William Hill PLC

28 February 2014

Significant strategic progress through digital growth and international expansion

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 31 December 2013 (full year 2013 or the period). The reported comparator period is the 53 weeks ended 1 January 2013 (full year 2012). To ensure a meaningful comparison, 52 week unaudited data are provided for the full year 2012 in the table below and on the table at the start of the Operating Review for which the results relating to the specific week ending 1 January 2013 have been removed.

	52 wks ended 31 Dec 13	53 wks ended 1 Jan 13	Change vs 53 weeks 2012	52 wks ended 25 Dec 12 (unaudited)[(6)]	Change vs 52 weeks 2012
Net revenue[(1,2)]	£1,486.5m	£1,276.9m	+16%	£1,254.9m	+18%
- Retail net revenue[(1)]	£907.0m	£837.9m	+8%	£825.0m	+10%
- Online net revenue	£446.3m	£406.7m	+10%	£398.5m	+12%
Operating profit[(3)]	£335.0m	£330.6m	+1%	£326.4m	+3%
Pre-exceptional profit before tax	£279.8m	£292.7m	-4%	£289.2m	-3%
Profit before tax	£257.0m	£277.7m	-7%	£274.2m	-6%
Profit after tax	£226.5m	£231.0m	-2%	£228.1m	-1%
Earnings per share – basic, adjusted[(4)]	28.8p	27.2p	+6%	26.9p	+7%
Earnings per share – basic[(5)]	25.2p	25.0p	+1%	24.8p	+2%
Dividend per share[(5)]	11.6p	10.4p	+12%		

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

Significant strategic progress:

- Increasing diversification of revenue streams with Online and Australia representing 48% of Operating profit[3] and international markets increasing to 15% of net revenue
- Successfully completed acquisition in April 2013 to take full control of William Hill Online
- Greater investment in Online, capitalising on mobile gaming opportunity with 166% growth in mobile gaming net revenue (52 week basis +175%) and with new products and key user experience enablers introduced
- williamhill.it and williamhill.es successfully increasing online market share in Italy and Spain; mobile launched in Italy and successful integration of miapuesta brand in Spain
- Second home market established in Australia with completion of Sportingbet and tomwaterhouse.com acquisitions. Good progress on improvement plan with imminent launch of new sportingbet.com.au website and preparations ongoing to migrate tomwaterhouse.com onto William Hill Australia technology platform
- Profitability achieved in US business in first full year of ownership
- Strong net cash inflow from operating activities of £268m

Positive 2013 performance:

- Group net revenue[1] up 16% (52 week basis: +18%) or +12% on a 52 week underlying basis after adjusting for the introduction of Machine Games Duty (MGD) and with Operating profit[3] up 1% (52 week basis +3%)
- Outstanding growth in Online Sportsbook amounts wagered +30% (52 week basis: +33%) despite the Euro 2012 rollover with continued strong growth in mobile Sportsbook wagering, up 99% (52 week basis: +106%)
- Strong over-the-counter (OTC) gross win margin drives growth in underlying Retail net revenue[1] on 52 week basis. Operating profit[3] down £15m (52 week basis: down £14m) with additional c£10m indirect tax charge to Group following change to MGD in February 2013
- William Hill US saw 47% same period growth in amounts wagered and £4.9m Operating profit[3]
- Basic adjusted earnings per share +6% (52 week basis +7%)
- Strong dividend growth, up 12% to 11.6p per share versus 10.4p in 2012[5]

Ralph Topping, Chief Executive of William Hill, commented:

"In 2014 we are celebrating the 80th anniversary of William Hill. Our focused transformation of the Group over the last five years means William Hill is now one of the world's leading multi-channel betting and gaming businesses, with revenues diversified through the rapid growth of Online and through careful expansion into selected international markets.

"This transformation accelerated in the last 12 months with the Group establishing a second home market in Australia through the acquisitions of Sportingbet and tomwaterhouse.com, and acquiring the 29% of William Hill Online controlled by Playtech, while maintaining an appropriate capital structure through a well-supported £373m (net) rights issue and a £375m corporate bond issue. As a result, our Online and Australia activities accounted for around half our operating profit and international markets contributed 15% of net revenue in 2013.

"Online's Sportsbook performance continues to be sparkling, with staking levels up around 400% over the five years since the start of 2009. Mobile Sportsbook represents 39% of Sportsbook wagering in 2013. We put greater focus behind mobile gaming in 2013 and have made good progress in bringing our offer up to match the high standards we've set with our Sportsbook. Our product range is vastly expanded and the customer experience is greatly enhanced, with more improvements to come in 2014. The results reflect this, with mobile gaming net revenue growing by 175% on a 52 week basis.

"Importantly, Retail remains resilient, despite the ongoing squeeze on our core customer base's discretionary spend and the large-scale expansion of online and mobile in the UK. At the same time, our international expansion strategy is progressing well with Online's locally licensed offerings in Italy and Spain taking market share, the US business now profitable and Australia established as our second home market, with potential to expand into a more mass market customer base.

"Gambling remains a source of political debate. We have taken firm steps in the last year to further improve responsible gambling outcomes in our shops with the development and implementation of the Association of British Bookmakers (ABB) Code, addressing the areas that, we believe, can more effectively encourage the small proportion of customers who experience a problem to gamble responsibly. We are keen to ensure any decisions in this area are driven by facts and research. We are committed to being a leader in this area wherever we operate and will continue to work collaboratively with governments, regulators and our peers both to help our customers and to encourage industry-wide high operating standards.

"The work of the last five years to expand our product range, improve our user experience, innovate with our mobile offering and invest substantial sums in the williamhill.com brand have made us a formidable online competitor. That positions us very well ahead of the expected introduction of the Point of Consumption tax from December 2014. This has the potential to radically change the shape of the UK online gambling market and we are confident William Hill can, over time, take more market share as a result. In addition, we aim to mitigate some of the impact in 2015 by achieving £15-20m of cost savings against what we would otherwise have expected to spend in that year."

