Wednesday, 2 March 2005

WILLIAM HILL PLC
PRELIMINARY ANNOUNCEMENT OF RESULTS

William Hill (the 'Group') today announces its results for the 52 weeks ended 28 December 2004 (the 'period') and a proposed return of surplus capital to shareholders by way of a capital reorganisation (the 'Return of Capital').

Results highlights:

- Profit on ordinary activities before finance charges up 16% to £232.0m (2003: £200.4m)
- Basic earnings per share up 22% to 36.2 pence (2003: 29.7 pence)
- Interim dividend of 5.5 pence per share (paid on 2 December 2004) and proposed final dividend of 11.0 pence per share (payable on 2 June 2005 to shareholders on the register on 6 May 2005) giving a total dividend up 32% to 16.5 pence per share (2003: 12.5 pence per share)

Return of capital:

- In addition to the final dividend, we propose to return capital of £453m (equating to 115 pence per share or c.20% of market capitalisation) via a B share scheme with full choice between income and capital elections subject to shareholder and court approval
- Total returned to shareholders since flotation in June 2002 will amount to £752m (including dividends, share buy backs and proposed Return of Capital)
- Intention to maintain an efficient capital structure through a combination of dividends and share buy backs
- New £1.2bn bank facilities with a five year term
- Special contribution of £40m over three years to eliminate pension fund deficit
- Full details of these proposals will be contained in a circular to be posted to shareholders in mid April 2005 and will require shareholder approval at the Annual General Meeting on 19 May 2005

Current trading:

- Satisfactory start to the current trading year with Group gross win in the eight week period ended 22 February 2005 up 4% against the comparative period despite tough comparators

Commenting on these results and the proposed Return of Capital, Charles Scott, Chairman, said:

"The Group's focus on profitable organic growth has delivered another excellent set of results with profit, earnings per share and dividends all showing strong double digit rates of increase over the comparable period.

We have announced the Return of Capital in light of William Hill's strong financial performance since the time of flotation and in order to re-establish an efficient capital structure as well as maximise returns to shareholders.

The Gambling Bill now appears less likely to offer opportunities for expansion of the UK casino industry, and synergies between casino and betting operators, than were originally anticipated. Consequently, the Board is not inclined to commit significant capital to potential acquisitions outside of its core bookmaking and gaming businesses at the current time. However, our proposed capital structure will still give us the ability to finance bolt on acquisitions.The Group continues to focus successfully on channels and markets which offer good growth prospects and to maintain sound financial disciplines with a view to maximising shareholder value."

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There will be a presentation to analysts at 9.00 am today at the Lincoln Centre, 18 Lincoln's Inn Fields, London WC2. Alternatively, it will be possible to listen to the presentation by dialling 44 (0) 20 8515 2303. The presentation will be recorded and will be available for a period of one week by dialling 44 (0) 208 515 2499 and using the replay access number 641827#. The slide presentation will be available on the Investor Relations section of the website www.williamhillplc.co.uk

CHIEF EXECUTIVE'S REVIEW

In 2004, despite fluctuating sporting results, the Group continued to perform strongly whilst investing in its capabilities for the future. Once again, our ability to increase the Group's gross win faster than operating costs has allowed us to exploit the operating leverage in our business model and deliver strong growth in profits and earnings per share.

The most significant variation in sporting results occurred in football, where the first half of the year saw very favourable results for the bookmaker, particularly in the Euro 2004 series of matches where a number of favoured teams fell victim to underdogs, whilst in the second half we have seen a long run of favourites winning, both in the domestic leagues and key European matches.

We have also experienced some fluctuations in horseracing results, which also saw a lower level of gross win across the Group in the second half, but this trend was exacerbated by lower theoretical margins, which are the direct result of on course bookmakers hedging into betting exchanges.

Retail

The Retail division grew gross win by 8% to £548.1m and profit by 9% to £165.5m.

