are called street corner boys sometimes. But you can see the progress we're making now.

Then there's growth in our machines business. You know something, we like machines at William Hill – they've a lot going for them. For one thing they're weather-proof. They work in all weathers. Imagine it's neither up nor down, it's constant. These are good characteristics when you've had weather like we had in January and results like we had at Cheltenham.

What's more important is that the modern day customer in betting shops, likes them too. Which is why we've seen 11% growth in our machines business this year. It's a fact, nowadays gaming from all sources makes up 49% of William Hill's net revenue. This year we re-introduce the dividend. So there are real pluses. However, for the sake of balance, what's the other side of the picture.

Well let's look at horse racing. In January and February we lost meetings because of the weather; then we lost money because of the winners and to be honest results have been grim. We were very poor at Cheltenham. We sponsored the Lincoln at Doncaster and we lost over a million quid that day. Don't know if anybody of you can imagine what it's like handing over a cheque to a winning winner, knowing you've blown a million quid on the race. Times like that, people say I'm a better actor than Gene Hackman.

We bond on the Guineas, we lost on the Derby. Yates did us on the Ascot Gold Cup. You can name a big race this year and the favourite won it, or if they jolly didn't win it, the best backed horse that Hills did. Except, I hear you saying, for the Grand National. You're right and what keeps me going is that every once in a while the good guys win. Yes, I'm talking about the bookmakers. Lady Luck smiles and the cat gets out without a kicking.

Twice in my life I've seen a 100/1 winner on the Grand National, Foinavon in 1967 and Mon Mome; I was 16 when Foinavon won. I didn't have the joy of experiencing that as a bookmaker. But in retrospect I can look back and say it must have been a great result for the good guys. It just wasn't a good result Mon Mome won this year, it was a phenomenal result. We paid out £6 million on Mon Mome and the next three places and some of you may be surprised at that. Of course, had we like some other bookmakers paid out 5th place too, that would have cost us another million or so and 6th place would have blown another million; I'm sure those bookmakers who offered 5th and 6th would have been happier to have banked that two million quid. You can bet in these times that their owners are shareholders, wasted by that two million quid. As you can see on the Grand National, we made £6 million on the result.

Let me remind you once more. Race results have been poor. The national result was the Oasis in the Desert. Now race results are an occupational hazard of bookmaking that I've lived with all my career and they tend to even out over time. It could be another year of when I'm standing here, telling you they've been fantastic. We always come back to the average in this business.

I think however, there's a more pressing problem with horse racing at the moment, which is to do with its appeal as a betting product. Now racing is a betting product first and foremost, it's a sport second. It's a fact and most people it's not a sport, it's just in the consciousness the way football or the Ashes are. Look at the Derby; I'll give you the Derby as an example. Its hold on the nation has gone. Running it on a Saturday has to be one of the dopiest decisions of all time.

If we can learn anything from the Aussies and I'm sure, despite the [frikking] performance we can learn from the Aussies. They run the Melbourne Cup on a Tuesday. The Aussie nation is enthralled. They get the data [themselves]. By that, I mean racing, get the data themselves. The focus is on having a bet and there is nothing else to compete with. It's disappointing, but in some ways not surprising that the BBC is having the number of days it dedicates to horse racing. It will be cut in half. It is surprising that racing is paying Channel 4, £3 million to sign the contract of see it show around 80 days of racing each year. Does any other sport actually pay to get itself broadcast on terrestrial TV?

Horse racing and indeed greyhound racing, let's include them as well, let's include all quadrupeds here. They receive massive promotion in our shops. We dedicate up to 17 screens to them every day we are open, but their appeal is weakening and the message for racing is, you need to modernise. Racing needs innovation and leadership. It has no leadership at present. Instead, it stands like Oliver Twist, it puts its hand out to claim even more in subsidy. It needs an impresario, somebody who understands audience. Somebody who is good that focus in on money and how to give an audience what it wants. I saw the man for the job in the box next to us, at Royal Ascot. Racing, it's time to send for Simon Cowell.

You can see on this first graph how the average number of runners in a race has a fallen, but not by a lot; but the fewer the runners, the less exciting the race and the harder it is to get punters interested. Therefore, less gross win, less levy, it's basic arithmetic. This year there are too many bookies at the tracks, not enough horses, not enough [quantas]. The track bookmakers are offering great odds to get business. The end result is that they're reducing margins for off-course bookmakers. The second graph shows how the over-ran a runner is going. The inbuilt profit margin. Let's get the facts out in the open here too.

In March, our racing margin was 3.7 points lower than last year. In May it was 1.2 points and in June it was 2.1 points. That means our average gross win margin from racing in the first half, ended up at 15.2%, down from 15.6 last year. This, I believe, is predominantly a reflection of exceptionally poor results. As I've said, some weakness in the race course market.

But you can also see what a distorting effect the Grand National had on our margin for the six months. Because if you strip out the National, we're left with a margin that is 0.8 percentage points behind last year. Strip it out, normalise it, we're 0.8 percentage points behind last year. Again, I think this is more to do with results. It's been a horrible year. But until the horse racing normalises, until the horse racing results normalise, it's hard to assess the impact of the trend to a lower margin per runner.

Racing, I think, it maybe losing the plot. It may have already lost the plot. But further, it really understands self promotion. It's become a good contributor to our gross win. We might and do miss it in the close season. Hereto however, a good run for the favourites, there's nothing for our profit and that's what we saw in May when the big four kept running. By the big four, we mean Chelsea, Arsenal, Liverpool and Manchester United. The run in to the title left us about £3 million adrift of where we expected to be. Now what does all that mean for retail?

Well the story of the first half can be distilled in some very, very simple arithmetic. Our gross win on horses and dogs went backwards by £27 million. Machines and other products largely made up the shortfall and we've seen this year, a real swing from greyhounds in particular to virtual products. It's also worth bearing in mind that the other includes the £3 million less profit in football because of the results in May, where we'd normally have expected to be a further £3 million ahead. So ifs and buts and maybes. If we'd delivered that £6 million from football, which we would have reasonably have expected to have done, I think we'd have been telling you a very strong story about the first half.

The good news for me looking forward, is that the new owners of Manchester City are throwing the money around in the way they are doing. Apparently there is, I can confirm, there is no Arabic word for recession. Their signings do in fact pay off and the Premiership becomes a field of five. That's likely to increase interest still further in the football product. It's a big question, big question, are we resilient?

