William Hill PLC 1 August 2014

Record-breaking World Cup wagering drives second quarter operating profit[1] growth

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its interim results for the 26 weeks ended 1 July 2014 (H1 2014 or the period). The comparable period is the 26 weeks ended 2 July 2013 (H1 2013) unless otherwise stated.

	26 weeks to 1 Jul 14 (£m)	26 weeks to 2 Jul 13 (£m)	Change %
Net revenue[3]	805.2	751.6	+7%
Operating profit[1]	176.9	181.4	-2%
Pre-exceptional profit before tax	148.2	156.2	-5%
Profit before tax	121.8	143.6	-15%
Profit after tax	98.6	133.7	-26%
Earnings per share – basic, adjusted[6]	14.1p	16.7p	-16%
Earnings per share – basic[6]	11.3p	14.5p	-22%
Dividend per share	4.0p	3.7p	+8%

(References are provided after the Directors' Responsibility Statement).

Key highlights

- Successful diversification continues, with 52% of operating profit[1] from digital channels[2] and 17% of revenues from international markets
- Record-breaking World Cup performance with Online wagering for the tournament up 211% on 2010
- Continued strong growth in Online Sportsbook turnover, up 41% with mobile wagering up 74% but net revenue growth rates diluted by less favourable sports results
- Online gaming net revenue growth continues apace, up 18%, benefiting from 146% growth in mobile gaming
- Retail net revenue[3] flat and operating profit[1] -7%, with the impact of less favourable sports results partly mitigated through effective cost control
- Australian operating profit[4] near doubles as business progresses well with wagering[4] up 10%, unique actives up 21%, new accounts up 14% and cost per acquisition down 36%
- Strong US performance with wagering +22% and operating profit[1] up 383%
- Healthy interim dividend growth, up 8%
- James Henderson appointed CEO from 1 August

James Henderson, Chief Executive Officer of William Hill, commented:

"I am proud to be taking over from Ralph Topping as CEO. Serving the Company for 44 years, he has been instrumental in building the business into what it is today. I see William Hill as an innovative company with an excellent brand, a strong and diverse spread of businesses, a high level of customer understanding that allows us to bring customers an engaging and differentiated offer, good technological know-how and excellent cash generation.

"What excites me most is the potential for the business both in the UK and internationally as well as potential in both the digital world and on a multi-channel basis. We have an outstanding team whose insights are being applied to our international operations. With our scale, technology and first-rate team, there is a lot more we can do to drive revenues across our existing products and platforms.

"We will always face regulatory challenges given our focus on regulated markets, as well as volatility in sporting results. Greater diversity helps mitigate this risk. We have already strengthened our global reach with two home markets and evolving opportunities in Spain, Italy and the US. I believe this is the right strategy and I will be looking hard at how we can continue to create shareholder value in developing a focused but internationally orientated gambling group."

Enquiries

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Analyst and investor presentation

Meeting	9.30 am BST at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED
Live conference call	Tel: +44 (0) 20 30598125. Password: William Hill
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode: 839 3773#. Available until 15 August 2014
Video webcast	www.williamhillplc.com. Available live and, until 31 July 2015, as an archive

Debt investor conference call

Live conference call	11.30 am BST. Tel: +44 (0) 20 3059 8125. Password: William Hill debt call
Archive conference call	Tel: +44 (0) 121 260 4861. Passcode 355 1956#. Available until 15 August 2014

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 17,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 2,370 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group's Online business (www.williamhill.com) is one of the world's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill Australia is one of the largest online betting businesses in Australia after the Group acquired the Sportingbet Australia business in March 2013 and tomwaterhouse.com in August 2013, two of the leading online corporate bookmakers in Australia, offering sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange. The Group generates revenues of c£1.5bn a year.

Cautionary note regarding forward-looking statements

These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, William Hill or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of William Hill and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond William Hill's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods. Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules), William Hill does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

We continued to make good progress in the half in the priority areas we have previously highlighted: growing our Online business, in particular by capitalising on the structural shift to mobile; and enhancing the digital capabilities of William Hill Australia to take advantage of the strong growth opportunities in online betting in that market. This has further diversified our business, with 52% of operating profit[1] coming from Online and William Hill Australia in the period, and with international markets accounting for 17% of net revenue. Group net revenue[3] increased by 7% to £805.2m (H1 2013: £751.6m). Group operating profit[1] was 2% lower at £176.9m, reflecting the impact of more customer-friendly results year on year, particularly in the first quarter. Positively, this performance reflects good profit growth in the second quarter, with underlying business progress more than offsetting the quarter's year-on-year sports betting margin declines.

The Group's World Cup performance has been very positive, seeing £172.5m of wagering and £27.8m of gross win at a margin of 16.1% from the World Cup results recorded in H1. Across the tournament as a whole, wagering from Retail, Online and Telephone was £208m, up £93m or 80% on the 2010 outcome. Gross win margin in these three channels was down (18.4% versus 27.9%) but absolute gross win was up given the strong growth in wagering.

Our Online business continues to perform strongly ahead of the anticipated introduction of the Point of Consumption Tax in the UK in December 2014. Growth in Sportsbook staking levels has been outstanding yet again, with amounts wagered up 41%. Online has also seen a return to double-digit growth in gaming revenues this year as a result of the technology and product developments we made in 2013 to enhance the mobile gaming product range and user experience, developments which continue this year. Mobile revenues are growing strongly, up 26% in Sportsbook and 146% in gaming, as we take advantage of current trends.

We are pleased to report that William Hill Australia has near doubled its operating profit[1] in the period on a pro forma constant currency basis, with wagering in growth by 10% on the same basis. It has also delivered further improvements in key metrics in the period, benefiting from the launch of a responsive design website for sportingbet.com.au and the successful integration of the tomwaterhouse.com systems. On a pro forma basis, unique active users were up 21%, new accounts were 14% higher and the cost per acquisition was 36% lower at A$409. Since the period end, we have appointed Tom Waterhouse as CEO of William Hill Australia, drawing on his local market knowledge and digital experience to lead the next stage of the business's development. We have also settled the tomwaterhouse.com earn-out ahead of schedule, further improving William Hill Australia's operational and fiscal flexibility.

In Retail, we completed the roll-out of the new-generation Eclipse gaming machine to half the estate and have decided to add Eclipse to the remaining estate, starting the roll-out in H2. Gaming machines saw 5% underlying net revenue[3] growth. OTC wagering was up 2%, benefiting from soft Q1 comparables and the World Cup in the second quarter.

In the UK, there has been a high level of attention focused on regulation, particularly in relation to gaming machines, high street planning regulations and sector-wide advertising. We have worked closely with the Department of Culture, Media and Sport (DCMS) to identify appropriate measures to address public and political concerns in these areas, and welcome the DCMS's proportionate response to its gaming machine review, announced in April. We expect to implement the measures to increase scrutiny of higher stake gaming machine play in the first half of 2015, based on the Government's plan to legislate in the autumn. This is in addition to the industry's own voluntary Code for Responsible Gambling, which was implemented by 1 March 2014. We believe there is value to all concerned in taking an appropriate amount of time to embed these measures and to assess their benefit, alongside reviewing the outcome of the Responsible Gambling Trust ongoing behavioural research, due to report in the autumn.

The Group's balance sheet remains healthy. Net debt for covenant purposes stood at £720m at 1 July 2014 (31 December 2013: £796m), equivalent to 1.8 times EBITDA. In May, we refinanced an existing banking facility, replacing it with a new five-year £540m revolving credit facility. The Group's strong cash generation continues, with cash flow from operating activities of £175.6m.

The Board remains confident in its expectations for the full year, assuming normalised sporting results, and has declared an interim dividend of 4.0p per share (H1 2013: 3.7p per share), an increase of 8% over the prior year.

In July, we announced the appointment of James Henderson as our next Chief Executive Officer and he takes up that position formally today, 1 August 2014. His breadth of knowledge spans the whole Group, having worked in both Retail and Online, overseen the establishment of William Hill US and, most recently, taken responsibility for William Hill Australia as Group Director of Operations. His established relationships, both with our strong cadre of senior managers and within the wider industry, ensure he is the best person both to sustain the momentum William Hill has achieved under Ralph Topping and to progress further the continued digital and international diversification of the Group.

The Board would like to record their thanks to Ralph Topping, both for his 44 years' service and for his exceptional contribution and achievements as Chief Executive over the last six-and-a-half years. He has led a remarkable transformation of the Online business and started the process of diversifying the Group internationally. He leaves James in charge of an outstanding senior management team, with the passion, innovation and commitment to drive success for William Hill for years to come.