We largely completed our rollout of fixed odds betting terminals (FOBTs) by the end of 2004, finishing the year with 5,573, although we will continue to optimise numbers, siting and product. Average net profitability per terminal reduced during the second half, partly due to the impact of the voluntary code of conduct, but mainly due to the dilution effect of adding the third or fourth terminal into shops and our winter trading hours. During the year, we traded an average of 4,442 terminals (2003: 2,454) and achieved a full year average net profitability per terminal of £370 per week (2003: £380). We hope to improve profitability in 2005 through a combination of product innovation and improved contractual terms with our suppliers.

The number of Amusement With Prizes machines (AWPs) in the estate has been reduced through the year to accommodate more FOBTs, and the Group finished the year with 530 AWPs (2003: 2,454).

Over the counter gross win fell in the second half, partly due to adverse sporting results, partly due to low theoretical margins and partly due to substitution into self service machine betting via FOBTs. For the full year, over the counter business was flat against last year. During the year we recognised that we could improve our manual settlement procedures to speed up the recycling of winnings. Consequently, we have accelerated our roll out of electronic point of sale (EPOS) tills and the replacement of text systems and fully expect to have them deployed by the end of 2005.

During the year we acquired 10 licensed betting offices, opened 17 licensed betting offices and closed seven units bringing our total number of trading shops to 1,606 at the year end. In addition to the new licence activity, we extended or resited a further 39 shops and shopfitted a further 86 shops. Total property related capital expenditure on the estate for the year was £13.3m.

Telephone

Telephone gross win grew by 7% to £60.3m, but profit was flat at £22.1m. The channel continues to benefit from the increasing popularity of betting-in-running but was the worst hit by the profile of results in the second half being the most vulnerable to higher staking customers who are less inclined to recycle winnings. It is also the channel most vulnerable to the impact of betting exchanges.

The main cost increases that resulted in a lower conversion of gross win to profit were higher levy charges due to an increase in gross win on horseracing, and higher IT recharges reflecting the development of back office account management and trading systems.

We ended the year with 184,000 active telephone customers (2003: 171,000).

Interactive

Strong underlying growth in poker, the online casino, and arcade products helped counteract the impact of adverse sporting results and the division finished the year with gross win of £106.1m, up 25%, and profit of £51.7m, up 39%.

2004 also saw the launch of our own TV station on Sky Channel 425. This was a deliberately low cost, low risk entry strategy into interactive digital television. The platform has made an encouraging start and we will be expanding our coverage of live sporting events, as well as introducing coverage of live poker tournaments, to attract more viewers and use the medium to promote the brand and other growth areas for the Group.

Towards the end of the year, we also introduced a new range of java based casino and slot products suitable for GPRS and 3G generation mobiles to complement our already successful WAP sportsbook and arcade offering.

The launch of these two initiatives in addition to our already successful internet sites provides UK domiciled customers with unrivalled access to our business and the brand with a distribution ubiquity few competitors can match.

We ended the year with 292,000 active Interactive customers (2003: 247,000).

Cost of content

In November 2004, the European Court of Justice (ECJ) delivered its judgement on the interpretation of the Database Directive, which had been referred by the Court of Appeal in relation to the dispute with the British Horseracing Board on the use of certain racing data. This judgement supported the Group's position, in contrast to the position adopted by the initial High Court ruling. The ECJ interpretation will be applied by the Court of Appeal and the case decided at a hearing which has been fixed for June 2005. In the meantime, the Group continues to contribute 10% of gross win on UK horseracing via the statutory levy.

The betting industry has contractual arrangements in place with 52 of the country's 59 racetracks for the supply of horseracing pictures into licensed betting offices. The duration of these contracts varies from between three and five years.

During the year the bookmaking industry agreed to an increase in the voluntary levy to support the greyhound industry. This three year agreement will see a phased increase in contributions from 0.4% of turnover on greyhound betting in 2003 to 0.6% of turnover in 2006. It is the intention of the British Greyhound Racing Fund that the majority of the increase will be directed at improved welfare for greyhounds. The Group paid £2.8m under the voluntary levy in 2004 (2003: £2.4m).