Well given the declines we've seen in other consumer facing businesses and the mixed sporting results we've had, I would argue that being down only 1% in retail in the first half showed resilience. So for the first half, yes we have been resilient. But let me give you a little more detail about channels and their operations.

Retail is still the reliable cash generating business that gives us the strength to develop new areas such as William Hill online. The over the counter gross win is down, the machine's winners up, yes the operating profit is down, but it's still a sign of a confidence in shopping shops that we've opened 22 new units this year so far. I'm especially pleased with the increase in mix of products we're seeing in the business and football has now been giving us higher margins than certainly horse racing for the last 18 months/

Our virtual games protect us from bad results and severe weather and you see here how we've maintained our margin year-on-year largely as a result of the contribution of those other products.

As for cost control, the big point to note is that we held staff costs flat, despite increasing the estate. Everyone, I will repeat that, everyone at William Hill is on a pay freeze.

Turning to machines. The rising in gross wins speak for itself. These machines are performing very well. The margin is up because of the mix of B2 and B3 content. This was against a good previous year too, when we first had the benefit of a deal that introduced an element of competition by bringing in two excellent suppliers, Global Draw and Inspired Gaming. We've been trying out the new [strong] cabinets in 100 shops and they've performed very well. They're the latest technology, they give a high quality gaming experience. If you didn't see them outside before the meeting, have a look afterwards and our guys will give you a demonstration. We'll start rolling these out across the estate shortly. 6,100 of them I'm told, which will help to drive further growth.

We've also increased what is known as our B3 content and for those of you who don't have a clue what that means, that's one paying games for a £500 win. These are quicker to play than B2 and they're higher margin for us. That's why they're 5% of our turnover, but they're 15% of our machines gross win. To that, we've also added, just to confuse the world category C content, since the maximum payout was increased to £70. These are pub style games, popular with our different demographic, because they're more attractive to that demographic.

Telephones is now only 4% of our business. It used to be 13%, not so long ago, maybe 7 or 8 years ago. Telephone has suffered from the marketing activities of overseas bookmakers operating in favourable tax environments. Paddy Power and Boylesports are two examples. We can't operate for ever at this disadvantage. It is possible that we will have to look to close down one of our call centres in Leeds or Sheffield, not immediately and move this niche business totally overseas. Gross win is 18% which isn't surprising, once you understand that 80% of bets are on horses in this channel. So it suffered from the cancellations earlier in the year and the results we discussed previously. They tried to figure here, is the 63% rise in operating profit when we put this year's quarter two against last year's. We shortly have all of our online products managed and licensed in Gibraltar. This is our internet sport betting operation, not telephone. Our online gaming and main focus are already based there. So for this audience and those from the BHA and others who are listening into this broadcast, can I just say to them and I'll say it twice, because it takes a bit of time to sink in with one part of that audience. Telephone is staying in Yorkshire. Telephone is staying in Yorkshire. Why are we doing this? Well the question really should be, why haven't we done this sooner. The timing is an operational one. This will allow all our products sold via the internet to be managed and run together. This is efficient for a number of reasons. We will be able to reduce our costs and that's a good reason and not only operational ones. You know for far too long, operators in the UK have been suffering a competitive disadvantage compared to those who are based overseas. There are 400 English speaking sites targeting the UK. So whether it's the horse racing levy, whether it's gross profit tax, whether it's differential rates of VAT or corporation tax, big, big disadvantage.

We've raised this with the DCMS. We've raised this with the Treasury and we've done so for a number of years, but nothing has happened and nothing looks likely to happen. Look, William Hill is a business. We are businessmen. I have 16,000 colleagues to think about. 16,000 colleagues on a pay freeze at the moment. I've got shareholders to think about. I've a management team to think about, enough was getting to be enough. The competitive threat had gotten more intense and it was not going to go away and it was really time to take charge of our own future. We couldn't go in to the cupboard and pretend it would get better.

To make online thrive, we need the main products run from the same place. Gaming and poker were already in Gibraltar, as is the case with all other main UK bookmakers. There's sports betting there too, we can have all the senior management in one place to take that online business forward. But we expect noise around this. We can all guess from whom. I'll take a wee guess and guess at racing.

Well, let's be clear; let's state the facts; racing is now a most expensive product to offer to our customers because of the levy which is State subsidy by any other name, low margins and the cost of pictures. We, as businessmen have to be competitive. We have to reduce costs; we can. As things stand, if racing does not meaningfully engage with the people we deal with, the betting shop customer, on a daily basis, we may see, before too long, some bookmakers charge a mini levy of their own on a product that is over-priced.

Racing suggested it could lose 45 million if the industry moved abroad. Apparently, they don't have calculators at the [BHG]. They've now reduced that figure to £30 million but then, after me giving an assurance that we're not taking telephone across to Gibraltar or anywhere else, they'll have got the calculator out from the local WH Smith. Not for the first time I have to tell you racing has got its arithmetic wrong. So let's check the arithmetic. We currently pay about £27 million in levy. After this move, in a full year we will pay only about £1.5 million less. That's because racing isn't the main betting for the online… Quite frankly, with our call centres being decimated by overseas bookmakers and online having been at a severe competitive disadvantage for years, the main levy that William Hill has or whatever is the [DG] levy, an ATA, not the horse race levy.

We remain a British business. 90% of our revenues and EBIT come from the UK. We're listed in London. We're headquartered in London. We pay almost £300 million a year in taxes and levies. Think of that - £300 million a year in taxes and levies. We have just moved out 75% - 75 people (not 75%, that would freak everybody out) – we have just moved just 75 out of 16,000 jobs from the UK to another British territory. We don't expect our tax bill to be significantly smaller. In fact, there's a business drive, we'll actually be paying more to the man in No. 11 Downey Street, whoever happens to be there next year. Now, this is a commercial decision, purely and simply taken for operational reasons, not that I state that to be the story in the reason in the recent [Post] but it's business and we are businessmen. Our Board knew this was the right decision to take. We could not go on as we were and stand idly by as William Hill declined.

We will tell you more about the Gibraltar operation in a few minutes but, first, here's Simon to give you a breakdown of the Financials. Simon?

Simon Lane: Thank you, Ralph. I'm going to be brief, so there's plenty of time to hear about William Hill Online. If there's anything I don't cover, I am happy to take questions later.