Analyst and investor presentation			
Meeting: 9.00 a.m. GMT on 28 February 2014 The Lincoln Centre 18 Lincoln's Inn Fields London WC2A 3ED	Live conference call: Tel: +44 (0) 20 3059 8125 Password: William Hill	Archive conference call (until 14 March 2014) Tel: +44 (0) 121 260 4861 Passcode: 6915918#	Video webcast: www.williamhillplc.com Available live and, until 28 February 2015, as an archive

A separate conference call will be held at 11.00 am GMT **for debt analysts and investors**. Dial-in details are:
Telephone: +44 (0) 20 3059 8125
Password: William Hill debt call

Archive of the debt call (available from 2.30 pm on 28 February until 14 March 2014):
Telephone: +44 (0) 121 260 4861
Passcode: 9850834#

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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 2,430 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 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 and became part of the FTSE100 in May 2013. 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

In 2014 we are celebrating the 80th anniversary of William Hill. Our focused transformation of the Group over the last five years means William Hill is today one of the world's leading multi-channel betting and gaming businesses, with revenues diversified through the rapid growth of Online and through careful expansion into selected international markets.

This process accelerated in the last 12 months as the Group established a second home market in Australia through the acquisitions of Sportingbet and tomwaterhouse.com, and acquired the 29% of William Hill Online controlled by Playtech, while maintaining an appropriate capital structure through a well-supported £373m (net) rights issue and a £375m corporate bond issue.

Across our operations, we still stand for the trust and integrity that our founder valued, helping our customers to gamble responsibly wherever they are and working with governments, regulators and industry bodies to keep improving standards and best practice.

Positive performance in 2013

The following commentary compares full year 2013 with the unaudited first 52 weeks of the 2012 financial year to enable a more meaningful comparison.

The Group made significant progress on our strategy to grow by developing a wider product offering, encouraging greater multi-channel usage and expanding internationally. This continues to diversify our revenue streams: for perspective on the transformation, Online and William Hill Australia accounted for 36% of net revenue and 48% of Operating profit[3] in 2013, versus 20% and 29% respectively in 2009. International markets accounted for 15% of revenues, up from 9% in 2009.

Group net revenue[1,2] increased by 18% to £1,486.5m (2012: £1,254.9m). Excluding acquisitions completed during the two-year period and adjusting for the change to Machine Games Duty (MGD) in Retail, Group net revenue grew 5%. Group Operating profit[3] grew 3% to £335.0m.

Online net revenue was 12% higher at £446.3m and Operating profit[3] was up 4% to £147.8m (2012: £142.1m). Online has again delivered outstanding sports betting growth both in the UK and in key international territories, with Sportsbook amounts wagered up 33% in the UK and up 33% overall.

Retail continues to prove resilient, despite the squeeze on our core customer base's discretionary income and the large-scale expansion of online and mobile in the UK. Retail net revenue was up 10% to £907.0m (+2% after adjusting for MGD) and Operating profit[3] was 7% lower at £196.3m (2012: £210.2m) with increased indirect taxes costing the Group c£10m.

In the ownership period, William Hill Australia delivered net revenue[2] of £86.7m and Operating profit[3] of £12.0m. William Hill US achieved profitability in the first full year of ownership, with excellent growth in amounts wagered and a strong gross win margin benefiting from positive sporting results, particularly in the fourth quarter, leading to an Operating profit[3] of £4.9m (2012: Operating loss[3] of £1.3m).

Strong focus on mobile delivers growth

A key priority for our online channels is to capitalise on the opportunity presented by the increased use of smartphones and tablets. In 2013, PC-only users represented less than half of online customers for the first time[7]. Our focus on mobile Sportsbook has clearly yielded results with mobile increasing to 39% of Sportsbook amounts wagered in 2013 from 26% in 2012.

During 2013, we widened our focus to enable the development of an equally strong mobile gaming offer having identified this as a significant growth opportunity for Online. This represents a substantial technological challenge, particularly given the challenge in migrating existing desktop games, number of different suppliers used to support our extensive gaming offer and the need to integrate products successfully with our core Sportsbook and customer servicing features. As part of our ongoing development plan, we have expanded the product range substantially and enhanced the user experience, particularly in the UK in the first instance, by providing single sign on, wallet transfer and multiple payment methods. While total gaming net revenue was flat in 2013 on a 52 week basis as we made these changes, we increased mobile gaming net revenue by 175% to £40m in 2013. Against our target for mobile to generate 40% of gaming net revenue by mid-2015 we progressed from 6% in 2012 to 17% in 2013.

Within William Hill Australia, mobile accounted for 33% of amounts wagered in 2013 and for William Hill US it was 31%, with US mobile revenues being up 263% against 2012 on a same period basis.

Selective international expansion

We have made good progress in our strategy to take our core land-based and digital capabilities into other international gambling markets. The UK continues to be an attractive opportunity for William Hill, with an estimated 7-8 million people now gambling each year in licensed betting offices (LBOs), online or by mobile[8] and remains a priority for Online as well as Retail. However, there is value in diversifying our revenue streams to reduce our exposure to a single economy, tax regime and regulatory regime.

Our Online operation is now gaining market share in Italy and Spain, where we established locally licensed betting and gaming websites in 2011 and 2012, respectively. In Italy, we increased to c7% market share of the Sportsbook market[9] by the end of the year and have 8% of the Casino market, and in the Spanish online sports betting market we are now the number three operator with 15% market share of sports betting[10]. With strong growth in both new accounts and unique actives, net revenue in Italy more than doubled. In Spain, where we rolled over the closure of certain gaming activities in 2012 ahead of the launch of our licensed website in the first half of 2012, we have seen strong growth in the core Sportsbook product, with net revenue up 107%.