Despite the increase in greyhound funding, we believe that the ECJ ruling greatly reduces pressure for increases in the cost of content across all sports.

Operating costs

Full year expenses for the Group were £332.5m, an increase of 6% on the comparable period. The rate of cost increases slowed through the course of the year and whilst costs increased 8% in the first half against the comparable period, the rate of increase fell to 4% in the second half against the comparable period.

Much of the increase was due to higher staff costs that were up 10% over the comparable period reflecting extended opening hours in our shops, inflation based pay awards and higher pension costs. Property costs were up 5% over the comparable period reflecting increases in rent and rates, an increase in average shop size, and an increase in the size of the estate. The costs of providing pictures to our licenced betting offices were up 9% over the comparable period due to increases in trading hours, the size of the estate, and charges. Advertising and sponsorship costs, including the cost of free bets and casino bonus cash payments that are expensed in arriving at gross profit, were up 30% over the comparable period reflecting incremental spend on the Euro 2004 football championship and increased sponsorship and web advertising and promotions. Other increases relate to network and communication costs, up 33% over the comparable period, as we improve links between administrative centres and licensed betting offices, partly to support FOBT business, but also in preparation for EPOS rollout. In contrast, depreciation, bank charges (including charge backs) and AWP rentals decreased compared to the comparative period.

A number of the cost increases are driven by our ongoing investment in information technology as we strengthen development and support capabilities in preparation for the introduction of EPOS and new back end systems. All expenditure on information technology is subject to rigorous cost-benefit analysis, and tightly managed through formalised project and programme management systems.

Going forward we expect underlying costs to be contained to annual rates of growth of between 4% and 6%, although there will be a short term increase in one off costs in 2005 resulting from the introduction of the EPOS system and costs associated with the capital reorganisation.

Competition issues

The Office of Fair Trading has taken the administrative decision to discontinue its investigation into and close its case file on the formula used to calculate payouts on computer straight forecasts and tricast bets. Its review of the rules of racing led to a number of changes which were reflected in the British Horseracing Board’s modernisation plans. These are now subject to further change following the ECJ’s ruling and subsequent reviews of the future funding and governance of the sport.

William Hill is a major employer and pays significant taxes and therefore we believe that it is in the national interest to address the unfair advantage enjoyed by layers on betting exchanges who compete directly with traditional bookmakers without paying a comparable level of gross profit tax or horseracing levy. This inequitable taxation of layers on betting exchanges enables them to offer better prices than the traditional bookmaker. We continue to lobby aggressively for a ‘level playing field’, and were pleased to note that, in its recent review of gross profit tax, the National Audit Office reiterated the need to assess the potential duty at risk across the betting industry resulting from the tax advantages enjoyed by layers on betting exchanges. This opinion follows the Chancellor’s statement in 2004 that the taxation of betting exchanges would be subject to a full review.

Whilst the Gambling Bill has yet to complete its passage through both Houses of Parliament, it is evident that the potential opportunities and threats for the Group resulting from a rapid expansion of the gaming sector are receding. Potential synergies between the betting and gaming sectors are reduced by the proposed structure of the legislation. This reduces the likelihood of any cross sector merger or significant acquisition activity for the Group at the current time, and hence our need for flexibility in the potential use of capital. Accordingly, we are intending to return a significant amount of surplus capital to shareholders.

Regulatory development

The Gambling Bill will be put before the House of Lords during February and March 2005. Assuming it passes into law, we are advised that it is unlikely to be fully implemented until the Gambling Commission is fully resourced and operational, which is unlikely to be before the end of 2006, or early 2007.

Proposed regulations concerning remote gaming and the new licensing regime for betting operators are the principal areas of the Bill that will impact on William Hill. We have been lobbying through our trade associations, the Association of Remote Gambling Operators (ARGO) and the Association of British Bookmakers (ABB), to ensure that the new measures are effective in accomplishing the Government's regulatory objectives, without imposing undue compliance costs.