CEO'S COMMENTARY

I am delighted to be taking over today as CEO of William Hill. Having been with the business for 29 years, I am proud to have been part of its transformation from a predominantly UK land-based sports-betting business to the innovative, strong and increasingly international business it is today. William Hill has a market-leading brand, a high level of customer understanding that allows us to bring customers an engaging and differentiated offer, good technological know-how and excellent cash generation.

We have built a leadership position in the industry by developing our core capabilities and diversifying our revenue streams, such as 46% of H1 net revenue coming from gaming. I believe we can grow further by applying our core capabilities to digital, land-based and, increasingly, multi-channel growth opportunities, both in the UK and in select international territories.

At the same time, we must ensure our growth is sustainable by continuing to embed responsible gambling measures into all our customer channels. We will continue to work on having a productive relationship with key stakeholders, particularly those in government.

Our focus on regulated markets does bring the risk of regulatory challenges and to mitigate this exposure we have already strengthened our global reach with two home markets and evolving opportunities in Spain, Italy and the US. I believe this is the right strategy and I will be looking hard at how we can build on this strong foundation to continue to develop a focused, international gambling group.

Key areas of focus for me, looking forward, are threefold:

- The multi-channel opportunity;
- Innovation, technology and data; and
- Continued internationalisation.

(a) Exploiting the multi-channel opportunity

While we continue to exploit both land-based and online opportunities, particularly as the Point of Consumption tax changes the competitive dynamic in the UK, our distinctive scale and presence in both channels means we are ideally placed to capitalise on the growing multi-channel opportunity.

More people are gambling in the UK than ever before as it becomes ever more established as an accepted and popular leisure activity, notably after the introduction of the National Lottery in 1994. Retail remains the bedrock of our business and betting shops are used by 79% of UK gambling customers[7]. The new digital channels – online since 1998 and mobile in the last four years – give access to customers who may not naturally walk into a betting shop. Today, the new trend, particularly among younger customers, is to use multiple channels, with c30% of 18 to 34 years olds using both retail and digital channels versus c10% of those aged 45 and above.[7]

Retail's strong footprint, Online's broader product range, our increasing capability for multi-channel gaming experiences and the benefit that Retail brings in face-to-face interactions all give us the potential to bring customers an attractive and competitive 'one William Hill' experience. In my view, if we get this right it will mean higher yields, higher retention and lower cost per acquisition right across our customer base.

(b) Innovation, technology and data

Digital, including mobile, continues to be the fastest growing segment of the gambling sector and our Online business is one of the most innovative and competitive digital gambling businesses in the world.

For me, technology sits at the heart of everything we want to achieve in getting us closer to the customer and enabling us to differentiate our offering. Our technology approach is a core competitive advantage. We combine the strength of our in-house capabilities and talent with the best external platforms to give us a bespoke system. We will continue to improve our capability to handle development in-house, which can improve speed of delivery, protection of intellectual property and product differentiation, whilst maintaining access to external innovation. This flexible technology approach can also support greater international opportunities.

Our ability in this area is clear: our in-house trading platform has driven massive sports betting product proliferation and in-play margin enhancement; and our proprietary Vegas gaming platform has delivered 16% compound annual growth rate since 2009. As an example, today around 53% of our IT development investment is made internally, up from 37% in 2010.

A key opportunity comes from 'Project Trafalgar'. This in-house technology project, for which a phased roll-out is already underway, will overhaul the Online user interface process, enabling us to deploy changes faster and more frequently. It will also deliver a responsive design front end, which means that changes are made only once without needing to be replicated across desktop, Android, iOS and other operating systems, and that customers benefit from a consistent user experience regardless of the device with which they access our content.

This will also enable more personalisation. While we are already improving through tools such as push notifications, we will further drive personalisation by investing in both proprietary technology systems and internal expertise. For example, we are building in-house a tailored bonus engine for the Vegas platform, which will start by expanding the range of Vegas bonuses and extend over time to customer selection of preferred bonuses.

Managing the vast quantities of data we generate across multiple different platforms is an enormous challenge and work to improve this is also a focus. The strategy starts with building central data warehousing and delivering a single view of a customer's use of our products, to inform delivery of personalised play, marketing and customer service.

(c) Continued internationalisation

International growth represents a significant opportunity to further diversify our business and to increase our scale, thereby reducing our exposure to any single market. Of the world's largest gambling markets by revenue, our near-term focus will be on continuing to drive value from five core regulated markets: the UK, Australia, Italy, Spain and the US. Over time, we will look at other regulated markets and for alternative ways to enter markets that are currently closed to us. This could be through acquiring a complementary gambling capability or by offering services on a business-to-business basis. It may be particularly relevant in markets such as the US where licences are likely to be held by local land-based incumbents who may benefit from using our operational or technological capabilities.

We will continue to take a selective approach to international expansion. Having built a market-leading land-based and digital capability in the UK – which is arguably one of the most competitive gambling markets in the world – we are extremely well placed to compete internationally. In Italy and Spain, for instance, we are successfully growing market share by leveraging the existing Online capabilities.

Finally, in my view William Hill has developed and recruited exceptional talent in core capabilities as diverse as trading, IT and marketing, and we have an outstanding team. Our ability to attract and retain innovative and experienced leaders has been pivotal to our success over the last six years. We will continue to build on this strength as the needs of the Group evolve. I am privileged to be leading this extraordinary group of people and look forward to working with them as we embark on the next phase of William Hill's development.

OPERATING REVIEW

Online (32% of Group revenue)

	H1 2014 £m	H1 2013 £m	Change %
Sportsbook amounts wagered	**1,951.4**	**1,383.5**	**+41%**
Gross win margin	7.1%	9.0%	-1.9 ppts
Online net revenue	**261.1**	**233.9**	**+12%**
- Sportsbook net revenue	121.4	116.0	+5%
- Gaming net revenue	139.7	117.9	+18%
Operating costs	(155.2)	(133.5)	+16%
Operating profit[1]	**81.1**	**80.2**	**+1%**

Sportsbook wagering and gaming net revenue continue to grow strongly, benefiting from the continued investment in the scale and performance of our product range, the quality of our user experience and the effectiveness of our marketing. Ahead of the introduction of the Point of Consumption Tax, we continue to drive growth rates significantly ahead of structural UK digital gambling market growth. This track record of growth has been built over the last five years with Sportsbook net revenue delivering a 50% compound annual growth rate between 2009 and 2013 against a market growth rate of 16%.[8]

Online net revenue grew with a return to stronger growth rates in gaming net revenue and a continuation of excellent Sportsbook wagering growth rates, helped by the World Cup. A weaker gross win margin reflected primarily the previously highlighted customer-friendly sporting results in Q1 versus the comparable but results in Q2 were also behind the prior year (Q2 2014 7.1% versus 8.1% Q2 2013). Growth in gaming net revenue has improved significantly following recent enhancements of user experience and expansion of our product range. Within this, Casino net revenue (including our Vegas, Games and Skill platforms and the Playtech Casino) grew 25%, Bingo fell 6% and Poker fell 17%.

During the period, 82% of Online revenues came from our core markets of the UK, Italy and Spain (H1 2013: 81% from core markets). Performance in Italy and Spain has been strong, with net revenue up 44% and 101%, respectively, and with good market share gains in the period. Sports and casino mobile products have been launched and have proved effective, with 21% and 46% of net revenue in each market, respectively, coming via smartphones and tablets. Our marketing investment is also proving effective with the William Hill brand ranking first for spontaneous awareness in Italy and second in Spain. Together, these two markets made an operating loss of £2.8m in the period.

Marketing investment was c£7m or 11% higher, equating to 28% of net revenue. This reflects a first half weighting driven by the World Cup. Sportsbook free bets were equivalent to 0.9% of amounts wagered, in line with our guidance. Other operating costs grew 22% with headcount and cost growth supporting and reflecting increased levels of investment in our product, platform and user experience.

In May, the Gambling (Licensing and Advertising) Bill received Royal Assent and the Government has set a deadline of 1 October for the licensing of operators. We are making good progress towards meeting the licensing conditions and are on track to meet this deadline.

Retail (58% of Group revenue)

	H1 2014 £m	H1 2013 £m	Change %
Over-the-counter (OTC) amounts wagered	**1,281.9**	**1,256.3**	**+2%**
Gross win margin	18.0%	19.7%	-1.7 ppts
Retail net revenue[3]	**463.1**	**463.6**	**-0%**
- OTC net revenue	231.1	247.4	-7%
- Gaming machine net revenue[3]	232.0	216.2	+7%
Operating costs	(256.0)	(254.6)	+1%
Operating profit[1]	**100.3**	**107.6**	**-7%**

On an underlying basis after adjusting for the change to Machine Games Duty (MGD) in February 2013, Retail net revenue was down 1% and gaming machine net revenue was up 5%.