In the US, we have seen a turnaround in profitability in our first full year of operating William Hill US, the business we established in June 2012 through the acquisition and consolidation of three land-based sports betting businesses. The US represents a very exciting – if longer term – opportunity given New Jersey's ongoing challenge to the federal ban on land-based sports betting and the moves to licence online gaming in a number of states. As an established licensed operator, we are well positioned to explore opportunities as they arise on a case-by-case basis.

We are using our established expertise to build a position in the attractive Australian online and mobile betting market, which is projected to grow at 16% per annum over the next five years[11]. During the year, we established Australia as our second home territory and William Hill Australia as a leading corporate bookmaker through the acquisition of two corporate bookmakers, Sportingbet, including Centrebet, and tomwaterhouse.com. We are making good progress with our previously outlined plan to improve William Hill Australia's presence in the mass market customer base by improving Sportingbet's digital capabilities and user experience, and by bringing a better technology platform, operational scale and a wider product portfolio to tomwaterhouse.com. As part of this, we will imminently launch a new responsive design website for Sportingbet.com.au and will shortly be migrating tomwaterhouse.com onto the William Hill Australia platform. As expected, we have achieved a significant reduction in cost per acquisition to £299 in our ownership period as we have improved the effectiveness of the marketing spend. In the Sportingbet business, we have stabilised the unique actives performance, in part through a successfully refocused retention and reactivation programme, and expect to drive growth in new accounts through the ongoing improvement plan.

Having taken full ownership of the Online business in April by acquiring Playtech's 29% shareholding for £424m, we have been better able to capitalise on a number of these opportunities that will drive our future. For instance, having removed the cap on capital expenditure, we were able to increase investment in Online which has allowed us to increase the rate of innovation in mobile gaming and implement developments that were previously de-prioritised: for example, we launched a mobile Sportsbook offering in Italy in January 2014 and will be launching further mobile products in Italy and Spain before the mid-year. We are also able to share our capabilities more widely around the Group, such as bringing our insight in user experience and online marketing to support the development of William Hill Australia. This is in addition to retaining the full financial benefit of this growth business for William Hill shareholders.

Strong financial position

The Group's balance sheet remains healthy. Net debt for covenant purposes stood at £796m at 31 December 2013 (1 January 2013: £339m), equivalent to 2.0 times EBITDA. This is higher than the previous year but reflects the significant acquisitions we have undertaken in 2013. The Group's strong cash generation continues, with cash flow from operating activities of £267.6m and the support of our capital providers has been demonstrated by the £373m (net) rights issue, which was 98% taken up, and the successful issue of a £375m corporate bond, which was twice over-subscribed.

Encouraging responsible gambling

We are committed to encouraging responsible gambling wherever we operate. As part of this, we successfully completed in February 2014 implementation of the ABB's new Code for Responsible Gambling, which aims to build on our well-established measures for encouraging responsible gambling, such as self-exclusion, by increasing the prominence of relevant messages in our shops, encouraging colleagues to interact with customers and enabling customers to set how long they play for on the machines and how much they spend.

We recognise that gambling remains a source of political debate, particularly as governments seek to amend their regulations to take account of the growth of online and mobile gambling, and to improve ways of addressing problem gambling. We are keen to ensure these are driven by facts and research such as the health surveys for England and Scotland, published in December 2013 and September 2013, respectively, which provided an independent, up-to-date view on problem gambling. The Scottish survey showed no change to the prevalence levels while the English survey indicated an average of 0.5% of people could be classified as problem gamblers, which is a lower number than that indicated by previously prevalence studies in England and Wales (0.9% in 2010, 0.6% in 2007 and 0.6% in 1999).

We continue to work collaboratively with governments, regulators, peers and relevant experts both to facilitate responsible gambling by our customers and to encourage the application of high operating standards across our industry.

Well positioned ahead of Point of Consumption tax

Taken together, the competitiveness of our digital offering and our healthy financial position leave us well positioned to tackle both opportunities and challenges created by the posited introduction of a Point of Consumption tax on UK online gambling in December 2014 which we believe is likely to result in a dislocation of the UK online gambling market given its likely impact on industry operating profit margins. While it will lead to a significant additional cost for the Group – of a size we consider impossible to mitigate in full in the short term – we do believe there is potential for larger scale operators to benefit from increased market share as smaller operators may be squeezed out of the market by the additional tax burden. As the market leader with robust profit margins and the scale to invest substantially in innovations in product, user experience and technology as well as in marketing, we believe we are well placed to take advantage of the opportunity offered by this market-changing event. In addition, we aim to mitigate some of the impact in 2015 by achieving £15-20m of cost savings against what we would otherwise have expected to spend in that year.

Priorities for 2014

Our priorities in the coming year, therefore, continue to be to grow our UK online market share by capitalising on the structural shift to mobile, both in sports and in gaming, and to enhance the digital capabilities of William Hill Australia to take advantage of the growth opportunities in online betting in that market.