CAPITAL REORGANISATION

Background to the proposed Return of Capital

William Hill was listed on the London Stock Exchange in June 2002 and at that time the Group put in place a capital structure and financing arrangements to provide the optimum capital structure for William Hill as a public company, consistent with the Board's strategy. These financing arrangements were designed to support a strategy focused on maximising organic growth opportunities but also provided the flexibility to pursue selectively value-enhancing acquisitions and enable the Group to adopt a progressive dividend policy.

Since listing, the Group has pursued a strategy aimed at delivering sustainable earnings growth and value for its shareholders. The key elements of this strategy have been to continue to enhance traditional earnings and maximise organic growth opportunities, profitably exploit new platforms across all betting channels, and capitalise on opportunities arising from regulatory, fiscal and technological change. Although the Group has reviewed a number of potential investment and acquisition opportunities, in particular in the context of potential gambling deregulation in the UK, the Board has maintained strict financial discipline and avoided pursuing opportunities unless they were demonstrably value enhancing for shareholders. The Group has made a number of small acquisitions of licensed betting offices and greyhound stadia that have been funded out of operating cash flow.

In light of William Hill's strong financial performance and to help preserve an efficient capital structure and maximise returns to shareholders, the Board secured the authority at its last Annual General Meeting to buy back 10% of the Group's issued share capital. Since this time William Hill has bought back approximately 6.5% of its share capital.

However, the Board has concluded that William Hill could support a significantly higher amount of debt and to do so would be in the interest of shareholders. The Return of Capital will restore the Group's financial coverage ratios to levels broadly consistent with those established at the time of the listing. In view of the substantial quantum of capital which the Board believes should be returned, the Board has concluded that the optimal mechanism would be a B share scheme which offers pro rata participation to all shareholders with full choice between income and capital elections.

In order to facilitate the proposed Return of Capital, a new holding company will need to be introduced as part of a scheme of arrangement and reduction of capital that will require the approval of shareholders and the High Court. The objective of these steps is to create sufficient distributable reserves to facilitate the Return of Capital and future dividends and share buy backs.

Funding of Return of Capital

In order to fund the Return of Capital and take advantage of the current favourable conditions in credit markets, the Group has secured new bank facilities of £1.2bn with a consortium of banks. On 2 March 2005, £600m of the new facilities became available and will be used to repay the existing bank facilities in March 2005 at which time they will be cancelled. Subject to the satisfaction of various conditions precedent, a further £600m of new facilities will become available once the scheme of arrangement and reduction of capital have been approved by shareholders and the High Court. All the new facilities have been provided on a committed and underwritten basis and have a five year term.

Pension plan

Subject to the Return of Capital being approved by shareholders, the Board has undertaken to make a special contribution of £40m to the Group's defined benefit pension scheme. The contribution will be spread over a period of three years and is designed to eliminate the deficit calculated on a continuing basis by the actuary as at September 2004. The Board and pension scheme trustee have consulted on this specific proposal and believe it represents an appropriate course of action that properly balances the legitimate interests of shareholders, and members and pensioners.

Future strategy and dividend policy

The Board intends to maintain an efficient and flexible capital structure after the return of capital and will use a combination of dividend payments and share buy backs to achieve this objective.

For 2005, the Board expects to maintain dividend cover on a per share basis broadly in line with the level in 2004. In addition, the Board will be seeking authority from shareholders for a renewal of the on market share buy back mandate.

Timetable of events

The Board will be posting a circular to shareholders in mid April 2005 setting out full details of its proposal to return capital and the timetable of events.

At this early stage, the Board anticipates that shareholders will be invited to vote on this and other proposals at the Annual General Meeting and Court meeting on 19 May 2005, with the High Court sanctioning the scheme of arrangement and reduction of capital in June 2005, and payments being received by shareholders in early July 2005.