We have a different format for the numbers this time. You asked us to report on a channel basis – that's what we're doing. If you want some of the old style data on such things as operating costs by type, you will find them in the appendices. Before the channel breakdown, let's look at Group level items. We have a new number in here, EBITA. That's because we now have amortisation for William Hill Online to take into account. The amortisation amounts to £5.5 million this year, £2.8 million in the first half. We expect it to be £3.6 million next year. On this basis, EBITA was down 7% on net revenue growth of 5%. That's because we're investing in an infrastructure for growth within William Hill Online.

The other key points here are the effective rate for interest in the period being 6.9% and we expect it to be around 8% for the full year; the effective tax rate was 25.5%, which was in line with our guidance at the prelims; and minority interest for Playtech, it appears for the first time and was £9.1 million in the period. This represents Playtech's share of William Hill Online EBITA, less their share of any tax incurred on those profits.

Let me explain the exceptionals. They totalled £11.6 million in the period, which included £1.6 million for the refinancing and rights issue and 7.6 that related to William Hill Online integration. Last year we gave you a £24 million target for the transaction and integration costs for the deal. We are on track for that. We recorded approximately £7 million last year. The remainder is expected to be recorded this year, split relatively evenly between P&L exceptional charges and capex.

There's also an exceptional of £2.4 million relating to interest hedging. We are now over-hedged by about £145 million as a result of our reduced level of debt. That means that we have to record market to market changes to the P&L instead of to reserves on the over-hedged piece. About a quarter of the hedging will roll off this year and another quarter next year. Finally, we have reinstated the dividend. We will be paying 2.5p to shareholders in December,

Now let's look at things channel by channel along with the key metrics for each. Ralph has already given the headlines on gross win and I will come on to costs in a minute. You already have the picture for the first 17 weeks, so I will concentrate on the 9 weeks from then to the period end.

On the back of the football and racing results described by Ralph, over the counter gross win was down 12% excluding Euro 2008. Machines gross win grew at 7% against tougher comps and last year we had Euro 2008 attracting traffic into the shops and the benefit of our second supply deal. Overall, machines grew ahead of our internal expectations and, while I am on machines, I should say that there's a net benefit of around £2.5 million from the 15% VAT rate this year.

We said we would be tight on costs in retail – we have been. Overall, costs increased by 5% in the period and when you strip out the increased number of shops, a spike in energy costs coming out of fixed term contracts, the closures in Ireland, you see that we kept underlying costs at around 2%, and that includes an extra month of Turf TV, contractual increases in pictures costs and more press advertising.

As ever, we focus particularly on staff costs, our single largest cost in retail. The numbers here show 0% growth despite the cost of closing shops in Ireland and of running a larger retail estate overall, and that's a good performance. It means that we're on track to hit our full year target of keeping cost increases to 4% or better if we can.

Telephone was a tale of two halves. It was hit hard in the first four months and normalised in the nine weeks that followed. Gross win was 31% down in the first 17 weeks, largely as a result of weather cancellations in January and February and poor results in March. Things got better. In the second quarter gross win was up 7% and operating profit up 63% compared with the same period in 2008. That's a good performance, but the effect of the first period still brings telephones operating profit down to £1.2 million, some 18% down, and telephone accounts were just 4% of our net revenue.

Here's a new slide pulling together our various key metrics in one place as an easy reference source. We have continued to expand. Our average number of LBOs is up to 2,316. We have an additional 190 machines. In retail over the counter amounts wagered are down 9% if you exclude the effect of Euro 2008, but the margin up to June was sustained at levels seen last year and this was thanks to products such as Virtual Speedway and Virtual Motorsport plus, up to the last month of the season, football. The strong performance of machines is clear here. With average contribution per week, 12% ahead of H1/2008 and 8% ahead of the full year 2008 average. The machine margin improvement equates to an uplift of around £9 million compared with a year ago.

And so to William Hill Online – as we flagged in this morning's statement, Sportsbook was flat off the back of the results we described but we are very encouraged by the positive signs of strong underlying growth. Henry will talk about those in more detail shortly. As for gaming, we have seen very strong growth in casino and bingo.

As for costs – well, before we go into the detail, let's bear in mind what we're trying to do here. We want to build an infrastructure to enable us to become one of the leading online operators. We want to compete in Europe and internationally. To do that, we have built an operation in Gibraltar almost from scratch. We've added staff, given them the right incentive package and built new systems. On that basis, operating costs, including marketing, are about £14 million higher. Of that, about £5 million is staff costs. Those costs include a significant provision for a senior management long term incentive plan. Property costs are up half a million with our new office in Gibraltar.

Online is also carrying an extra £2.6 million of depreciation costs and that is primarily for our Sportsbook investment, which has been depreciated over five years. We have also invested an extra £4 million in marketing, bringing our spend to £21.5 million in the half, and that's to drive growth in customer numbers and net revenue.

Finally, cash flow and capex – on dividends, we didn't pay a full year dividend, so this relates only to Playtech. The difference between this number and the P&L is the timing of payments. That will reverse in the second half. You can see the impact to the rights issue; it has transformed the balance sheet. We have repaid £395 million of debt in the period and £452 million in the last 12 months. The result is that now we have a net debt position for covenant purposes of £637 million and a debt to EBITDA ratio of 2.1 times.

So to capex, where we are continuing to be careful with cash. We have prioritised new shops and William Hill Online for our investments, and you can see that the level of investment in retail development is lower than last year but we have still opened 22 new LBOs and extended or re-sited a further 14. Both new sites and re-sites have a higher than average return on investment – that's why they're our priority.

For William Hill Online the capex largely relates to the migration of Sportsbook and Arcade Gaming to Gibraltar and setting up the infrastructure there. We're also continuing to invest in the development of Sportsbook and we spent a couple of million pounds in the first half on that. Elsewhere, we put £2.1 of cash into our Spanish joint venture and I anticipate a further million or so in the second half. All in all, we plan to invest around £50 million in capex in the full year, particularly in the retail development programme which tends to be busier in the second half.

I will be delighted to take any questions on these numbers in a few minutes but for now back to Ralph.

Ralph Topping: Thanks, Simon. I hope everybody found that extra detail helpful. Now it's time to discuss our Online business and an area that, as you already know, has a big priority for us for the medium to long term. What do want to achieve? Well, it's very simple – we want to be just what it says here, the leading international business that's competitive in the UK and Europe, something we haven't been for a while. To achieve that, we need strong sports betting and high quality gaming and we bring in customers by developing our specialist marketing skills and customer services capabilities.