OPERATING REVIEW

Summary of financial results

	52 wks ended 31 Dec 13	53 wks ended 1 Jan 13	Change vs 53 weeks 2012	52 wks ended 25 Dec 12 (unaudited)[6]	Change vs 52 weeks 2012
- Retail net revenue	£907.0m	£837.9m	+8%	£825.0m	+10%
- Online net revenue	£446.3m	£406.7m	+10%	£398.5m	+12%
- William Hill Australia net revenue	£86.7m	-	-	-	-
- William Hill US net revenue	£22.7m	£8.9m	+155%	£7.9m	+187%
- Telephone net revenue	£16.5m	£16.0m	+3%	£16.2m	+2%
- Other net revenue	£7.3m	£7.4m	-1%	£7.3m	0%
Group net revenue [1,2]	**£1,486.5m**	**£1,276.9m**	**+16%**	**£1,254.9m**	**+18%**

	52 wks ended 31 Dec 13	53 wks ended 1 Jan 13	Change vs 53 weeks 2012	52 wks ended 25 Dec 12 (unaudited)	Change vs 52 weeks 2012
- Retail Operating profit	£196.3m	£211.5m	-7%	£210.2m	-7%
- Online Operating profit	£147.8m	£145.3m	+2%	£142.1m	+4%
- William Hill Australia Operating profit	£12.0m	-	-	-	-
- William Hill US Operating profit/(loss)	£4.9m	£(0.6)m	-	£(1.3)m	-
- Telephone Operating profit	£0.0m	£0.5m	-	£1.0m	-
- Other Operating profit	£0.2m	£0.5m	-60%	£0.5m	-60%
- Corporate expenses (including associate income)	£(26.2)m	£(26.6)m	-2%	£(26.1)m	+0%
Operating profit[(3)]	**£335.0m**	**£330.6m**	**+1%**	**£326.4m**	**+3%**
Amortisation	£(10.9)m	£(5.0)m	+118%	£(4.9)m	+122%
Profit before interest, tax and exceptional items	**£324.1m**	**£325.6m**	**-0%**	**£321.5m**	**+1%**
Exceptional items	£(22.8)m	£(15.0)m	+52%	£(15.0)m	+52%
Net interest cost	£(44.3)m	£(32.9)m	+35%	£(32.3)m	+37%
Profit before tax	**£257.0m**	**£277.7m**	**-7%**	**£274.2m**	**-6%**

The commentary in this Operating Review section compares full year 2013 with the first 52 weeks of the 2012 financial year to enable a meaningful comparison.

Online

The success of Online has come from the combination of marketing excellence, product enhancement and improvements to the user experience. We have continued to innovate in product and service developments during 2013 to improve customer engagement. For example, in December 2013, we extended Cash in My Bet from desktop-only functionality to mobile and it has now been used by more than 67,000 customers since launch. Other Sportsbook product enhancements include improved streaming, scorecards and further increases in our breadth of betting opportunities both in-play and pre-match. From the start of the domestic football season onwards, we stepped up the amount of free bets being offered, linked to offers such as AccaInsurance to encourage loyalty and increased accumulator betting. In gaming, our investment programme is enabling the delivery of a high-quality mobile gaming experience, with more products for customers to play and with the implementation of key enablers such as ‘single sign-on’ and multiple payments.

Online net revenue was 12% higher and Operating profit[3] was up 4%, underpinned by the continued strong growth of Sportsbook, including mobile. During the period, 81% of Online revenues came from our core markets (UK, Spain, Italy) (2012: 78% from core markets).

Sportsbook net revenue grew 29% to £212.9m, benefiting from 33% growth in amounts wagered and from a slight improvement in gross win margins by 0.2 percentage points to 8.1% (2012: 7.9%), offset by an increase in free bets. Favourable sporting results in the first half of the year, including an exceptional Grand National, were followed by unfavourable results in Q3, particularly in football. In-play margin in 2013 was 5.3% (2012: 4.9%) and pre-match margin was 10.0% (2012: 10.2%). Mobile Sportsbook gross win margin was 9.6% (2012: 9.1%), which continues to be above the desktop comparable. Accordingly, and taken together with the adverse impact of greater free bets on margins, we now expect long-term net revenue win margins to be c0.5 percentage points higher than previously guided.

Gaming net revenue was broadly flat at £233.4m (2012: £234.0m), impacted by the closure of certain markets in 2012. Underlying gaming net revenue, excluding the impact of these closures, was up 3%. Ignoring closures, Casino was up 1%, Bingo was down 2% and Poker was down 9%.

Online cost of sales was 15% or £5.2m higher. This was primarily driven by increases in gambling taxes in certain markets. The 2012 position also benefited from £2m of prior year accrual releases relating to our business from Greece, a market from which we no longer take business. Mobile Sportsbook software royalties also increased. Operating costs were 17% higher, with a 17% increase in marketing investment and with other costs up 16%. Marketing investment was equivalent to 27% of net revenue, with the impact of increased free bets reducing our net revenue margin by an additional 0.3 percentage points.

Operating profit[3] was 4% higher at £147.8m (2012: £142.1m). The non-controlling interest for Playtech up to 14 April 2013 (the completion date of the acquisition of its 29% holding in William Hill Online) was £15.3m (full year 2012: £41.2m).

Retail

Retail net revenue was 10% higher or 2% higher on an underlying basis[1].

OTC net revenue was up 2%, benefiting from a strong gross win margin of 19.4% (2012: 18.3%). The main driver of margin growth was improved results from UK horseracing and football. Amounts wagered was 3% lower: the first half saw the brunt of weather-related fixture cancellations in Q1 and a weaker football calendar in Q2. The excellent weather in July also impacted progression in the third quarter.

Gaming machine net revenue increased by 20% in the period, or +1% after adjusting for the MGD effect[1]. This was driven by a combination of c2% decline in gross win per machine per week from £914 to £897 and an increase in the average number of gaming machines by 3% to 9,431, comprising a 2% increase in machine density to 3.93 per shop and a 1% increase in the average number of shops.

We continue to invest in expanding and enhancing the estate. We increased the Retail estate by a net 40 shops to 2,432, opening 59 new licences and closing 19 during the period. Our target continues to be to increase the number of shops in the estate by a net c1% per annum. A further 14 shops were re-sited. There was an average of 2,401 shops in the period, around 1% higher than the prior year.