William Hill PLC

Consolidated Profit and Loss Account

for the 52 weeks ended 28 December 2004

	Notes	**52 weeks ended 28 December 2004 £m**	52 weeks ended 30 December 2003 (restated) £m
Turnover	2	**8,287.7**	5,945.8
Cost of sales		**(7,726.3)**	(5,434.7)
Gross profit	2	**561.4**	511.1
Net operating expenses		**(332.5)**	(313.6)
Operating profit	2	**228.9**	197.5
Share of associate's operating profit		**3.1**	2.9
Profit on ordinary activities before finance charges		**232.0**	200.4
Net interest payable	3	**(25.2)**	(29.2)
Other finance charges		**(1.5)**	(1.7)
Profit on ordinary activities before tax		**205.3**	169.5
Tax on profit on ordinary activities	4	**(57.0)**	(45.2)
Profit on ordinary activities after tax for the financial period		**148.3**	124.3
Dividends proposed and paid	5	**(65.1)**	(52.2)
Retained profit for the financial period		**83.2**	72.1

Earnings per share (pence)			
Basic	6	**36.2**	29.7
Diluted	6	**35.5**	29.3

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

Consolidated Statement of Total Recognised Gains and Losses

for the 52 weeks ended 28 December 2004

	Notes	**52 weeks ended 28 December 2004 £m**	52 weeks ended 30 December 2003 (restated) £m
Profit for the financial period		**148.3**	124.3
Actuarial loss recognised in the pension scheme		**(10.7)**	(3.7)
Deferred tax attributable to actuarial loss		**3.2**	1.1
Currency translation differences on foreign currency net investments		**-**	0.1
Total recognised gains and losses relating to the period		**140.8**	121.8
Prior period adjustment	1	**(1.9)**	
Total recognised gains and losses since last annual report		**138.9**	

William Hill PLC

Consolidated Balance Sheet
as at 28 December 2004

	Notes	**28 December 2004** £m	30 December 2003 (restated) £m
Fixed assets			
Intangible assets - goodwill		**736.2**	732.3
Tangible assets		**119.0**	101.0
Investments		**2.9**	0.8
		858.1	834.1
Current assets			
Stocks		**0.3**	0.4
Debtors: amounts recoverable within one year		**15.4**	15.7
Debtors: amounts recoverable after one year		**6.5**	6.2
Cash at bank and in hand		**60.5**	46.4
		82.7	68.7
Creditors: amounts falling due within one year		**(203.6)**	(187.1)
Net current liabilities		**(120.9)**	(118.4)
Total assets less current liabilities		**737.2**	715.7
Creditors: amounts falling due after more than one year		**(447.7)**	(366.6)
Net assets excluding pension liability		**289.5**	349.1
Pension liability		**(38.5)**	(31.7)
Net assets including pension liability		**251.0**	317.4

	Notes	**28 December 2004** £m	30 December 2003 (restated) £m
Capital and reserves			
Called-up share capital	7	**40.5**	42.2
Share premium account	7	**311.3**	311.3
Capital redemption reserve	7	**1.7**	-
Merger reserve	7	**(26.1)**	(26.1)
Other reserve	7	**-**	2.1
Own shares held	7	**(59.3)**	(5.0)
Profit and loss account	7	**(17.1)**	(7.1)
Equity shareholders' funds	8	**251.0**	317.4

William Hill PLC

Consolidated Cash Flow Statement

for the 52 weeks ended 28 December 2004

	Notes	**52 weeks ended 28 December 2004 £m**	52 weeks ended 30 December 2003 £m
Net cash inflow from operating activities	9	**247.3**	224.5
Returns on investments and servicing of finance	10	**(23.3)**	(22.4)
Taxation		**(57.4)**	(21.7)
Capital expenditure and financial investment	10	**(27.3)**	(18.5)
Acquisitions	10	**(3.8)**	(4.9)
Equity dividends paid		**(59.6)**	(38.8)
Net cash inflow before financing		**75.9**	118.2
Financing	10	**(61.8)**	(116.4)
Increase in cash in the period	11	**14.1**	1.8

1. Changes in accounting policies and restatement of comparatives

The Group has adopted Abstract 38 'Accounting for ESOP trusts' and the related amendments to Abstract 17 'Employee share schemes' issued by the Urgent Issues Task Force in December 2003.