Where would we like to develop the business? Anywhere we can find brains and new skulls is the answer, so, as we know, Bulgaria, the Philippines and, of course, Gibraltar, and, if it's not business…

Talking of brains, here's Henry Birch, who is going to tell you more about William Hill Online. Henry, over to you.

Henry Birch: Thanks very much, Ralph. Good morning everybody. I am very pleased to be here to talk about our Online operation and just to give you a bit of background about myself. I joined the Company as Chief Executive of William Hill Online in October last year. Before that, I was the Chief Executive of Leisure & Gaming Plc and I have been in the online gambling industry for about eight years, having previously had a career in the media and technology industry, including a 4 year stint in Silicon Valley.

I am going to talk today about the performance of each of our products and tell you how we're getting on in terms of integrating our businesses. It's going to be a pretty high level picture but I am very happy to take questions at the end of it.

I want to start by explaining what we believe an online business needs to succeed and how we measure up against that. For a company to be a leading global online operator, we believe it needs sufficient product range, product strength, brand and marketing capability and international reach. Product range means having a full offering across sports betting, casino, poker, games, bingo, skill games, live casino and whatever else a punter wants. Product depth refers to how we develop and differentiate our products. It's also about our suppliers and the strength and flexibility that they offer.

In Playtech and Orbis we have the industry leaders in gaming and sports betting and we're making sure to make changes to ensure that our products stand out against the competition. William Hill is a premium brand in the UK and that brand is recognised internationally. Through the acquisition that we made, we have a team of more than 100 online marketing specialists and a network of more than 70,000 affiliates.

Finally, we are building our international reach. Our recent acquisition gave us marketing channels throughout Europe and a large number of gaming customers. We are now focussed on growing these and ensuring that we have a localised Sportsbook for each market that we enter.

So to our products – let's take Sportsbook first. We are very pleased with our Sportsbook performance this year, particularly when we look at its growth in the last few months. As Ralph said, sports results have not been great, so our net revenue has effectively been static, but for the year to date we have increased turnover by 9% year on year and increased new accounts by 7%. That's despite a slow start to the year when we switched to the Orbis platform and were operating for the first few weeks with limited functionality and limited marketing.

In terms of Sportsbook, we are principally focussed on three areas: product development, marketing functionality and our international sites. We vastly improved our in-play or in-running product. To give you an example of this, at Wimbledon this year we had 70 different in-play betting markets for each match. Our closest competitor had only 40 markets, so the difference is significant. Our ability to do this is based on proprietary algorithms that we developed and we'll use this capability for in-play betting for the coming football season.

As for marketing, we can now offer different types of bonuses to players, which drive both acquisition and retention of customers. Finally, we are focussed on giving our Sportsbook an international presence outside of the UK market. This means not just translating the sites, but making sure it's fully localised, giving customers the relevant local content they want, the marketing support, the right payment methods and local customer support. We plan to have four localised sites up and running by the end of the year in addition to our UK service.

We saw recognition of the increasing quality of our Sportsbook a couple of months ago when we won the Best Online Betting Site Award at the RS Industry Awards. This was against a shortlist of Ladbrokes, Betfair and Boylesports. Clearly, we feel this is just the beginning and I encourage you all to open an account with William Hill and see for yourselves the changes that we're making.

In terms of casino and gaming generally, this is a key area of growth for us. We are showing our potential but there's a lot more to come. Net revenue for the half is up 21% year on year and new accounts have increased by 69%. We have not yet moved our main integrated casino onto Playtech software but we have successfully a William Hill-branded standalone casino. We have tested it on the Playtech software and we have taken advantage of our new marketing capabilities.

We have been working with Playtech on a new bonus engine, with our UK sports customers in mind, and will migrate all our casino customers to an integrated Playtech casino in Q4 of this year. When we talk about casino, we include in that our Games and Vegas offering, which have a separate tab on our website. These are flash-based and have been very successful in cross-selling Sportsbook customers into our gaming products. We are also looking at introducing branded games onto our Games and Vegas platforms as they're a useful marketing tool and drive game play.

In terms of poker, we have seen a decline in that revenue to 14% and a decline in new users of 13%. We migrated to Playtech's ipoker network in March and consequently expected a dip in both player numbers and in revenues. This, unfortunately, is a fact of life in most poker software migrations. The move to Playtech has been followed by the quieter summer months and we are yet to market our new poker platform to any significant degree. We are introducing pound and euro tables shortly and around that time will start to push poker in earnest. Although the migration to ipoker hit us, moving to that network was the right decision. It's the largest, most liquid network outside the US, which is critical at a time when less liquid networks are struggling.

In common with most operators in our space, we are finding that poker growth is slowing, mostly as a result of the two US networks, and operating margins are being squeezed. However, we are confident that we have now got the right poker network in place and are focussed on growing our numbers.

Bingo, in contrast, has seen significant relative growth this year. Revenues are up 72% and new users are up 95%. We've got a very strong operational team in place that combines land-based experience and online experience. Our product runs on software provided by Virtue Fusion, which supplies many of the leading UK operators, and we also run a number of smaller brands on Playtech software.

So what does this all translate into? The table here shows that both our net revenue growth and our growth in new accounts have been particularly impressive. We have increased our new accounts by 30% or an additional 80,000 new accounts year on year and, as Simon flagged earlier, our net revenue is up 12%. Our more recent growth is also encouraging, with Q2 seeing an 8% increase on Q1. Sportsbook growth stands out, with 19% growth quarter on quarter, despite the absence of the European Football Championships this year.

One of our main areas of focus, as we have talked about, is integrating the different parts of our business. We have made good progress over the last six months, putting in place the infrastructure to build and grow a substantial international business. As Simon outlined, this has cost money and in the short term will have an impact on our bottom line, but the benefits will be reaped over the course of the coming years. In that regard, we have invested in a new Sportsbook platform, we've put in place the JV structure with a properly incentivised senior management and operating team and we have strengthened and moved our operations to new premises in Gibraltar.

In terms of these operations, we've launched the new casino on Playtech software; we've moved our poker to the ipoker network; we have integrated William Hill products into our new network of over 70,000 affiliates; and we've launched the unique chat and email service on William Hill, which complements our existing telephone customer service. That's just the start and I believe it's been a very good one, but there is a lot more to come.