Cost of sales and operating costs were 51% and 6% higher, respectively. Both of these were impacted by the change to MGD from VAT and Amusement Machine Licence Duty in February. Operating costs included c£3.5m of additional repair and maintenance costs, higher content costs and higher staff costs from increased shop opening hours and the introduction of pension auto-enrolment. This was partially mitigated by savings in Retail and Group staff incentives. Looking ahead, our guidance for Retail operating cost growth for 2014 is around 3-4%.

The Retail business delivered £196.3m of Operating profit[3], £13.9m down on the prior year.

William Hill Australia

William Hill Australia was formed in March 2013 following the completion of the acquisition of Sportingbet plc's Australian assets, including Sportingbet Australia and Centrebet, with successful online, mobile and telephone betting services. We expanded this business in August 2013 with the acquisition of tomwaterhouse.com, one of Australia's fastest growing operators since it was established in 2010. William Hill Australia is now one of the largest corporate bookmakers in the Australian market. We also have a strong mobile position with an estimated 22% market share[12]. In our ownership period, mobile as a percentage of amounts wagered was 33% for Sportingbet and 53% for tomwaterhouse.com.

Since acquisition[2], William Hill Australia has generated £86.7m of net revenue from amounts wagered of £1,177m at a gross win margin of 7.9%. With operating costs of £54.5m, we recorded an Operating profit[3] of £12.0m. The results of the Australian business were impacted by poor results in the peak Spring Carnival period and, reported in sterling, have been adversely affected by the c30% depreciation of the Australian dollar against sterling over our period of ownership. In Australian dollars, amounts wagered fell 4% on the same period in 2012, net revenue grew 6% and Operating profit[3] grew 81%, a figure flattered by tomwaterhouse.com trading losses.

We have previously outlined our 12-18 month plan to develop and enhance the business by expanding the product range, enhancing the user experience and applying our established and proven online marketing expertise. Progress against this plan has been good to date and we are already beginning to see some improvement in operational metrics from the initiatives we are undertaking.

In terms of enhancing the user experience, our principal achievement has been the development and imminent launch of a new ‘responsive design’ website for sportingbet.com.au as part of our efforts to enhance the user experience. This benefits from using HTML5 which automatically optimises display of the content to suit the user’s device, whether they are viewing via a desktop, laptop, tablet or smartphone.

We continue to improve the effectiveness of the marketing investment and are in the process of reallocating more of the total budget to more effective channels. This will continue to improve during 2014 as current sponsorship contracts expire, freeing up resources to invest in our target of more mass market-focused areas. The Sportingbet brand will be the key focus of ongoing TV advertising, using the Australian cricket legend Shane Warne as our spokesperson.

In the first half of 2014, we plan to migrate tomwaterhouse.com onto the William Hill Australia technology platform, improving the user experience and giving those customers access to a much wider product range. Thereafter, tomwaterhouse.com will be supported by the William Hill Australia operations, enabling us to achieve cost synergies in that business.

William Hill US

William Hill US had a strong Q4 (the peak period of activity featuring the bulk of the NFL season), leaving it significantly ahead of 2012 with amounts wagered up 47% on a same period basis and 150% to £310.2m on a 52 week basis. Mobile continues to perform well with amounts wagered up 263% on a same period basis and it represented 31% of total amounts wagered in 2013. More favourable sporting results led to a 1.0 percentage point increase in the gross win margin to 7.3% which, together with the full year of ownership, generated a net revenue increase of 189% to £22.7m. As a result, during this first full year, we recorded an Operating profit[3] of £4.9m against an Operating loss[3] of £0.6m in the 27-week ownership period in 2012.

We continue to monitor potential changes to regulation where a variety of state governments are reviewing gambling regulation. While our principal focus is on sports betting, we continue to explore opportunities to use our online expertise as different states look to regulate online gaming.

Telephone

Amounts wagered in Telephone were 8% lower. The gross win margin was 0.6 percentage points better than in 2012 at 6.9%, resulting in net revenue being up 2% at £16.5m. Operating costs were 6% lower leading to a broadly break-even position (2012: Operating profit[3] of £1.0m). The comparable period included a c£3.4m benefit from the release of accruals in cost of sales.

FINANCIAL REVIEW

The commentary in this Financial Review section compares full year 2013 with 53 weeks of 2012, unless otherwise stated.

The Group made £335.0m of Operating profit[3] in 2013, versus £330.6m in 2012. The prior year included 53 weeks and the unaudited 52 week Operating profit[3] in 2012 was £326.4m. The Group’s effective tax rate benefited in the year from a deferred tax credit following an enacted reduction in corporation tax rates hence the substantially lower pre-exceptional tax charge, which at 11.5% was 5.0 percentage points lower than the prior year (2012: 16.5%). Against this, amortisation of specifically identified intangibles arising on acquisition was higher as a result of the Sportingbet acquisition and pre-exceptional interest charges were also higher, reflecting the additional debt taken on to fund the acquisitions made during 2013. Pre-exceptional profit after tax was £247.6m, 1.3% ahead of the prior year (2012: £244.5m).

During the period, the Group completed three acquisitions: the assets acquired inter alia from Sportingbet PLC, the Australian tomwaterhouse.com business and the acquisition of the 29% minority interest held by Playtech in WH Online. These were financed by a combination of the existing revolving credit facility (RCF), a short-term bridge loan and the proceeds of a £373m (net) 2-for-9 rights issue completed on 5 April. To maintain an appropriate capital structure and further diversify its debt profile, the Group issued a twice-oversubscribed seven-year bond at a coupon rate of 4.25% to raise £375m on 5 June. The proceeds of the bond issue were used to repay the bridge loan and borrowings drawn under the RCF. As at the end of the year, the Group had drawn borrowings of £905m and net debt for covenant purposes increased to £796m (1 January 2013: £339m) as a result of the acquisitions. This reflected a net debt for covenant purposes over EBITDA ratio of 2.0 times.