The provisions of Abstract 38 change the presentation of an entity's own shares held in trust from requiring them to be recognised as assets (within investments), to requiring them to be deducted in arriving at shareholders' funds. As a result of the change in accounting policy in respect of Abstract 38, the comparatives have been restated as follows:

	30 December 2003 £m
Investments	
As previously reported	3.6
Reclassification of own shares held	(2.8)
As restated	0.8
Shareholders funds	
As previously reported	320.2
Reclassification of own shares held	(2.8)
As restated	317.4

The amount representing own shares held was £4.4m at 31 December 2002.

Amended Abstract 17 requires that the minimum expense recognised in respect of share awards and options should be the difference between the fair value of the shares at the date of award and the amount that an employee may be required to pay for the shares ('the intrinsic value'). The expense was previously determined either as the intrinsic value or, where purchases of shares had been made by a trust at fair value, by reference to the cost of shares that were available for the award.

The impact of adopting the amended Abstract 17 amounted to an additional charge of £1.0m against profit before tax in the 52 weeks ended 28 December 2004 (52 weeks ended 30 December 2003 – £1.3m). In addition to the £1.3m charged in 2003, £0.6m was charged in periods prior to this, giving a total prior period adjustment of £1.9m reported in the Statement of Total Recognised Gains and Losses.

2. Segmental information

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

Segmental information by distribution channel is shown below:

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 (restated) £m
Turnover		
- Retail	**7,020.7**	4,751.8
- Telephone	**540.8**	570.5
- Interactive	**696.3**	592.6
- Other activities	**29.9**	30.9
	8,287.7	5,945.8
Gross win		
- Retail	**548.1**	505.6
- Telephone	**60.3**	56.5
- Interactive	**106.1**	84.9
- Other activities	**7.6**	7.3
	722.1	654.3
Operating profit		
- Retail	**165.5**	152.4
- Telephone	**22.1**	22.2
- Interactive	**51.7**	37.1
- Other activities	**(0.3)**	0.9
- Central costs	**(10.1)**	(15.1)
	228.9	197.5
Net assets/(liabilities)		
- Retail	**73.4**	59.5
- Telephone	**0.7**	(0.5)
- Interactive	**2.7**	1.4
- Other activities	**7.1**	6.9
- Corporate	**167.1**	250.1
	251.0	317.4

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

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

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

Turnover of £3.3m and a small operating loss of £0.1m has been consolidated into these results in respect of the acquisitions made by the Group in the period.

2. Segmental information (continued)

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

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
Gross win	**722.1**	654.3
GPT, duty, levies, VAT and other cost of sales	**(160.7)**	(143.2)
Gross profit	**561.4**	511.1

3. Net interest payable and similar charges

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
Interest receivable:		
Interest receivable	**1.9**	1.6
Interest payable and similar charges:		
Interest on bank loans and overdrafts	**(25.6)**	(28.7)
Interest on guaranteed unsecured loan notes 2005	**(0.2)**	(0.3)
Interest on high yield bonds	**-**	(0.3)
Share of associate's net interest payable	**-**	(0.1)
Amortisation of finance costs	**(1.3)**	(1.4)
Net interest payable	**(25.2)**	(29.2)

4. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
UK corporation tax at 30%	**57.4**	50.3
UK corporation tax – prior periods	**(1.7)**	(0.8)
Consortium relief receivable – prior periods	**-**	(1.1)
Overseas tax	**0.3**	(0.2)
Share of associated undertaking tax charge	**1.0**	0.8
Total current tax charge	**57.0**	49.0
Deferred tax – origination and reversal of timing differences	**-**	(3.8)
Total tax on profit on ordinary activities	**57.0**	45.2

4. Tax on profit on ordinary activities (continued)

	52 weeks ended 28 December 2004 %	52 weeks ended 30 December 2003 %
Effective tax rate	**27.8**	26.7

The effective tax rate is lower than the statutory tax rate of 30% mainly due to relief for brought forward losses for which deferred tax was not previously recognised and prior year adjustments.