We are also very clear about the work that we will be doing over the next five months. In that time you will see us launch pound and euro poker tables; we'll launch an integrated casino on William Hill.com; we'll launch further international Sportsbook sites; we'll extend our betting play to football markets for the new season; we'll launch tote betting; and we'll launch a proactive chat service on our integrated casino.

We are conscious that many of our competitors are setting expectations below last year, but we're bullish about our future. Yes, the industry is facing recession and there are signs that consumers are spending less, but with that comes opportunity: media is cheap; markets outside of the UK are providing new opportunity; and we are yet to fully reap the benefits of the acquisition that we made at the end of last year. We have an online business with a lot of potential and plenty of growth in it. We are only just starting to exploit that now and there is much, much more to come.

I would be very happy to take any question you may have, but first back to Ralph.

Ralph Topping: Thanks, Henry. So there you are. I hope you have been given a good insight into William Hill Online. Now, I think with the likes of Alex Ferguson here in this room, it's just for the analysts and the population who will … two newcomers up to the stage will now feel that at any point they can phone these two newcomers up and ask them questions and bypass Sir Alex figuratively, but I would say to you that that will be discouraged. There will be many slaps across knees and wrists if that happens and I would – these guys' jobs are to build businesses and my job is to deal with the external community … so, if you want to go and talk to anybody, guys, just a word of warning, please leave my superstars alone.

Let's … get back to basics. The results continued in July with the gross 1% there, 1.8 points. I know this is a short period. It's the quietest time of the summer but it has been quieter than expected and, to cap it all, we've again had poor quality horse racing. I'm afraid no football as we're in the blank year between Euro 2008 and the World Cup in 2010, so it's been a quiet year.

Machines did remain in positive territory into July but it wasn't enough to counteract the decline in horse racing in the month. A big positive, however, was Sportsbook turnover. It grew by 37%, which helped that channel counter the impact of poor results.

So can we draw longer term conclusions from this short span? Well, I think it's a very hard to do so. The football season starts again in a week from Saturday. As a proud Scotsman, I would say it started last Saturday with the Scottish League Cup, but that's probably passed a lot of people by down in England, and it always boosts weekend trade. I think once we're 6-8 weeks into it, we shall have a much clearer idea of the effect of these economic times on the weekend point, in particular, and overall trade.

I can announce that we will be holding analyst and investor sessions in October/November, looking at online in more detail and involving more of the online team. By then, we'll have that much clearer view of the business environment.

So, in conclusion, I have talked before about resilience through a recession that is really impacting all businesses and all sectors in the UK. I acknowledge we are operating in a difficult economic environment but I also know that too many sporting results did go the wrong way in the first half, especially on horses, but times like that, what you do at William Hill is you make sure all the elements you can control are moving the right way, and how have we been doing that? Well, in the way we've strengthened the balance sheet and our sensible withdrawal from Italy and Spain and developing our strong platform for online growth and in our market leading position in gaming machines.

Thanks very much. The team and I are very, very happy to take your questions. I know that Ivor isn't here. We've got a great tradition at these meetings that Ivor always gets to answer the questions. So stand up the new Ivor – Mathew.

Mathew Gerard: Thank you. Good morning – Mathew Gerard, Investec. Three on retail and one on online, if that's okay.

Ralph Topping: Can you just do it one because-

Mathew Gerard: Sure.

Ralph Toping: -some of us get a wee bit strained when you fire four questions at us…

Mathew Gerard: Firstly, on current trading, if we look at July and strip out the performance of machines in your guidance on retail, it looks like amounts wagered could be down kind of low double digits, maybe 11-13%. Is that correct first off and, if so, is that stake or footfall?

Ralph Topping: You're correct, it's down by those double digits. It's more footfall I think.

Mathew Gerard: Okay. Secondly, do we think there's any cannibalisation between machines and over the counter?

Ralph Topping: It has always been cannibalisation between machines and over the counter and I think what you are seeing is [ones] on horses because there's maybe a gap of 10-12 minutes between events, press money in the machine, so there's recycling in the machines rather than to horse racing.

Mathew Gerard: I suppose, coming back to that issue of driving amounts wagered, have you got any revised opinion on the issue such as loyalty cards and the marketing side of the retail business?

Ralph Topping: There's a balance to be struck in any business and the one thing you don't do in a recession is to give away margin. You'd need to – if you've given away margin in a recession, you should reach to the back of your head and zip something up because something's falling out.

Mathew Gerard: And lastly, on online, given the issues in the poker migration, should we expect disruption in Q4 for the casino migration?

Henry Birch: No, it's a totally different kettle of fish, migrating poker to casino. When you do poker, you've got to do it immediately overnight in one go; casino you can do gradually; so it's a completely different thing.

Mathew Gerard: Okay, thank you.

Ralph Topping: I think you wanted a fifth? Do you want a supplementary question?

Mathew Gerard: No.

Paul Nurse: Hi, it's Paul Nurse from Morgan Stanley. Just following on from the first question, is it a footfall issue? Your overall sports margin in H1 actually looks like it's up.

Ralph Topping: Specifically with July – I think the first week in July it was definitely footfall and it coincided with Wimbledon, good weather and our scarcity of punters around the place. I think the real issue is the … horse racing product. Flat racing doesn't draw people into betting shops at the quiet time of year. That's a fact. BHA can find a hole and stick ostrich heads in it and say they've got a fantastic product but BBC don't want to cover it; got to pay Channel 4 to cover it. They haven't got a fantastic product and we see it – they've got a good product for betting on; it just isn't a modern product for betting on and we've got a change in demographics. People are looking for a bit more out of life than coming out and betting when there's only flat racing on. It doesn't give them – when [Fibber] was there and you have machines and you have racing, racing benefits.

Paul Nurse: Just following up on that issue, there's quite a trade-off, isn't there, between the number of fixtures and the quality of the races and you guys always seem to push for more fixtures?

Ralph Topping: Well, I think my view on that's pretty simple and it's this: if you're going to take on premiership football, you're daft, and if you're going to put on – you're either a sport or you're there to produce levy and the one thing with the racing is they're not getting enough levy. Well, if you want levy, put better racing on midweek. Don't put it all at that weekend – put it on midweek because you know something, you're not competing with anything then; you have it to yourself. I think Simon Cowell would say that. If you want to do [some], then make sure you get [some] for yourself. And my problem is the fact that they [don't have something] over the week, but I don't control it; they control it. You know something, they control it in the levy because the prosecution rests.