Pre-exceptional Income Statement

With net revenue of £1,486.5m, the Group saw revenues grow by 16% or £209.6m versus the prior year (2012: £1,276.9m). By channel, Retail saw an additional £69.1m primarily arising as a result of the change in accounting following the introduction of Machines Games Duty (MGD). Online saw an additional £39.6m of net revenue following a successful year of growth from its Sportsbook operations, the US an additional £13.8m arising both as a result of improved margins and from a full year of operations versus 27 weeks in 2012, and William Hill Australia contributed £86.7m in 2013 following its acquisition during the year.

Pre-exceptional cost of sales for the Group also grew strongly, by £94.4m from £172.2m in 2012 to £266.6m. This line includes taxes, levies and royalties relating to the operation of a betting and gaming company. Retail saw the bulk of the growth, with a £66.2m increase again largely related to the introduction of MGD, and which offset the net revenue movement. Online cost of sales grew by £4.6m due primarily to increases in taxes paid in licensed territories, together with growth in mobile Sportsbook software charges. The addition of William Hill Australia contributed a further £20.2m increase to cost of sales. The Telephone channel saw a £2.3m increase as the business rolled over a £3.4m accrual release in 2012.

Pre-exceptional net operating expenses, including other operating income, were £899.2m, up £116.4m or 14.9% on the prior year total of £782.8m. A major factor in this growth has been the acquisition of the Australian businesses, together with the full year impact of the Group's US acquisition in 2012. Including amortisation arising on acquisition, these factors accounted for £67.2m of the increase.

Online net operating expenses before amortisation of acquired intangibles grew by 14% or £32.5m: of this, marketing grew by £16.1m or 15%, and other costs grew by £16.4m or 14%: the major factors in this other cost growth are increases in staff costs, depreciation, bank charges, IT costs and content costs. Retail net operating costs grew £18.1m or 4%. Underlying Retail cost growth after adjusting for the additional week in 2012 was up 6%; of which c2% was driven by the loss of input VAT credits following the commencement of the MGD regime. On this underlying basis, labour costs grew only 2% with a 4% growth in trading hours including new unit growth partly offset by savings in staff incentives. Other lines showing substantial growth included depreciation, content costs and repairs & maintenance. Retail costs also benefited from a decrease in central cost recharges as a result of reductions in staff incentive costs, which also served to reduce Group net corporate expenses.

Amortisation on specifically identified intangible assets arising on consolidation rose from £5.0m in 2012 to £10.9m in 2013, as a result of the full year impact of the US acquisition and the part-year impact of the Australian acquisitions. Other operating income was £7.4m (2012: £4.7m) and the Group saw £3.4m of contribution from its associate SIS (2012: £3.7m) although it does not expect to see a contribution from this source in 2014.

The Group made £335.0m of Operating profit[1] (2012: £330.6m) and £324.1m of pre-exceptional profit before interest and tax (2012: £325.6m).

Pre-exceptional net finance costs were £44.3m in 2013, up £11.4m or 35% on the prior year (2012: £32.9m). This was driven by the increased levels and mix of debt following the acquisitions made during 2013. Pre-exceptional pre-tax profit for the year was £279.8m (2012: £292.7m).

Exceptional costs

The Group recorded £21.1m of pre-tax exceptional costs and £1.7m of pre-tax exceptional finance costs in 2013: £22.8m in total (2012: £15.0m).

The exceptional finance costs relate to the early termination of the Group's bridge loan facility following the Group's bond issue in 2013. Of the other exceptional items, £13.5m relates to the Group's purchase and integration of assets from Sportingbet PLC. Together with the £4.6m of cost incurred in 2012 on this project, this totals £18.1m. The Group saw £2.0m of exceptional costs relating to the acquisition by the Group of tomwaterhouse.com. Finally, the Group received a rebate from HMRC in 2010 relating to VAT on gaming machines. This was treated as an exceptional gain, and identified as a contingent liability given that legal action continued. HMRC were successful at appeal in late 2013, and have subsequently advised that they will be seeking repayment. Accordingly, we have reversed this gain, reflecting a £5.6m exceptional charge in cost of sales.

Taxation

Pre-exceptional tax on profit was £32.2m (2012: £48.2m) at an effective tax rate of 11.5% (2012: 16.5%). This benefited from a deferred tax credit arising as a result of the 3% drop in enacted UK corporation tax rates from 23% to 20% as well as from the lower effective tax rate of William Hill Online. Tax on exceptional items was a £1.7m credit (2012: £1.5m credit) making the total tax for the Group for 2013 of £30.5m (2012: £46.7m).

Looking ahead, the Group expects that the pre-exceptional effective tax rate on profit for 2014 will be around 17% and the cash tax effective rate will be 18%.

Earnings per share

Pre-exceptional profit for the year was £247.6m versus £244.5m in 2012. After deducting £15.3m of non-controlling interest (2012: £42.5m) retained profit for the period before exceptional items grew by 15% from £202.0m in 2012 to £232.3m. The reduction in the non-controlling interest deduction reflects the benefit of the purchase of the non-controlling interest in April 2013. Retained profit for the period was £211.2m versus £189.8m in 2012.

Basic adjusted earnings per share grew by 6% from a rights issue adjusted 27.2p in 2012 (previously reported as 29.4p prior to the equity raise) to 28.8p in 2013. The adjustments made relate to exceptional items and to the amortisation of acquired intangible assets: adjustments which reflect the key business metric of Operating profit and give a better sense of underlying business progress. Basic earnings per share were 25.2p (2012: 25.0p on a rights issue adjusted basis, previously reported as 27.0p).