Notwithstanding growth in over-the-counter (OTC) wagering, the combined effect of the customer-friendly sporting results in this half and an unusually high gross win rate in H1 2013 was a year-on-year swing in the gross win margin of 1.7 percentage points, resulting in lower OTC net revenue. OTC amounts wagered included the benefit of the World Cup in the second quarter.

The roll-out of the next-generation Eclipse machine to the first half of the estate was completed in the second quarter. Since the period end, we have extended our contract with Inspired Gaming to 2019 and plan to roll out Eclipse to the remainder of the estate from August 2014. Gross win per machine per week increased from £910 to £931. Underlying machines net revenue in Q2 was up 4%, following on from the 5% growth rate seen in Q1.

There was an average of 2,436 shops in the period, around 2% higher than the prior year. We continue to invest in expanding and enhancing the estate, opening 20 new licences, re-siting five shops and closing nine shops in the normal course of business. In relation to the previously announced intention to close 109 shops following HM Treasury's announcement of an increase in MGD from 20% to 25% from 1 March 2015, we have now closed 70 shops since the period end and a further 12 will close very shortly. The total exceptional provision taken in H1 in relation to these 82 shops is £16.6m.

Operating costs were broadly in line with the prior year, benefiting from reduced staffing costs as we extended single manning, where appropriate, to evening hours from 1 April 2014 and as we rolled over additional repair and maintenance costs incurred in H1 2013.

Operating profit[1], reflecting the impact of lower OTC net revenue, was below the prior year despite this strong cost control performance.

William Hill Australia (7% of Group revenue)

	On a reported basis			On a pro-forma constant currency basis	
	H1 2014 £m	H1 2013 £m	Change %	H1 2013 £m	Change %
Amounts wagered	**724.1**	**422.3**	**+71%**	**659.0**	**+10%**
Gross win margin	8.6%	7.8%	+0.8 ppts	8.7%	-0.1 ppts
Net revenue	**58.9**	**30.8**	**+91%**	**54.8**	**+7%**
Operating costs	(33.8)	(20.4)	+66%	(37.4)	-10%
Operating profit[1]	**10.5**	**3.7**	**+184%**	**5.4**	**+94%**

William Hill Australia incorporates the Sportingbet and Centrebet brands acquired in March 2013 and the tomwaterhouse.com brand acquired in August 2013.

At the 2013 interim results, we laid out a plan for improving the digital capability of William Hill Australia to enable the business to capitalise on the strong structural growth in the Australian digital gambling market, which is projected to grow at 14% a year over the next five years[8].

We have now successfully executed on the major components of this plan. In March 2014 we launched a new sportingbet.com.au website, using responsive design technology to provide an improved and consistent user experience across all platforms, from desktop through mobile devices. In April, we integrated the tomwaterhouse.com business, transferring its website onto the proprietary William Hill Australia technology platform and achieving the planned synergies from integrating the operational teams.

The process of rebalancing the total marketing investment towards online and free-to-air TV advertising continues as we roll off further sponsorship contracts over time. The Sportingbet brand advertising campaign using Australian cricket legend Shane Warne has proved popular and we saw an acceleration in new accounts after its launch.

On a constant currency pro-forma basis, wagering was up 10% and net revenue up 7%. With costs reducing following the integration of tomwaterhouse.com, operating profit[1] has near doubled.

In recent weeks, Racing Victoria and Racing Queensland have announced increases to the race field fees charged to bookmakers on racing turnover or net revenue, applicable from 1 July 2014. The unmitigated impact of the revisions announced so far is estimated to be cA$10m on a full-year basis. Whilst we are currently assessing potential mitigation factors, there can be no certainty that any such savings will ensue.

On 16 July, we announced the appointment of Tom Waterhouse as CEO of William Hill Australia and the early settlement of the tomwaterhouse.com earn-out for A$5m (£2.8m) in cash. This compared to an earn-out potential valued at A$1m at the end of 2013.

Other channels (3% of Group revenue)

William Hill US continues to perform strongly with amounts wagered up 22%. Net revenue was 27% higher at £12.2m (H1 2013: £9.6m) with a gross win margin of 7.8% (H1 2013: 7.5%). Operating costs were 4% higher and operating profit[1] increased by 383% to £2.9m (H1 2013: £0.6m).

During the period, the US Supreme Court declined to hear New Jersey's appeal in the legal case aimed at seeking to overturn the Federal prohibition on sports betting outside Delaware, Nevada, Oregon and Montana. New Jersey is currently assessing whether the previous court decision and legal points raised in that legal case create a route for it to repeal the prohibition of sports betting without breaching any Federal law. William Hill US is well positioned to take advantage, given its existing deal with Monmouth Park race track, should this be possible.

Telephone made a small operating loss[1] of £0.5m in the period (H1 2013: £1.9m profit). Amounts wagered were down 15% and net revenue was down 38% to £6.3m (H1 2013: £10.1m) on a reduced gross win margin of 6.0% (H1 2013: 7.9%). Operating costs reduced 17%.

FINANCIAL REVIEW

Operating profit[1] for the first half of 2014 was £176.9m, c2% below the comparable period (H1 2013: £181.4m). Pre-exceptional profit before tax for the year was £148.2m (H1 2013: £156.2m) and pre-exceptional profit after tax attributable to equity holders was £119.7m, 8% below the comparable period (H1 2013: £130.6m).

Basic adjusted earnings per share (EPS) at 14.1p, was 16% below the prior year. A key factor behind both the fall in profit after tax and the fall in basic adjusted EPS was the increase in effective tax rates in 2014, with H1 2013 basic adjusted EPS benefiting from a very low 6.6% effective tax rate following the release of deferred tax provisions arising from the enacted reduction in corporation tax rates. This compares to an effective pre-exceptional tax rate of 19.2% in the first half of 2014. The adjustments made to basic EPS relate to exceptional items and the amortisation of acquired intangible assets, adjustments which reflect the key business metric of operating profit[1] and give a better sense of underlying business progress. Basic EPS was down 22% to 11.3p (H1 2013: 14.5p).

Pre-exceptional Income Statement

Group net revenue, at £805.2m, was up 7% on the prior period (H1 2013: £751.6m). Retail net revenue was flat, albeit this was flattered slightly by the onset of Machine Games Duty, which was present only for five months of the comparative period. On an underlying basis, Retail net revenue[3] fell 1%, with growth in machines and OTC wagering not offsetting the decline in gross win percentage. Online net revenue grew 12%: Sportsbook net revenue grew 5% and gaming grew more strongly, at 18%. Australian net revenue grew 91%, with the rate of growth benefiting from a part-year ownership in the prior period.

Cost of sales grew £17.9m or 14% from £129.6m in 2013 to £147.5m in 2014. Retail saw £5.4m of additional costs primarily driven by additional Machine Games Duty, Online cost of sales grew £4.6m driven primarily by additional taxation from growth in licensed territories and Australia contributed an additional £7.9m of costs, in part driven by a full period of ownership.

Pre-exceptional net operating expenses, which includes other operating income but excludes amortisation of acquired intangibles, grew by £38.8m or 9% from £441.9m in H1 2013 to £480.7m in H1 2014. Australia contributed £13.4m of the additional operating expense, Online £21.7m and Retail £1.4m with other operating cost growth adding £2.3m.

Total Online cost growth of 16% came from a combination of an 11% increase in marketing costs and increases in staff together with other cost growth in communications and hosting, software fees, IT-related depreciation and bank charges. Retail costs reflected good cost control, growing by only around 1%, with absolute reductions in staff costs as a result of the extension of single-manning to evening shifts in certain locations. Net corporate costs grew by £3.3m from £14.0m in 2013 to £17.3m in 2014, the majority of which related to increased staff incentive provisions. Other operating income was £4.1m (H1 2013: £3.3m).

The Group's contribution from its associate, SIS, during 2014 reflected a modest loss at £0.1m (H1 2013: £1.3m profit).

Prior to amortisation of acquired intangibles, the Group made £176.9m (H1 2013 £181.4m). After £4.5m of amortisation (H1 2013 £5.4m), Group pre-exceptional earnings before interest and tax was down around 2% to £172.4m (H1 2012: £176.0m).