Paul Nurse: So more racing but in the middle of the week and not on weekends.

Ralph Topping: Better racing right throughout the week would do the trick for me, but that will probably take – because it's a traditional sport and it doesn't have an industry leader. It's an industry without a leader. We've got to criticise the business for not having a leader for eight months. They've not had a leader for about 200 years and nobody says anything to them.

Paul Nurse: And one last one for Henry, if that's alright. You've talked about sort of international markets that are opening up. Have you get any plans for the US at all if anything changes there?

Henry Birch: Clearly, we're monitoring what's going on there and we've been out there to talk to people but we don't have any specific plans. I think it's still some way off but we're monitoring the market and situation closely.

Paul Nurse: Thanks.

Ralph Topping: Now, first time in life, a silent analyst group. We have someone down in the front here. Can you just share your name for the mike so the new guys will remember you?

John: Hi, it's [John Ivisto from Providence Capital].

Ralph Topping: Hi, John, how are you doing?

John: Very good. A few things actually – will the pay freeze last for the whole year or are you going to review it in September?

Ralph Topping: I shall – I am going to give you a straight answer on that. The good news is it's going to last for management through the next month, so everybody in the room will be cheerful about that. The second bit is that for the large proportion of people in our business, 16,000 front-facing colleagues, their pay freeze lasts until October and, if we're going to have any communication about that, we will have it them directly., so no news on that at the moment.

John: When it comes to taking your Sportsbook overseas, how does the data rights work on that? I would have thought that you'd have to pay something for the rights of actually getting the data for [some rights] and that sort of thing and I though that's what part of the levy was for.

Ralph Topping: Well, if you remember, there was a data case in the European Courts involving – I keep calling them [Basinger] – some European nationals and when that particular case – so the data rights thing has been put to bed, so there is no effective [legislature] at the moment and you show them horseracing and you don't pay any contribution or levy. There is nothing on race at all.

John: So you can get the data rights free of charge?

Ralph Topping: Yes, we do, yes.

John: And you didn't really sort of explain why you didn't take telephone overseas.

Ralph Topping: It's a big logistical – you know you can just imagine you've got 600/700 people working in a call centre. You then have to take the call centre somewhere else and you've got to find 700 people there – it's pretty damned difficult to do and to find the right location – so logistically it's a nightmare. It's an option for us though as a business. I just want everybody to think about where we were eight years ago and it still – you know it takes racing a long time to catch up … and they still think we've got a huge telephone business and therefore, if we move it overseas, it's going to cost them 45 million. You've seen the figures. It's only 4% of our business. It used to be 13%. It used to be significant. It used to be significant before the world got really competitive, thanks to the internet and thanks to offshore tax locations and thanks to the UK taking their eye off the ball, because one of the things the UK Government said years ago when the bookmakers actually came back, was the UK was going to be the place to be, best for online and telephone. Well, I'll give you a wee prize at the end of this if you can name one offshore company who's come onshore thanks to the UK's tax policies – okay, thanks, had some money saved.

John: Just, the reason why you came back originally was because of the gentlemen's agreement with the Government in terms of-

Ralph Topping: -this mythical handshake?

John: Yes.

Ralph Topping: The handshake was all about telephone because telephone betting at that time I believe – because people who were around have either retired or some of them have died and some are senile by now who can't remember shaking hands. I had a conversation with someone in Government (I won't name the gentleman) who … called and said 'you were around at that time; can you remember what it is about' – and he said 'no, actually I can't'. So I think we have a difficulty there because we were largely in the telephone business at that time and you've all seen what's happened to our telephone business in the meantime by being loyal to the UK. The change of emphasis is we're businessmen; we've got a business to run; we're not philanthropists; we're not loyal in the sense that we will stand idly by and watch our business go down the tubes – we're businessmen and we have to protect our interests, both commercial interests but also the interests of all employees and also the interests of shareholders – big responsibility being a businessman in the UK nowadays.

John: Thanks very much.

Craig John: Good morning, Craig John here from [Bankfin]. I have three questions. First of all, the new LBOs, how many more do you think you could have this year and why are the new's doing better than the old ones?

Henry Birch: We expect to do a similar number by the year-end in terms of new LBOs. Why do new LBOs do better than existing ones? I think the reality is that that high street is constantly changing so prime position being top of the high street, three years later is bottom of the high street. It's the very dynamics of the high street, so you constantly have to find new locations to exploit that. So that's why we get the best returns on those.

Craig John: In term so the new [mounting] capacities, can you elaborate on that? Why would that be and how could that help you? And also what other big investments still to be made in H2?

Ralph Topping: Is this online?

Craig John: Yes.

Ralph Topping: Okay, Henry?

Henry Birch: In terms of marketing capabilities?

Craig John: Yes.

Henry Birch: Let me just give you an idea of scale. We've gone from an online marketing department of about 12 people to over 100 and that is previously we were very much UK-focussed; we are now focussed on the UK and Europe. We've got the company that we acquired at the end of last year, they have existing marketing channels throughout Europe. As I say, they have a network of 70,000 affiliates and those affiliates are basically promoting the William Hill site, the other brands and sites that we have and getting a revenue share in return for that. So it was one of the key bits of rationale in terms of doing the deal in the first place, was to give us increased marketing capability.

Craig John: And the major investments?

Henry Birch: In terms of the investments, I think – I mean you saw before one of the key things we've done is move Sportsbook to Orbis. We are going to be making some investment in terms of our international capabilities and also in terms of our CRM capabilities, so our ability to send emails, communicate with customers, we are going to make a small investment in terms of our systems.

Craig John: Are you willing to comment on targets for not this year but next year and regarding your forward targets, is there anything you want to say on that, that you're at 50% growth at some point?

Ralph Topping: Is this the 50% question? I'm going to be *(inaudible)*...

Craig John: Yes.