Cash flow and balance sheet

The Group's cash flow from operating activities declined by £26.7m in 2013 versus 2012, due mainly to a working capital swing, with £12.5m outflow during the year versus an inflow of £25.9m in 2012, together with increased cash exceptional items. The main driver of the working capital outflow in 2013 was related to a decrease in year end payables, given a reduction in staff incentives and the impact of the Australian acquisition. Additionally, the receivables inflow in 2012 benefited from the transition to MGD, and this was not repeated at the year-end in 2013. Capital expenditure was £84.6m in 2013 (2012: £66.3m) but this increase was offset by a reduction in dividends payable to non-controlling interests. The Group spent £874.5m on acquisitions during the year, of which circa 40% was raised via the rights issue undertaken in the year, with the remainder coming from existing debt facilities and a short term bridge loan, later refinanced via the bond market.

Following this busy year of financing activity, the Group ends the year with a good spread of debt maturities including a £300m bond due in 2016, a £375m bond due in 2020 and a £550m revolving credit facility expiring in 2015. Of this latter facility, £230m was drawn at the end of the year giving £905m of drawn borrowings against £1,225m of committed facilities. Offsetting this, for covenant purposes, was £112m of available cash. Net debt for covenant purposes was £796m, an increase of £457m as compared to the figure at the previous year end (2012: £339m). Net debt for covenant purposes over EBITDA was 2.0 times versus the prior year comparable of 1.0 times, with the movement reflecting the increased debt levels following the acquisitions made in 2013.

Despite an adverse actuarial valuation movement of £3.8m following an updated valuation to the year end, the Group's accounting pension deficit benefited from ongoing contributions made by the Group as a result of a funding plan agreed between the Group and the pension trustees. As a result, the accounting deficit fell slightly, from £21.1m at the end of 2012 to £17.5m at the end of 2013. The latest formal three-year actuarial revaluation is currently underway and the company is expected to discuss and agree a new funding plan in 2014 with the pension trustees.

FISCAL AND REGULATORY UPDATE

In the UK, the Department of Culture, Media and Sport (DCMS) completed its triennial review of gaming machine stakes and prizes in October. It noted that 'there was little material based on robust evidence received from those concerned about the social impact of B2 machines'. As a result, there was no change to B2 or B3 category gaming machines ahead of the completion of research commissioned by the Responsible Gambling Trust (RGT). The RGT has commissioned NatCen Social Research to investigate how people behave when playing gaming machines offering high stakes and prizes, and what helps people play responsibly. Along with other major operators, we have provided unprecedented levels of data to support this research and continue to co-operate with NatCen and the RGT. The RGT is commissioning further primary research and expects to publish its report on both pieces of research in autumn 2014.

We have successfully completed implementation of the ABB's new Code for Responsible Gambling, which aims to build on our well-established measures for encouraging responsible gambling, such as self-exclusion, by increasing the prominence of relevant messages in our shops, encouraging colleagues to interact with customers on responsible gambling and enabling customers to set how long they play for on the machines and how much they spend.

We and the industry continue to work with both Government and the regulator to look at additional responsible gambling measures to supplement the Code, believing that any measures implemented should be informed by facts, academic research and a proper economic impact assessment.

DIVIDEND

The Board has approved a final dividend of 7.9p per share, giving a full year dividend of 11.6p per share (2012: 10.4p per share after rights issue adjustment), an increase of 12%. It is payable on 6 June 2014, the ex-dividend date is 30 April 2014 and the record date is 2 May 2014. The Group estimates that approximately 875 million shares will qualify for the final dividend.

CURRENT TRADING

The current trading update relates to the seven weeks from 1 January 2014 to 18 February 2014.

As previously reported, football results in the second week of the year were highly unfavourable with an unusually high number of odds-on favourites winning. Gross win margins remained unfavourable during January but have been more positive during February. In the seven weeks, the gross win margin in Retail was 16.8% (2013: 21.7%) and in Online Sportsbook was 6.6% (2013: 11.0%).

As anticipated, wagering volumes have been strong, with increased recycling and growth in customer confidence. Amounts wagered were up 4% in Retail OTC betting and up 46% in Online Sportsbook. We also benefited from the rollover of a snow-affected period in 2013. We continue to see the benefit of our mobile gaming improvements with strong growth from our mobile gaming products.

Group net revenue was up 5% (+2% adjusting for the additional month of MGD in January 2014). Retail net revenue[1] was down 4% (down 8% adjusting for the change to MGD), with underlying gaming machine net revenue[1] up 5% but OTC net revenue down 20% as a result of the weak margin. Online net revenue was broadly flat with Sportsbook down 18% but gaming up 21%, benefiting from mobile growth as well as from a softer comparative in the early part of 2013.

At this early stage in the year, the Board is confident in the underlying growth trends of the Group's trading performance, particularly with further outstanding growth in Sportsbook amounts wagered and stronger growth rates in Online gaming. Though there is no certainty that we can recoup the shortfall against internal expectations from sporting results in January, we remain hopeful of a positive benefit from increased customer confidence, particularly with so much of the football season ahead and with the 2014 World Cup to come.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks areas 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;
- the economic climate;
- 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 will be published shortly and will be available on our corporate website at www.williamhillplc.com.

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

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

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the management report, which is incorporated into the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board,

R.J. Topping	N. Cooper
Chief Executive	Group Finance Director
28 February 2014	28 February 2014

Reference notes

(1) Group and Retail net revenue growth is flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty (MGD) on 1 February 2013. Underlying growth rates are provided in the narrative, adjusting the prior year from the date of introduction of MGD to reflect the current tax regime.

(2) The contribution of Sportingbet Australia is included in the results from 19 March 2013 and tomwaterhouse.com is included from 12 August 2013.

(3) 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 £10.9m in 2013 (2012: £5.0m).