Pre-exceptional net finance costs rose from £19.8m in the comparable period to £24.2m in H1 2014. The primary reason for the increase was the full half year impact in 2014 of the £375m bond issued towards the end of H1 2013, the proceeds of that bond being used to repay short term debt taken on to fund acquisitions. Pre-exceptional pre-tax profit for the first half was £148.2m (H1 2013: £156.2m).

Exceptional costs

Total exceptional costs before tax were £26.4m (H1 2013: £12.6m). The major item was a £16.6m provision for the costs of closure of 82 Retail shops following the Group's announcement earlier in the year arising from an announced increase in MGD. The Group is currently reviewing performance of the final 27 shops identified in its previous announcement.

The Group incurred £3.3m of costs relating to the acquisition and integration of tomwaterhouse.com into its existing Australian operations, which together with £2.0m incurred in 2013 meant £5.3m of exceptional items in total. The integration is now complete. In the second quarter, the Australian management team was restructured, and this led to an additional £1.8m of costs being incurred. In relation to the tomwaterhouse.com acquisition, a contractual earn-out, previously valued at A$1m, was settled early for a consideration of A$5m. This earn-out related to a forecast period of performance in 2015 and the early settlement reflected both current views of the likely outcome and an opportunity to simplify management and organisation structure.

The Group incurred £0.5m of interest in relation to the repayment of a VAT refund which was provided for in 2013, and the Group has incurred £2m of exceptional finance costs in connection with the early termination of its 2010 Revolving Credit Facility, following the refinancing of this facility.

Taxation

The Group incurred £28.5m of pre-exceptional tax on profits in H1, at an effective tax rate of 19.2%. There are a number of ongoing tax matters that are being progressed that may reduce this effective tax rate by the end of this year but, in the absence of certainty on timing of the closure of any of these items, we now assume a 19% tax rate for 2014 (cash tax rate 20%) versus the previously indicated 18%.

This is as compared to a pre-exceptional tax on profit of £10.3m in H1 2013 at an effective tax rate of 6.6%. This very low rate in the prior year was caused by one-off non-cash deferred tax credits arising from the enacted reduction of the UK Corporation tax rate. In the absence of the deferred tax credit, the effective tax rate in H1 2013 would have been 18.7%.

Tax on exceptional items was a £5.3m credit (H1 2013: £0.4m credit), making the total tax for the Group for the first half of £23.2m (H1 2013: £9.9m).

Cash flow and balance sheet

The Group activities continue to generate good levels of cash from operating activities: £175.6m of cash inflow from operating activities in the half (H1 2013: £134.1m). Versus the comparable period the Group saw favourable working capital inflows (£10.5m inflow in H1 2014 versus £16.5m outflow in H1 2013) together with a reduction in cash tax payments and fewer cash exceptional costs. The Group invested £34.3m on capital expenditure in the period (H1 2013: £34.7m). The Group continues to expect full-year capital expenditure to be in the range of £80-90m. Other significant cash outflows in the first half included £68.9m in dividend payments and £4.1m on arrangement and participation fees in connection with the Group's new revolving credit facility. The prior year saw £21.6m in distributions made to non-controlling interests but this cash outflow ceased following the purchase of the William Hill Online non-controlling interest in the second quarter of 2013.

As at 1 July 2014, the Group had drawn borrowings of £845m and net debt for covenant purposes fell by £76m to £720m (31 December 2013: £796m) following an acquisition-driven growth of debt in 2013. This reflects a net debt over EBITDA ratio of 1.8 times.

The Group saw its pension scheme move into surplus in 2014, moving from a year end deficit of £17.5m to a half year asset of £3.5m. The major drivers of this were a £10m reduction in liability valuations and an additional £7m of investment gain. Separately, following a formal actuarial valuation as at 30 September 2013, the Group entered into a new 6 year funding agreement with the pension scheme trustee to make £9.4m of deficit repair payments annually until May 2019. This agreement reflects the actuarial basis deficit rather than the accounting basis surplus.

FISCAL AND REGULATORY UPDATE

On 1 March 2014, the major UK retail bookmakers completed implementation of their voluntary Code for Responsible Gambling. This was a major step forward in developing a consistent responsible gambling approach across the industry, with higher profile messaging in and around LBOs, increased staff interactions with at risk customers and technology changes to give customers greater control of their gaming machine use.

On 30 April the DCMS announced plans for further player protection measures, including requiring gaming customers who want to bet over £50 in a single play to use an account or to load cash over-the-counter. The legislation to implement this is expected in the autumn and we anticipate a six-month window to effect the necessary technical changes.

We look forward to seeing the output of the Responsible Gambling Trust / NatCen research, which is looking to identify harmful patterns of play and appropriate measures to impact those patterns without impacting the experience for the majority of customers who do not experience such problems. The report is expected in or around October.

Over time, the combined data from the implementation of these emerging player protection measures and the Code, together with the output from the research, will give us useful insights into ways of most effectively promoting responsible gambling in our LBOs.

The Government intends to consult on proposals to require bookmakers to submit a planning application to local authorities to open a new LBO by putting betting shops into a separate use class. The DCMS has also requested an industry review of its voluntary advertising code, including consultation with the Advertising Standards Authority, which is ongoing.

Separately from this, in March the UK Government announced that MGD would increase from 20% to 25% from 1 March 2015. On the basis of 2013 gaming machine gross win, the impact of this increase would have been £22m.

The Gambling (Licensing and Advertising) Bill gained Royal Assent on 15 May 2014. The Act amended the 2005 Gambling Act to provide greater protection measures for users in Great Britain of remote gambling services, including online betting and gaming, and telephone betting. The Government has set a deadline of 1 October for the licensing of operators. The Act included a provision to give the Secretary of State the power to extend the UK Horseracing Levy to licensed online operators based outside the UK. Formal consultation on this is ongoing, with a further consultation on alternatives to the Levy due to commence in the autumn.

OUTLOOK AND DIVIDEND

The Board remains confident in its expectations for the full year, assuming normalised sporting results, and has declared an interim dividend of 4.0p per share (H1 2013: 3.7p per share). It is payable on 5 December 2014, the ex-dividend date is 23 October 2014 and the record date is 24 October 2014. The Group estimates that approximately 877 million shares will qualify for the interim dividend.

PRINCIPAL RISKS

The key risks areas for 2014 for the Group are identified as:

- UK and overseas regulation;
- UK and overseas taxation and duties;
- key supplier relationships;
- business continuity and disaster recovery preparedness;
- UK and international growth opportunities;
- data protection and technology risk;
- regulatory compliance; and
- recruitment and retention of key employees and succession planning.

These are discussed in more detail in our 2013 Annual Report which is available on our corporate website at www.williamhillplc.com.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM RESULTS ANNOUNCEMENT

The directors confirm that, to the best of their knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”; and
- the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

Neither the Company nor the directors accepts any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

By order of the Board,

J. Henderson	N. Cooper
Chief Executive Officer	Group Finance Director
1 August 2014	1 August 2014

Reference notes

(1) Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions, amounting to £4.5m in H1 2014 (H1 2013: £5.4m).
(2) References to digital channels include Online and William Hill Australia but exclude Telephone and mobile for William Hill US.
(3) Group, Retail and gaming machine net revenue growth is flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013.
(4) On a pro forma, constant currency basis.
(5) The contribution of Sportingbet Australia is included in the results from 19 March 2013 and tomwaterhouse.com is included from 12 August 2013.
(6) Basic EPS is based on an average of 870.1 million shares for H1 2014 and an average of 815.6 million shares for H1 2013, including an adjustment to reflect the impact of the rights issue completed on 5 April 2013. The prior year EPS numbers have been restated after an error was identified in the weighted average number of shares used following the rights issue. The fully diluted average number of shares is 829.4 million shares. Adjusted EPS is stated before exceptional items and amortisation of specifically identified intangible assets recognised on acquisitions.
(7) Kantar Retail Gambling Tracker Q4 2013.
(8) H2GC.