Ralph Topping: I just couldn't remain there, so that 50% figure was given before we had this recession. So I think you're going to have to [prove] that and certainly before – I imagine what the integration process would be like with these businesses, so the timeline is going to stretch out over a bit, but the bottom line here is that we're in this business for the medium and long term. We fully expect this business to grow. We are seeing signs of growth, good signs of growth already in the middle of a recession. We've got a strong team in Gibraltar, a really strong team in Gibraltar; we've got a strong team in Tel Aviv and we've good customer services and support teams in Bulgaria and the Philippines. So I have every confidence that this business is going to grow, and grow well and do well because we are operating a business which in the UK is not allowed to grow effectively, which is a retail business, thanks to M&E laws or regulations. M&E gets thrown out of the door when you're banks but, if you're bookmakers, they still remain. We can only look forward to organic growth in our business over the years, so online is our big bet for the future and I am confident in our big bet for the future.

Craig John: Thanks. Could you just give us a few more metrics? I am sure you're not going to give us the precise details but of the staff incentive package or the management incentive package on the online business. I mean, for instance, is it three years, five years, revenue, EBIT – what kind of metrics are you looking at within that kind of-

Ralph Topping: I'm not going to give you all the details because I'll probably get sued by a number of these guys for revealing these details, but I will say that it's a conventional, entrepreneurial type arrangement, basically for growing the business substantially and in line with what the Chief Executive of William Hill's aspirations are for the business, and that timeline stretches out for the next thee and a half years.

Craig John: And then secondly, on the online basis, can you give us a bit of feel whether you are trying to market overseas specifically with the William Hill brand or whether you might consider using other brands and also whether you're going to be more kind of country-specific or European, Pan-European-specific?

Ralph Topping: Sure, Henry can cover that.

Henry Birch: In terms of the questions about brands, we are currently operating about 20 brands, the main one being William Hill. The question you imply is does William Hill, as a brand, have currency outside of the UK? The answer to that is yes. We have found that, in fact, our partners in Tel Aviv, who have been pushing marketing, have come back and said to us that actually it does have weight outside of the UK. So we will be pushing the William Hill brand outside of the UK. Sorry, what was the second part to your question?

Craig John: Well, it was really kind of whether you were being country-specific or Pan-European.

Henry Birch: Oh, yes, country-specific. We will be targeting countries much more specifically, so clearly we are offering at the moment gaming products in 16 different languages. I won't pretend that we've got 16 different country-specific areas of focus. So we are covering that Pan-European piece but we will actually be targeting specific countries and that will be led by our Sportsbook, so actually having a properly localised Sportsbook.

Craig John: And can I just ask Simon a quick question? Firstly, I don't know if you disclosed the Irish closure costs. I know that they're not exceptional or anything but can you give us any feel for how much the Irish closure costs were?

Ralph Topping: Yes, certainly – Simon?

Simon Lane: Yes, it's on the chart – 2.6 million.

Craig John: And then finally, just coming back to the horse racing, could you just give us a bit of a feel, do you think, about what the metrics might be in terms of if structurally gross win margins might keep going down and I'm kind of thinking about things such as number of horses, number of races? I mean do you think gross win margins are down predominantly because of the cyclical issues you've had or do you think because of structural issues, they are going to keep going down?

Ralph Topping: In layman's terms, do you think too many favours or when too many results are going the wrong way, yes. So, if that's what you mean by cyclical, we've seen the margin decline. After July, it's at 1% now. I'm a great believer in everything comes back to an average in the business. Why am I a great believer – because 37 years I've seen it demonstrated. But for us to catch up in the second half on the first half, we will need phenomenal results to bring us back to an average. So I think it's been, purely and simply, bad results. Once the results normalise, we'll get a better feel for the impact of slightly less [run as per] race, whether that's continuing and the over-run from race courses. At the moment, I'm not too concerned about that. It's purely and simply a function of bad results and, to give you an example of that, if you look at the flat racing in the first six months of the year, flat racing gross 1% - it's just down two points. So it's flat racing that's dragging the overall number down in both national, not all well with the flat racing, and why should that be? It shouldn't be is the answer. It's just been a pure run of bad results but racing should worry about their product and its attractiveness, as a lever generating much more – it should be much more focussed about it.

The reality is over the last 18 months the Chief Executive of William Hill held the hand of friendship behind the scenes because I do believe in doing things privately. I don't seek the public limelight; I've never done that, but I do believe that we have a little difficulty in talking to decision-makers … and there are a number of people who talk loudly, seek the press, but are not the decision-makers that I would classify as leaders in racing. There are powerful men in racing who, behind the scenes, I've been talking to and I don't think we've got particularly much of a response from those powerful individuals, who I will not name, but it's disappointing.

Until bookmakers and racing work together with betting and product in mind, then I'm afraid we're going to see horse racing decline as a share of our business. And the truth is all the products are falling in the gap. Now, racing will say that we're pushing the result of progress. Well, if we're pushing the result of progress, I would give up the screens. If I put racing on 17 screens every day; I put dog racing on the screens every day; and I gave up. We promote through the rodeo service racing and dogs and every day in our ventures, far more than any other sports. You can't get the – punters want to be on other programmes. We're not pushing the other products; it's customer demand that's leading this change. And I'm not being trivial when I say racing actually needs to get more entrepreneurial figures into the sport who – and not the same type of committee man who's been running it for years. Now, that will be three less Christmas cards this year…

Paul Nurse: Hi, it's Paul Nurse of Morgan Stanley again – a couple of technical ones on William Hill Online. If you gross up the minority by the Playtech stake of 29%, it looks like it pays no tax. Could you just confirm that?

Simon Lane: There is some complexity in the arrangements, as you've said. I think simplistically the parties – when I look at it, the parties effectively share the EBITA on a sort of pre-agreed basis and that's the way to look at it, the first half, and each party bears its own tax. So, as to Playtech's tax affairs, I can't comment on that, but certainly the effects of the deal and the way it's structured means that the Group doesn't bear any material tax on behalf of Playtech at all.

Paul Nurse: Okay, and then the second one is the dividend at 10.7 is quite a bit bigger than the 9.1 in the P&L and that disparity seems to have caused some confusion at their end. Can you just clear up what the difference is there?

Simon Lane: As I've said in the sort of run-through, it's just a timing difference. It's the mechanics of how the parties extract cash from online and you get timing differences and they even out over time. It's a non-issue.

Paul Nurse: Is that like a forward payment then for some profits in H2?

Simon Lane: It's just some of the recharge mechanisms that are used.

Paul Nurse: Thanks.

Ralph Topping: Okay, last few questions, because we've got some other places to go, guys.

Jeffrey Howard: Jeffrey Howard from Oriel – two questions. In terms of moving the Sportsbook to Gibraltar, should we consider the net savings just to be GPT and the levy or is there something else that we should take into account?