5. Dividends proposed and paid

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
Equity shares:		
- interim dividend paid	**22.0**	14.6
- final dividend proposed/paid	**43.1**	37.6
	65.1	52.2
Dividend per ordinary share (pence)	**16.5**	12.5

The interim dividend of 5.5p (52 weeks ended 30 December 2003 – 3.5p) was paid on 2 December 2004. The proposed final dividend of 11.0p (52 weeks ended 30 December 2003 – 9.0p) will be paid on 2 June 2005 to all shareholders on the register on 6 May 2005.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. As at 28 December 2004, the trust held 2.8m ordinary shares. In addition, the Company has not provided for dividends on the 10.5m shares held in Treasury. The Company estimates that 391.6m shares will qualify for the final dividend.

6. Earnings per share

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

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 (restated) £m
Profit after tax for the financial period	**148.3**	124.3

	Number (m)	Number (m)
Basic weighted average number of shares	**410.1**	418.7
Dilutive potential ordinary shares:		
Employee share awards and options	**7.4**	5.3
Dilutive weighted average number of shares	**417.5**	424.0

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares in the 52 weeks ended 28 December 2004 by 8.7m (52 weeks ended 30 December 2003 – 4.4m).

William Hill PLC

Notes to the Financial Statements
for the 52 weeks ended 28 December 2004

7. Capital and reserves

Group:

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Other reserves £m	Own shares held £m	Profit and loss account £m	Total £m
At 31 December 2003 (as previously reported)	42.2	311.3	-	(26.1)	2.1	-	(9.3)	320.2
Prior period adjustment (note 1)	-	-	-	-	-	(5.0)	2.2	(2.8)
As restated	42.2	311.3	-	(26.1)	2.1	(5.0)	(7.1)	317.4
Retained profit for the financial period	-	-	-	-	-	-	83.2	83.2
Actuarial loss recognised in the pension scheme	-	-	-	-	-	-	(10.7)	(10.7)
Deferred tax arising thereon	-	-	-	-	-	-	3.2	3.2
Shares repurchased and cancelled	(1.7)	-	1.7	-	-	-	(89.3)	(89.3)
Treasury shares purchased	-	-	-	-	-	(56.1)	-	(56.1)
Expense recognised in respect of share remuneration	-	-	-	-	-	-	3.3	3.3
Movements on reserves due to transfer of own shares to recipients	-	-	-	-	(2.1)	1.8	0.3	-
At 28 December 2004	**40.5**	**311.3**	**1.7**	**(26.1)**	**-**	**(59.3)**	**(17.1)**	**251.0**

Own shares held at 28 December 2004 amounting to £59.3m comprise 10.5m shares (nominal value - £1.1m) held in treasury purchased for £56.1m and 2.8m shares (nominal value - £0.3m) held in The William Hill Holdings 2001 Employee Benefit Trust purchased for £3.2m. The shares held in treasury were purchased at a weighted average price of £5.32. At 28 December 2004 the total market value of own shares held was £74.5m.