William Hill PLC
Interim Consolidated Income Statement (unaudited)
for the 26 weeks ended 1 July 2014

	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**26 weeks ended 1 July 2014 Total £m**	Before exceptional items £m	Exceptional items (note 3) £m	26 weeks ended 2 July 2013 Total £m	52 weeks ended 31 December 2013 Total £m
Continuing Operations								
Amounts wagered	2	**4,611.5**	-	**4,611.5**	3,670.1	-	3,670.1	7,800.8
Revenue	2	**805.2**	-	**805.2**	751.6	-	751.6	1,486.5
Cost of sales	2	**(147.5)**	-	**(147.5)**	(129.6)	-	(129.6)	(272.2)
Gross profit	2	**657.7**	-	**657.7**	622.0	-	622.0	1,214.3
Other operating income		**4.1**	-	**4.1**	3.3	-	3.3	7.4
Other operating expenses	3	**(489.3)**	(24.4)	**(513.7)**	(450.6)	(10.9)	(461.5)	(922.1)
Share of results of associates		**(0.1)**	-	**(0.1)**	1.3	-	1.3	3.4
Profit before interest and tax	2	**172.4**	(24.4)	**148.0**	176.0	(10.9)	165.1	303.0
Investment income	2,4	**0.5**	-	**0.5**	0.6	-	0.6	1.1
Finance costs	2,3,5	**(24.7)**	(2.0)	**(26.7)**	(20.4)	(1.7)	(22.1)	(47.1)
Profit before tax	2	**148.2**	(26.4)	**121.8**	156.2	(12.6)	143.6	257.0
Tax	3,6	**(28.5)**	5.3	**(23.2)**	(10.3)	0.4	(9.9)	(30.5)
Profit for the period		**119.7**	(21.1)	**98.6**	145.9	(12.2)	133.7	226.5
Attributable to:								
Equity holders of the parent		**119.7**	(21.1)	**98.6**	130.6	(12.2)	118.4	211.2
Non-controlling interest		**-**	-	**-**	15.3	-	15.3	15.3
		119.7	(21.1)	**98.6**	145.9	(12.2)	133.7	226.5
Earnings per share (pence)								
Basic (restated)	8			**11.3**			14.5	25.2
Diluted (restated)	8			**11.2**			14.3	24.7

William Hill PLC
Interim Consolidated Statement of Comprehensive Income (unaudited)
for the 26 weeks ended 1 July 2014

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Profit for the period	**98.6**	133.7	226.5
Items that will not be reclassified subsequently to profit or loss:			
Actuarial remeasurements in defined benefit pension scheme	**17.0**	(4.9)	(3.8)
Tax on remeasurements in defined benefit pension scheme	**(3.4)**	(1.4)	(1.7)
	13.6	(6.3)	(5.5)
Items that may be reclassified subsequently to profit or loss:			
Losses on cash flow hedges	**(0.1)**	-	(0.6)
Exchange differences on translation of foreign operations	**9.1**	(11.9)	(98.6)
	9.0	(11.9)	(99.2)
Other comprehensive income/(loss) for the period	**22.6**	(18.2)	(104.7)
Total comprehensive income for the period	**121.2**	115.5	121.8
Attributable to:			
Equity holders of the parent	**121.2**	100.2	106.5
Non-controlling interest	**-**	15.3	15.3
	121.2	115.5	121.8

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)
for the 26 weeks ended 1 July 2014

	Attributable to owners of the parent							
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2014	**86.7**	**680.7**	**6.8**	**(26.1)**	**(3.8)**	**(99.9)**	**378.9**	**1,023.3**
Retained profit for the financial period	-	-	-	-	-	-	98.6	98.6
Other comprehensive income for the period	-	-	-	-	-	9.0	13.6	22.6
Total comprehensive income for the period	-	-	-	-	-	**9.0**	**112.2**	**121.2**
Purchase of own shares	0.1	-	-	-	(5.0)	-	4.9	-
Transfer of own shares to recipients	-	-	-	-	8.4	-	(8.4)	-
Other shares issued in the period	0.7	0.2	-	-	-	-	(0.7)	0.2
Credit recognised in respect of share remuneration	-	-	-	-	-	-	3.9	3.9
Tax credit in respect of share remuneration	-	-	-	-	-	-	(0.4)	(0.4)
Dividends paid (note 7)	-	-	-	-	-	-	(68.9)	(68.9)
At 1 July 2014	**87.5**	**680.9**	**6.8**	**(26.1)**	**(0.4)**	**(90.9)**	**421.5**	**1,079.3**

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total Equity £m
At 2 January 2013	**70.6**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**(0.7)**	**653.1**	**1,022.4**	**14.6**	**1,037.0**
Retained profit for the financial period	-	-	-	-	-	-	118.4	118.4	15.3	133.7
Other comprehensive loss for the period	-	-	-	-	-	(11.9)	(6.3)	(18.2)	-	(18.2)
Total comprehensive income for the period	-	-	-	-	-	**(11.9)**	**112.1**	**100.2**	**15.3**	**115.5**
Purchase of own shares	0.2	-	-	-	(0.4)	-	-	(0.2)	-	(0.2)
Transfer of own shares to recipients	-	-	-	-	0.1	-	(0.1)	-	-	-
Rights issue, net of costs	15.7	357.7	-	-	-	-	-	373.4	-	373.4
Other shares issued in the period	0.1	0.1	-	-	-	-	(0.1)	0.1	-	0.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	4.3	4.3	-	4.3
Tax credit in respect of share remuneration	-	-	-	-	-	-	3.0	3.0	-	3.0
Dividends paid (note 7)	-	-	-	-	-	-	(55.0)	(55.0)	-	(55.0)
Distributions to non-controlling interest	-	-	-	-	-	-	-	-	(21.6)	(21.6)
Purchase of non-controlling interest, net of costs	-	-	-	-	-	-	(414.8)	(414.8)	(8.3)	(423.1)
Reversal of non-controlling interest perpetuity creditor	-	-	-	-	-	-	9.7	9.7	-	9.7
At 2 July 2013	**86.6**	**679.2**	**6.8**	**(26.1)**	**(3.0)**	**(12.6)**	**312.2**	**1,043.1**	**-**	**1,043.1**

William Hill PLC
Interim Consolidated Statement of Changes in Equity (unaudited)
for the 26 weeks ended 1 July 2014

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve	Own shares held £m	Hedging and translation reserve £m	Retained Earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total Equity £m
At 2 January 2013	**70.6**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**(0.7)**	**653.1**	**1,022.4**	**14.6**	**1,037.0**
Profit for the financial period	–	–	–	–	–	–	211.2	211.2	15.3	226.5
Other comprehensive loss for the period	–	–	–	–	–	(99.2)	(5.5)	(104.7)	–	(104.7)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(99.2)**	**205.7**	**106.5**	**15.3**	**121.8**
Purchase of own shares	0.2	–	–	–	(9.6)	–	9.0	(0.4)	–	(0.4)
Transfer of own shares to recipients	–	–	–	–	8.5	–	(8.5)	–	–	–
Rights issue, net of costs	15.7	357.7	–	–	–	–	–	373.4	–	373.4
Other shares issued during the period	0.2	1.6	–	–	–	–	–	1.8	–	1.8
Credit recognised in respect of share remuneration	–	–	–	–	–	–	8.9	8.9	–	8.9
Tax credit in respect of share remuneration	–	–	–	–	–	–	2.9	2.9	–	2.9
Dividends paid (note 7)	–	–	–	–	–	–	(87.1)	(87.1)	–	(87.1)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(21.6)	(21.6)
Purchase of non-controlling interest, net of costs	–	–	–	–	–	–	(414.8)	(414.8)	(8.3)	(423.1)
Reversal of non-controlling interest perpetuity creditor	–	–	–	–	–	–	9.7	9.7	–	9.7
At 31 December 2013	**86.7**	**680.7**	**6.8**	**(26.1)**	**(3.8)**	**(99.9)**	**378.9**	**1,023.3**	**–**	**1,023.3**

William Hill PLC
Interim Consolidated Statement of Financial Position (unaudited)
as at 1 July 2014

	Notes	**1 July 2014 £m**	2 July 2013 £m	31 December 2013 £m
Non-current assets				
Intangible assets		**1,873.8**	1,924.9	1,854.8
Property, plant and equipment		**233.9**	233.9	249.2
Investment property		**-**	10.8	-
Interest in associate		**13.9**	11.9	14.0
Deferred tax asset		**12.6**	15.9	18.6
Retirement benefit plan asset		**3.5**	-	-
Loans receivable		**4.6**	12.0	4.6
		2,142.3	2,209.4	2,141.2
Current assets				
Inventories		**0.1**	0.3	0.2
Trade and other receivables		**53.6**	40.6	56.4
Cash and cash equivalents		**219.3**	170.2	206.7
Derivative financial instruments		**-**	1.4	-
Investment property held for sale		**7.0**	-	9.4
		280.0	212.5	272.7
Total assets		**2,422.3**	2,421.9	2,413.9
Current liabilities				
Trade and other payables		**(298.6)**	(257.1)	(278.7)
Corporation tax liabilities		**(44.2)**	(42.2)	(37.6)
Derivative financial instruments		**(17.7)**	(6.3)	(12.3)
		(360.5)	(305.6)	(328.6)
Non-current liabilities				
Borrowings	9	**(835.0)**	(894.5)	(895.9)
Retirement benefit plan obligations		**-**	(22.3)	(17.5)
Deferred tax liabilities		**(147.5)**	(156.4)	(148.6)
		(982.5)	(1,073.2)	(1,062.0)
Total liabilities		**(1,343.0)**	(1,378.8)	(1,390.6)
Net assets		**1,079.3**	1,043.1	1,023.3
Equity				
Called-up share capital		**87.5**	86.6	86.7
Share premium account		**680.9**	679.2	680.7
Capital redemption reserve		**6.8**	6.8	6.8
Merger reserve		**(26.1)**	(26.1)	(26.1)
Own shares held		**(0.4)**	(3.0)	(3.8)
Hedging and translation reserves		**(90.9)**	(12.6)	(99.9)
Retained earnings		**421.5**	312.2	378.9
Total equity		**1,079.3**	1,043.1	1,023.3