Ralph Topping: I can answer that. Some analyst said, and who am I to argue with the analyst, they've calculated £10 million of savings in a full year as the figure and I'm not going to argue with that.

Henry Birch: Just adding to that, it's levy, it's GPT and we also have our fixed-odds games, so our games – it's not the Vegas tab but the games tab, which are fixed-odds games, are also going to Gibraltar, so there's a saving there as well.

Jeffrey Howard: And secondly, on the Storm machines, what sort of uplift are you seeing in the takings there?

Ralph Topping: Oh, you're going to know … who doesn't like telling the opposition what we're going to do but I'm going to leave him to wriggle around while he tries to think of an answer to that question.

Simon Lane: We've had the Storm cabinets out on trial since last November – 100 shops, 400 machines. Whilst you try and do as much as you can to select a group of 100 shops, the representatives of your estate, it's never a precise science. What we have seen is that control group consistently out-perform the rest of our estate. It has fluctuated over the last eight months but the fact is that we're going to roll them out across the rest of the estate, you should read into that that the test results have been extremely encouraging.

Ralph Topping: And if you take a single digit between 1 and 9, in the middle range, you might be there or there-abouts; then again you might not.

Jeffrey Howard: And that would be net of substitution?

Ralph Topping: I can never – I tell you, if you can come in and work that out for me, you've got a job tomorrow. You can come and be our substitute director – that would be fabulous.

Jeffrey Howard: Thank you.

Nigel Hicks: Nigel Hicks from Liberum. Can I just ask what your thoughts firstly are on the World Cup for next year? What in particular you might be doing if you can give anything away?

Ralph Topping: Well, Scotland's playing at the- *(laughter)…* I don't why that gets a laugh every time. Scotland are playing their reserve team in a couple of weeks. They're playing Macedonia I think it's called and, if they beat Macedonia and they beat Holland, there's a fair chance that they're tough… What we do to promote it – it promotes itself actually, football. It's the greatest game because you pick up today's paper and there's about three/four pages in the business section and about 27 pages of football, so it does promote itself. If England get through and I have no reason to doubt that England – I am wishing them to get through actually (I can say that with a straight face; I'm not Andy Murray). I do want to see England doing well because it's good for business. So England are going to get through and that will be great for business … [unclear] is a fierce Englishman, so he'll wince at that but it's good for business when the home nations are there and I really do hope Scotland get through because…

Nigel Hicks: On the margins, whether it's structural or whatever, is it coming through on Betfair or just the transparency of odds when you sort of go online?

Ralph Topping: I didn't want to bring up the Betfair thing because I think that it then gets complex and I've said enough controversial things about racing, without mentioning anybody else. I really want somebody in the world to like me at some point. I think the Betfair market probably is a true market in many respects. We know of bookmakers who are putting money back to Betfair from the tracks. I don't really want to get into that minefield and I think the reality is everybody expects that to be an on-course market, everybody reviews that on-course market for a long, long time and that's more than I'm telling – I have some difficulties with it. I'm not going to say where I believe those difficulties lie but there are some difficulties. As I said, wait until we actually get normalisation of racing results before we jump to any firm conclusions.

Nigel Hicks: I just wondered whether, because of the transparency, whether it be online or wherever, in order to get the business, you are having to offer better odds and then losing when the-

Ralph Topping: No. There is gross markets… There is the risk those bookmakers are off chasing punters actually at the moment because we all know [tenders] is a risk of chasing down. I think Goodwood last week was 10/12% something like that, so in effect we've got too many bookmakers. A lot of them are weekend bookmakers. They don't do it all the time but they are bookmakers. They still stand there on the up-chance they're chasing punters and there's not as many punters around the race courses as there was once was because there's a recession. So that's a circumstance and what's confusing is the results we've seen…

Nigel Hicks: On shops, are you likely to have more marginal shops if this continues at all?

Ralph Topping: Yes. Well, I think, if anything impacts us, we will always have the marginal shops, whether it's the recession that kicks in severely or whether it's Government action and taxation or changes of regulations, then it has a knock-on effect on the viability of shops – it's always done. At the moment we've got about 150 … at the half year. Now that's purely – and a lot more shops which are marginal, but that's purely as a result of the bad results in the first half. That's an abnormal [failure]. If things change, then we will certainly be closing I would estimate something like 100 shops because of the recession, but we're not looking at that at the moment I have to say – we're not looking at that.

Nigel Hicks: Finally, just a general question about online. I mean this will always be a competitive market. It will be increasingly competitive. There's relatively limited barriers to entry apart from just getting liquidity and scale.

Ralph Topping: And that's not hard, is it? That's pretty easy. It seems like there's 400 guys just walked in the room – here we go, let's start a business.

Nigel Hicks: I just wondered there's always going to be obviously bonuses, obviously marketing expense – where's the industry going to go because everyone say it's growth and whatever? Everyone's joining it; everyone's spending loads on bonuses and royalties and marketing. I just wondered where the margins were?

Ralph Topping: I think the industry will consolidate. I think it will consolidate around sports betting to begin with. I think there's every reason to believe that that's a reasonable assumption to make. I think when the US opens up wherever, California, Florida… I think you'll see some consolidation at that point, but there'll always be particular niche players in this industry and I think when you look at some of the Irish brands, they're niche players. They play in [Cheeky Chappies] and doing daft things and there'll always be a place for organisations that do daft things and [Cheeky Chappies] I think on the internet. So consolidation is certainly a trend. I think it's something we can expect. We ain't seen a lot of it happening but we have seen [cash]. Whether that continues or not, I don't know, but it's something I read in analysts' reports – it's inevitable. So it's like waiting for Godot – I'm sure it will happen.

Margin pressure I think is more – in Sportsbook I think it's more around betting and running. I think that's a volume business which inevitably brings your margin but overall that leads to a bigger increase in your gross wins. So, yes, I'll sacrifice margin if my bottom line's improving. I don't mind who I take money from as long as my bottom line improves.+ You know we're talking about 70 markets at Wimbledon, you know you'll be seeing many more markets on football than you've ever seen before. You'll see it on every sport, every day, every tennis match every day, and that will mean your volumes will grow, your margin will be down. That's not something to cry about if your margin goes down as long as your volumes go up.

I would like to conclude. Thank you very much. Good seeing you.