8. Reconciliation of movements in equity shareholders' funds

	28 December 2004 £m	30 December 2003 (restated) £m
Profit for the financial period	**148.3**	124.3
Other recognised gains and losses relating to the period (net)	**(7.5)**	(2.5)
	140.8	121.8
Dividends	**(65.1)**	(52.2)
Own shares purchased during period	**(145.4)**	-
Expense recognised in respect of share remuneration	**3.3**	2.9
Net (reduction)/addition to equity shareholders' funds	**(66.4)**	72.5
Opening equity shareholders' funds (as previously reported)	**317.4**	249.3
Prior period adjustment - reclassification of opening balance of own shares held (note 1)	**-**	(4.4)
As restated	**317.4**	244.9
Closing equity shareholders' funds	**251.0**	317.4

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

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 (restated) £m
Operating profit	**228.9**	197.5
Depreciation	**16.2**	18.4
Profit on sale of fixed assets	**(0.6)**	-
Amortisation of EDIP and LTIP	**3.3**	2.9
Decrease/(increase) in debtors	**0.5**	(1.5)
Increase in creditors	**1.6**	7.2
Defined benefit pension cost less cash contributions	**(2.6)**	-
Net cash inflow from operating activities	**247.3**	224.5

None of the acquisitions made by the Group during the period generated significant cash flows during the period of their ownership by the Group.

10. Analysis of cash flows

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
Returns on investments and servicing of finance:		
Interest received	**1.9**	1.6
Interest paid	**(25.2)**	(24.0)
Net cash outflow	**(23.3)**	(22.4)
Capital expenditure and financial investment:		
Purchase of fixed assets	**(28.2)**	(18.8)
Sale of tangible fixed assets	**0.9**	0.3
Net cash outflow	**(27.3)**	(18.5)
Acquisitions:		
Purchase of subsidiary undertaking	**(3.9)**	(5.7)
Net cash acquired with subsidiary undertaking	**0.1**	0.8
Net cash outflow	**(3.8)**	(4.9)
Financing:		
Purchase of own shares	**(145.5)**	-
Repayment of Guaranteed unsecured loan notes 2005	**(6.3)**	-
Loan facilities drawn down/(repaid)	**90.0**	(116.4)
Net cash outflow	**(61.8)**	(116.4)

11. Analysis and reconciliation of net debt

	31 December 2003 £m	Cash flow £m	Other non-cash items £m	**28 December 2004 £m**
Analysis of net debt				
Cash at bank and in hand	46.4	14.1	-	**60.5**
Debts due within one year	(45.9)	(3.8)	(0.1)	**(49.8)**
Debts due after more than one year	(366.6)	(79.9)	(1.2)	**(447.7)**
Total	(366.1)	(69.6)	(1.3)	**(437.0)**

Other non-cash items of £1.3m comprise amortised debt issue costs.

	52 weeks ended 28 December 2004 £m	52 weeks ended 30 December 2003 £m
Increase in cash in the period	**14.1**	1.8
Cash (inflow)/outflow from (increase)/decrease in net debt	**(83.7)**	116.4
Change in net debt resulting from cash flows	**(69.6)**	118.2
Loans acquired	**-**	(1.6)
Debt issue costs written off and amortised	**(1.3)**	(1.3)
	(70.9)	115.3
Opening net debt	**(366.1)**	(481.4)
Closing net debt	**(437.0)**	(366.1)

12. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the 52 week period ended 28 December 2004 or the 52 week period ended 30 December 2003, but is derived from those accounts. Statutory accounts for the 52 week period ended 30 December 2003 have been delivered to the Registrar of Companies and those for the 52 week period ended 28 December 2004 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts and their reports were unqualified and did not contain statements under section 237(2) or (3) Companies Act 1985.

The financial information within this preliminary announcement has been prepared on the basis of the accounting policies in the Group's statutory accounts for the 52 weeks ended 30 December 2003 (except as outlined in note 1). The preliminary results should therefore be read in conjunction with the 2003 report and accounts.

13. Introduction of International Financial Reporting Standards (IFRS)

The Group is preparing for the adoption of IFRS as its primary accounting basis for the 52 week period ending 26 December 2006. However, financial statements for the 52 week period ended 28 December 2004 prepared in accordance with IFRS have been prepared for illustrative purposes only and will be available from mid-April on the Group's corporate information web site www.williamhillplc.co.uk.