William Hill PLC
Interim Consolidated Cash Flow Statement (unaudited)

for the 26 weeks ended 1 July 2014

	Notes	**26 weeks ended 1 July 2014 £m**	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Net cash from operating activities	10	**175.6**	134.1	267.6
Investing activities				
Dividend from associate		**-**	2.0	2.0
Interest received		**0.5**	0.6	1.1
Proceeds on disposal of property, plant and equipment		**1.6**	0.3	1.8
Proceeds on sale of investment property		**2.0**	-	-
Loans		**-**	(12.0)	(6.9)
Acquisitions (net of cash acquired)		**-**	(435.3)	(451.4)
Purchase of non-controlling interest, net of costs		**-**	(423.1)	(423.1)
Purchases of property, plant and equipment		**(20.2)**	(24.2)	(49.6)
Expenditure on computer software		**(14.1)**	(10.5)	(35.0)
Net cash used in investing activities		**(30.2)**	(902.2)	(961.1)
Financing activities				
Proceeds on issue of shares under share schemes		**0.2**	0.1	1.8
Purchase of own shares		**-**	(0.3)	(0.4)
Proceeds on rights issue		**-**	384.3	384.3
Fees in respect of rights issue		**-**	(10.3)	(10.9)
Dividends paid	7	**(68.9)**	(55.0)	(87.1)
Distributions paid to non-controlling interests		**-**	(21.6)	(21.6)
(Repayments under)/net amounts drawn down on borrowing facilities		**(60.0)**	120.0	120.0
Debt facility issue costs	9	**(4.1)**	(1.9)	(1.9)
Issue of £375m Guaranteed Notes due 2020		**-**	375.0	375.0
Finance fees paid on £375m Guaranteed Notes		**-**	(3.7)	(4.0)
Net cash (used in)/from financing activities		**(132.8)**	786.6	755.2
Net increase in cash and cash equivalents in the period		**12.6**	18.5	61.7
Changes in foreign exchange rates		**-**	-	(6.7)
Cash and cash equivalents at start of period		**206.7**	151.7	151.7
Cash and cash equivalents at end of period		**219.3**	170.2	206.7

William Hill PLC
Notes to the Group Financial Statements
for the 26 weeks ended 1 July 2014

1. Basis of accounting

General Information
William Hill PLC is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The condensed consolidated financial information for the 26 weeks ended 1 July 2014, which has been approved by a committee of the Board of Directors on 1 August 2014, has been prepared on the basis of the accounting policies set out in the Group's 2013 Annual Report and Accounts on pages 90 to 91, which can be found on the Group's website www.williamhillplc.com. This condensed consolidated financial information for the 26 weeks ended 1 July 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial information for the 26 weeks ended 1 July 2014 should be read in conjunction with the annual financial statements for the 52 weeks ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented.

The condensed consolidated financial information for the 26 weeks ended 1 July 2014 is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but has been reviewed by the auditor and their report is set out at the end of this financial information. The results for the 52 week period ended 31 December 2013 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts, which have been filed with the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The directors consider that the 'adjusted' earnings per share measure, as disclosed in note 8, provides additional useful information for shareholders on the underlying performance of the business. It is not a recognised measure under IFRS and may not be directly comparable with 'adjusted' measures used by other companies.

Adoption of new and revised standards

There have been several new or amended standards and interpretations that became effective in the period. None of these has had an impact upon the values or disclosures in the interim financial information.

Basis of accounting
The interim condensed consolidated financial information has been prepared in accordance with IFRS adopted by the European Union and therefore complies with Article 4 of the EU IAS Regulation.

The interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

Basis of consolidation

The financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 1 July 2014. Control is achieved where the Company has the rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and investments

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

Going concern

The Group manages its day to day liquidity requirements from its operating cash flows and the cash resources it holds on its balance sheet. These are supplemented when required by a committed £540m revolving credit bank loan facility which expires in 2019. As at 1 July 2014 the Group had £370m of undrawn headroom under this facility.

Whilst there are a number of risks to the Group's trading performance, the Group does not have any material financial repayment obligations before November 2016. The Group's long-range internal forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available committed facilities and its banking covenants.

After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business and regulatory risks, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Seasonality

The Group's overall profitability is primarily sensitive to sporting results, largely in terms of outcome but also in terms of the timing and presence of significant events that attract a large amount of stakes. For example, the current period includes part of the 2014 FIFA World Cup, whereas the prior period did not. In addition, adverse weather conditions can disrupt the sporting calendar and limit betting opportunities.

Fair values

Assets and liabilities measured at fair value include primarily antepost bets, whose valuation is determined with reference to anticipated gross win margins on unsettled bets. Changes in fair value have not had a material impact upon the profit for the period.

2. Segment information

The Board reviews its reportable operating segments in line with guidance provided by IFRS 8 ‘Operating Segments’. The segments are aligned with the reports the Board and the Group’s Chief Executive review to make strategic decisions.

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all activity undertaken online including an online sportsbook, online casino, online poker sites and other online gaming products. The Telephone segment comprises the Group’s telephone betting services. The US segment comprises betting activity undertaken in the USA. The Australia segment comprises online and telephone sports betting under the Centrebet, Sportingbet and tomwaterhouse.com brands in Australia. Other activities include on-course betting and greyhound stadia operations.

Business segment information for the 26 weeks ended 1 July 2014:

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Amounts wagered	1,513.9	2,091.1	115.1	156.2	724.1	11.1	-	4,611.5
Payout	(1,050.8)	(1,830.0)	(108.8)	(144.0)	(665.2)	(7.5)	-	(3,806.3)
Revenue	**463.1**	**261.1**	**6.3**	**12.2**	**58.9**	**3.6**	**-**	**805.2**
GPT, duty, levies and other costs of sales	(106.8)	(24.8)	-	(0.9)	(14.6)	(0.4)	-	(147.5)
Gross profit	356.3	236.3	6.3	11.3	44.3	3.2	-	657.7
Depreciation	(13.6)	(0.4)	-	(0.3)	(1.4)	(0.1)	(1.8)	(17.6)
Amortisation	(1.2)	(11.7)	(0.1)	-	(1.0)	-	-	(14.0)
Other administrative expenses	(241.2)	(143.1)	(6.7)	(8.1)	(31.4)	(3.1)	(15.5)	(449.1)
Share of result of associates	-	-	-	-	-	-	(0.1)	(0.1)
Operating profit/(loss)[1]	**100.3**	**81.1**	**(0.5)**	**2.9**	**10.5**	**-**	**(17.4)**	**176.9**
Amortisation of acquired intangibles	-	(0.7)	-	(1.2)	(2.6)	-	-	(4.5)
Exceptional operating items	(17.1)	-	-	-	(7.3)	-	-	(24.4)
Profit/(loss) before interest and tax[2]	**83.2**	**80.4**	**(0.5)**	**1.7**	**0.6**	**-**	**(17.4)**	**148.0**
Non-operating exceptional items							(2.0)	(2.0)
Investment income							0.5	0.5
Finance costs							(24.7)	(24.7)
Profit before tax								**121.8**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

[2] The reports used by the Chief Executive to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

Business segment information for the 26 weeks ended 2 July 2013:

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Amounts wagered	1,472.5	1,501.4	135.4	127.7	422.3	10.8	-	3,670.1
Payout	(1,008.9)	(1,267.5)	(125.3)	(118.1)	(391.5)	(7.2)	-	(2,918.5)
Revenue	**463.6**	**233.9**	**10.1**	**9.6**	**30.8**	**3.6**	**-**	**751.6**
GPT, duty, levies and other costs of sales	(101.4)	(20.2)	-	(0.9)	(6.7)	(0.4)	-	(129.6)
Gross profit	362.2	213.7	10.1	8.7	24.1	3.2	-	622.0
Depreciation	(12.3)	(0.3)	-	(0.2)	(1.6)	(0.1)	(2.0)	(16.5)
Amortisation	(1.3)	(7.9)	(0.1)	-	-	-	-	(9.3)
Other administrative expenses	(241.0)	(125.3)	(8.1)	(7.9)	(18.8)	(3.0)	(12.0)	(416.1)
Share of result of associates	-	-	-	-	-	-	1.3	1.3
Operating profit/(loss)[1]	**107.6**	**80.2**	**1.9**	**0.6**	**3.7**	**0.1**	**(12.7)**	**181.4**
Amortisation of acquired intangibles	-	(1.8)	-	(1.3)	(2.3)	-	-	(5.4)
Exceptional operating items	-	-	-	-	(10.9)	-	-	(10.9)
Profit/(loss) before interest and tax[2]	**107.6**	**78.4**	**1.9**	**(0.7)**	**(9.5)**	**0.1**	**(12.7)**	**165.1**
Non-operating exceptional items							(1.7)	(1.7)
Investment income							0.6	0.6
Finance costs							(20.4)	(20.4)
Profit before tax								**143.6**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

[2] The reports used by the Chief Executive to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

Business segment information for the 52 weeks ended 31 December 2013:

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Amounts wagered	2,874.1	3,165.0	252.0	310.2	1,177.1	22.4	–	7,800.8
Payout	(1,967.1)	(2,718.7)	(235.5)	(287.5)	(1,090.4)	(15.1)	–	(6,314.3)
Revenue	**907.0**	**446.3**	**16.5**	**22.7**	**86.7**	**7.3**	**–**	**1,486.5**
GPT, duty, levies and other costs of sales	(203.3)	(40.2)	–	(2.0)	(20.2)	(0.9)	–	(266.6)
Gross profit	703.7	406.1	16.5	20.7	66.5	6.4	–	1,219.9
Depreciation	(25.8)	(0.7)	–	(0.5)	(3.1)	(0.2)	(4.0)	(34.3)
Amortisation	(2.6)	(18.2)	(0.2)	–	–	–	–	(21.0)
Other administrative expenses	(479.0)	(239.4)	(16.3)	(15.3)	(51.4)	(6.0)	(25.6)	(833.0)
Share of result of associates	–	–	–	–	–	–	3.4	3.4
Operating profit/(loss)[1]	**196.3**	**147.8**	**–**	**4.9**	**12.0**	**0.2**	**(26.2)**	**335.0**
Amortisation of acquired intangibles	–	(4.0)	–	(2.5)	(4.4)	–	–	(10.9)
Exceptional operating items	(5.6)	–	–	–	(15.5)	–	–	(21.1)
Profit/(loss) before interest and tax[2]	**190.7**	**143.8**	**–**	**2.4**	**(7.9)**	**0.2**	**(26.2)**	**303.0**
Non-operating exceptional items							(1.7)	(1.7)
Investment income							1.1	1.1
Finance costs							(45.4)	(45.4)
Profit before tax								**257.0**

[1] The Group defines operating profit as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

[2] The reports used by the Chief Executive to make strategic decisions use operating profit as a key metric. A reconciliation to profit/(loss) before interest and tax has been provided for information purposes only.

3. Exceptional items

Exceptional items are those items the Group considers to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. Exceptional items are as follows:

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Operating			
Shop closures [1]	**(16.6)**	-	-
tomwaterhouse.com acquisition and integration costs [2]	**(3.3)**	-	(2.0)
Revaluation of tomwaterhouse.com contingent consideration [3]	**(2.2)**	-	-
Australian management restructuring [4]	**(1.8)**	-	-
VAT repayment [5]	**(0.5)**	-	(5.6)
Sportingbet acquisition and integration costs	**-**	(10.9)	(13.5)
	(24.4)	(10.9)	(21.1)
Non-operating			
Costs in respect of refinancing [6]	**(2.0)**	(1.7)	(1.7)
Total exceptional items	**(26.4)**	(12.6)	(22.8)

The tax impact of exceptional items is as follows:

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Tax credit in respect of shop closures [1]	**3.3**	-	-
Tax credit in respect of tomwaterhouse.com acquisition and integration costs [2]	**1.0**	-	-
Tax credit in respect of Australian management restructuring [4]	**0.5**	-	-
Tax credit in respect of VAT repayment [5]	**0.1**	-	1.3
Tax credit in respect of refinancing costs [6]	**0.4**	0.4	0.4
	5.3	0.4	1.7

1 As a result of HM Treasury's announcement in March 2014 of an increase in Machine Games Duty, the Group conducted a review of shop profitability and identified a portfolio of shops for closure. As at 1 July 2014, plans had been made to close the first wave of 82 shops within this portfolio and the Group has made provisions for onerous lease contracts and other costs of closure.

2 On 12 August 2013, the Group acquired tomwaterhouse.com. Costs relating to the acquisition and integration of tomwaterhouse.com into William Hill Australia were charged as exceptional items.

3 Under the terms of the purchase of tomwaterhouse.com in 2013, a contingent earn-out payment was payable to the vendors, calculated with reference to the 2015 operating profits of tomwaterhouse.com. This earn-out was accounted for as a derivative liability with an initial fair value estimated at A$1.0m. The fair value was reassessed at 1 July 2014 to $5.0m and changes in fair value were charged as an exceptional item. Subsequent to the interim reporting date, William Hill Australia agreed with the vendors to settle the earn-out early for a cash value of $5.0m.

4 During the period, the management team of William Hill Australia was restructured. The costs of associated staff changes were charged as exceptional items given their scale.

5 During 2013, HM Revenue and Customs was successful in appealing against a 2010 court ruling, on the basis of which the Group had received a refund of VAT on the Group's gaming machines. The Group provided for repayment of this refund in 2013 and this sum was paid in 2014, along with £0.5m of interest which was not previously expected to be payable. Both the 2013 provision and the 2014 interest component are charged as exceptional items.

6 In June 2014, the Group entered into a £540m revolving credit facility, replacing its existing revolving credit facility. The remaining balance of finance fees on the terminated facility, which were being expensed over the life of the replaced facility, was charged as an exceptional item.

4. Investment income

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Interest on bank deposits	**0.5**	0.6	1.1

5. Finance costs

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Interest payable and similar charges:			
Bank loans, bond interest and overdrafts	**23.0**	17.8	41.0
Amortisation of finance costs	**1.4**	2.3	3.7
Interest payable	**24.4**	20.1	44.7
Interest on net pension scheme liability	**0.3**	0.3	0.7
	24.7	20.4	45.4

The above does not include exceptional finance costs as described in note 3.

6. Tax on profit on ordinary activities

The effective rate in respect of ordinary activities before exceptional items is 19.2% (26 weeks ended 2 July 2013: 6.6%; 52 weeks ended 31 December 2013: 11.5%). This differs from the 2014 UK statutory rate of 21.5% as a result of the geographic spread of the income earned by the Group.

The effective rate in respect of ordinary activities after exceptional items is 19.0% (26 weeks ended 2 July 2013: 6.9%; 52 weeks ended 31 December 2013: 11.9%).

7. Dividends proposed and paid

The directors have approved an interim dividend of 4.0 pence per share (2013: 3.7 pence per share) to be paid on 5 December 2014 to ordinary shareholders on the Register of Members on 24 October 2014. In line with the requirements of IAS 10 – 'Events after the Reporting Date', this dividend has not been recognised within these interim results.

The 2013 final dividend of 7.9 pence per share (£68.9m) was paid in the period.

By agreement, the William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. The Company estimates that 877m shares will qualify for the interim dividend.

8. Earnings per share

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

	26 weeks ended 1 July 2014			26 weeks ended 2 July 2013 (restated)		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period £m	**98.6**	**-**	**98.6**	118.4	-	118.4
Exceptional items (note 3) £m	**26.4**	**-**	**26.4**	12.6	-	12.6
Exceptional items – tax credit (note 3) £m	**(5.3)**	**-**	**(5.3)**	(0.4)	-	(0.4)
Amortisation of intangibles after tax £m	**3.3**	**-**	**3.3**	5.2	-	5.2
Adjusted profit after tax before exceptional items £m	**123.0**	**-**	**123.0**	135.8	-	135.8
Weighted average number of shares (million)	**870.1**	**7.6**	**877.7**	815.6	13.8	829.4
Earnings per share (pence)	**11.3**	**(0.1)**	**11.2**	14.5	(0.2)	14.3
Amortisation adjustment (pence)	**0.4**	**-**	**0.4**	0.6	-	0.6
Exceptional adjustment (pence)	**2.4**	**-**	**2.4**	1.6	(0.1)	1.5
Earnings per share – adjusted (pence)	**14.1**	**(0.1)**	**14.0**	16.7	(0.3)	16.4

	52 weeks ended 31 December 2013		
	Basic	Potentially dilutive share options	Diluted
Profit after tax attributable to equity holders of the parent for the financial period £m	211.2	-	211.2
Exceptional items (note 3) £m	22.8	-	22.8
Exceptional items – tax credit (note 3) £m	(1.7)	-	(1.7)
Amortisation of intangibles after tax £m	9.2	-	9.2
Adjusted profit after tax before exceptional items £m	241.5	-	241.5
Weighted average number of shares (million)	838.3	15.3	853.6
Earnings per share (pence)	25.2	(0.5)	24.7
Amortisation adjustment (pence)	1.1	-	1.1
Exceptional adjustment (pence)	2.5	-	2.5
Earnings per share – adjusted (pence)	28.8	(0.5)	28.3

An adjusted earnings per share, based on profit for the period before exceptional items and amortisation (relating to intangible assets recognised on acquisitions), has been presented in order to highlight the underlying performance of the Group.

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this is to reduce the average number of shares by 0.4m in the 26 weeks ended 1 July 2014 (2 July 2013: 0.7m, 31 December 2013: 0.8m).

9. Bank loans and other borrowings

	1 July 2014 £m	2 July 2013 £m	31 December 2013 £m
Borrowings at amortised cost			
Bank loans	**170.0**	230.0	230.0
Less: expenses related to loans	**(4.2)**	(3.2)	(2.5)
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(0.8)**	(1.1)	(1.0)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(1.6)**	(2.2)	(1.9)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	375.0	375.0
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(3.4)**	(4.0)	(3.7)
Total Borrowings	**835.0**	894.5	895.9

The gross borrowings, including finance leases are repayable as follows:			
Amounts due for settlement within one year	**-**	-	-
In the second year	**-**	-	230.0
In the third to fifth years inclusive	**470.0**	530.0	300.0
After more than five years	**375.0**	375.0	375.0
	845.0	905.0	905.0

Bank facilities

At 1 July 2014, the Group had the following bank loan facilities:

1. A committed revolving credit loan facility of £540m provided by a syndicate of banks. At the period-end, £170m of this facility was drawn down. This facility matures in May 2019.
2. An overdraft facility of £5m, of which £nil was drawn down at the period-end.

During the period, the Group repaid and cancelled the Revolving Credit Facility of £550m that was due to expire in 2015. The remaining unamortised finance fees on this facility have been charged as an exceptional item as described in note 3.

£540m Revolving Credit Facility

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

Borrowings under the Facility incur interest at LIBOR plus a margin of between 1.25% and 2.50%, determined by the Group's consolidated Net Debt to EBITDA ratio as defined in the loan agreement. A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loan in the Consolidated Statement of Financial Position and are being amortised on a straight line basis over the life of the facility.

Overdraft facility

At 1 July 2014, the Group had an overdraft facility with National Westminster Bank plc of £5m (2 July 2013: £5m; 31 December 2013: £5m). The balance on this facility at 1 July 2014 was £nil (2 July 2013: £nil; 31 December 2013: £nil).

Corporate bonds

£300m 7.12% Guaranteed Notes due 2016

In 2009, the Company issued £300m of seven year bonds which mature in November 2016. These are guaranteed by the Company and by certain of its operating subsidiaries. The bonds carry a coupon of 7.125% but, together with the discount on issue of the bonds, bear an effective interest cost of 7.25%.

£375m 4.25% Guaranteed Notes due 2020

In 2013, the Company issued £375m of seven year bonds maturing in 2020. The bonds bear a coupon rate of 4.25% and are guaranteed by the Company and by certain of its operating subsidiaries.

Finance fees and associated costs incurred on both issues of bonds, together with the discount on the 2009 issue, have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

10. Notes to the cash flow statement

	26 weeks ended 1 July 2014 £m	26 weeks ended 2 July 2013 £m	52 weeks ended 31 December 2013 £m
Profit before interest and tax, before exceptional items	**172.4**	176.0	324.1
Adjustments for:			
Share of result of associates	**0.1**	(1.3)	(3.4)
Depreciation of property, plant and equipment	**17.6**	16.5	34.3
Amortisation of computer software	**14.0**	9.3	21.0
Amortisation of acquired intangible assets	**4.5**	5.4	10.9
Gain on disposal of property, plant and equipment	**(1.3)**	-	(0.4)
Cost charged in respect of share remuneration	**3.9**	4.3	8.9
Defined benefit pension cost less cash contributions	**(4.3)**	(4.0)	(8.1)
Changes in foreign exchange rates	**-**	3.1	-
Fair value movements on investment properties	**0.4**	-	1.4
Exceptional operating expense	**(5.6)**	(11.4)	(16.0)
Movement on financial derivatives	**3.1**	(0.7)	4.6
Operating cash flows before movements in working capital:	**204.8**	197.2	377.3
Decrease/(increase) in inventories	**0.1**	(0.1)	-
Decrease/(increase) in receivables	**3.0**	(1.3)	(5.8)
Increase/(decrease) in payables	**7.4**	(15.1)	(6.7)
Cash generated by operations	**215.3**	180.7	364.8
Income taxes paid	**(17.0)**	(28.7)	(55.9)
Interest paid	**(22.7)**	(17.9)	(41.3)
Net cash from operating activities	**175.6**	134.1	267.6

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associate are disclosed below.

Trading transactions

Associate

The Group holds an investment of 19.5% of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS). During the period the Group made purchases of £24.2m (26 weeks ended 2 July 2013: £23.1m; 52 weeks ended 31 December 2013: £42.5m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 1 July 2014 the amount due to or from Satellite Information Services Limited by the Group was £nil (2 July 2013 £1.8m payable; 31 December 2013: £nil). Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Transactions between the Group and key management personnel in the first half of 2014 were limited to those relating to remuneration, previously disclosed as part of the Directors' Remuneration Report within the Group's Annual report and Accounts 2013. There have been no other material changes to the arrangements between the Group and key management personnel.

12. Events after the balance sheet date

Settlement of tomwaterhouse.com earn-out

On 16 July 2014, the Group announced the early settlement of the Tom Waterhouse N.T. pty Limited (tomwaterhouse.com) earn-out for A$5m (£2.8m) in cash.

Closure of LBOs in Retail division

The Group announced in its Q1 2014 Interim Management Statement an intention to close 109 shops as a result of the announcement by the Government of an increase in Machine Games Duty from 20% to 25%. Of these, 70 were closed on 29 July 2014, with a further 12 expected in early August. The costs of these closures were provided for in the interim 2014 financial statements as an exceptional item.

Independent review report to William Hill PLC

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the 26 week period ended 1 July 2014 which comprises the income statement, the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes 1 to 12. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the 26 week period ended 1 July 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 August 2014

Glossary and abbreviations

Amortisation	Where Operating profit and EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised in acquisitions.
Amounts wagered (also described elsewhere as turnover or amounts staked)	Amounts wagered does not represent the Group's statutory revenue. It comprises the gross takings receivable from customers in respect of individual bets placed in the period in Retail OTC, Telephone, William Hill US, William Hill Australia and Online sportsbook businesses and net revenue for the period for LBO machines and online casino, poker and bingo products. As it includes customers' recycling of winnings, it does not reflect the actual cash spent with the Group, which is reflected in the gross win/net revenue line.
Basic, adjusted EPS	Basic, adjusted earnings per share (EPS) is stated before exceptional items and the post-tax impact of amortisation of intangibles recognised in acquisitions.
Gross win and net revenue	Gross win and net revenue are used internally as key performance indicators of the Group's business. The Board believes presentation of gross win/net revenue enhances an investor's understanding of the Group's underlying financial condition and results of operations. Gross win is calculated as the total amount that the Group retains from customers after paying out any winnings. Net revenue is the primary measure for all divisions. This is defined as gross win, less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in Retail. In Retail, until 1 February 2013 net revenue represented gross win less VAT; with the introduction of Machine Games Duty (MGD) on 1 February 2013, gross win and net revenue became equivalent in Retail. All betting tax charges in the Group, including MGD, are now recorded in cost of sales.
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue divided by amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers.
Operating profit	Profit before interest, tax and amortisation of intangibles recognised in acquisitions.
PBIT	Profit before interest and tax.