(4) Adjusted EPS is stated before exceptional items and amortisation of specifically identified intangible assets recognised on acquisitions. The 2012 figures have been adjusted to reflect the Rights Issue.

(5) Basic EPS and dividend per share are based on an average of 838.3 million shares for 2013 and an average of 757.9 million shares for 2012, including an adjustment to reflect the impact of the rights issue completed on 5 April 2013. The 2012 figures have been adjusted to reflect the Rights Issue.

(6) The unaudited 52 week results of 2012 have been calculated by subtracting the 53rd week result from the audited results for the full 53 week period. Revenues and cost of sales for the 53rd week are actual figures, operating costs are pro-rata figures based on the December run rate, taxation is based on the effective tax rate for the year.

(7) Kantar Sport GB Syndicated Online Gambling Research, Q2 2013.

(8) Kantar Market Sizing Tracker Q3/Q4 2013.

(9) AAMS.

(10) DGOJ Q3 2013 gross gaming revenue report.

(11) H2GC Global Gambling Data, February 2014.

(12) Macquarie Research.

(13) The consolidated accounts are prepared in accordance with IFRSs as adopted by the European Union. The Parent Company accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Consolidated Income Statement

For the 52 weeks ended 31 December 2013

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 31 December 2013 Total £m	Before exceptional items (restated) £m	Exceptional items (note 3) £m	53 weeks ended 1 January 2013 Total (restated) £m
Continuing Operations							
Amounts wagered*	2	**7,800.8**	**–**	**7,800.8**	5,884.8	–	5,884.8
Revenue	2	**1,486.5**	**–**	**1,486.5**	1,276.9	–	1,276.9
Cost of sales	2,3	**(266.6)**	**(5.6)**	**(272.2)**	(172.2)	–	(172.2)
Gross profit	2	**1,219.9**	**(5.6)**	**1,214.3**	1,104.7	–	1,104.7
Other operating income		**7.4**	**–**	**7.4**	4.7	–	4.7
Other operating expenses	3	**(906.6)**	**(15.5)**	**(922.1)**	(787.5)	(14.5)	(802.0)
Share of results of associates		**3.4**	**–**	**3.4**	3.7	–	3.7
Profit before interest and tax		**324.1**	**(21.1)**	**303.0**	325.6	(14.5)	311.1
Investment income	4	**1.1**	**–**	**1.1**	0.6	–	0.6
Finance costs	3,5	**(45.4)**	**(1.7)**	**(47.1)**	(33.5)	(0.5)	(34.0)
Profit before tax		**279.8**	**(22.8)**	**257.0**	292.7	(15.0)	277.7
Tax	3,6	**(32.2)**	**1.7**	**(30.5)**	(48.2)	1.5	(46.7)
Profit for the period		**247.6**	**(21.1)**	**226.5**	244.5	(13.5)	231.0
Attributable to:							
Equity holders of the parent		**232.3**	**(21.1)**	**211.2**	202.0	(12.2)	189.8
Non-controlling interest	11	**15.3**	**–**	**15.3**	42.5	(1.3)	41.2
		247.6	**(21.1)**	**226.5**	244.5	(13.5)	231.0
Earnings per share (pence)							
Basic	8			**25.2**			25.0
Diluted	8			**24.7**			24.7

* Our definition of amounts wagered has been reviewed and updated this year and we have restated the comparative periods accordingly. The presentation of revenue is unaffected by this change.

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 31 December 2013

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Profit for the period	**226.5**	231.0
Items that will not be reclassified subsequently to profit or loss:		
Actuarial remeasurements in defined benefit pension scheme	**(3.8)**	5.6
Tax on remeasurements in defined benefit pension scheme	**(1.7)**	(3.0)
	(5.5)	2.6
Items that may be reclassified subsequently to profit or loss:		
(Loss)/gain on cash flow hedges	**(0.6)**	0.4
Exchange differences on translation of foreign operations	**(98.6)**	(1.7)
	(99.2)	(1.3)
Other comprehensive (loss)/income for the period	**(104.7)**	1.3
Total comprehensive income for the period	**121.8**	232.3
Attributable to:		
Equity holders of the parent	**106.5**	191.0
Non-controlling interest	**15.3**	41.3
	121.8	232.3

Consolidated Statement of Changes in Equity

For the 52 weeks ended 31 December 2013

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interest £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 (note 11)	–	–	–	–	–	–	(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**

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 28 December 2011	70.3	318.3	6.8	(26.1)	(11.7)	0.6	529.6	887.8	11.8	899.6
Profit for the financial period	–	–	–	–	–	–	189.8	189.8	41.2	231.0
Other comprehensive income for the period	–	–	–	–	–	(1.3)	2.5	1.2	0.1	1.3
Total comprehensive income for the period	–	–	–	–	–	(1.3)	192.3	191.0	41.3	232.3
Transfer of own shares to recipients	–	–	–	–	9.0	–	(9.0)	–	–	–
Shares issued during the period	0.3	3.1	–	–	–	–	(0.2)	3.2	–	3.2
Credit recognised in respect of share remuneration	–	–	–	–	–	–	10.6	10.6	–	10.6
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.9	0.9	–	0.9
Dividends paid	–	–	–	–	–	–	(71.1)	(71.1)	–	(71.1)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(38.5)	(38.5)
At 1 January 2013	70.6	321.4	6.8	(26.1)	(2.7)	(0.7)	653.1	1,022.4	14.6	1,037.0

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	31 December 2013 £m	1 January 2013 £m
Non-current assets			
Intangible assets		**1,854.8**	1,433.4
Property, plant and equipment		**249.2**	227.7
Interest in associate		**14.0**	12.6
Deferred tax asset		**18.6**	11.5
Loans receivable		**4.6**	–
		2,141.2	1,685.2
Current assets			
Inventories		**0.2**	0.2
Trade and other receivables		**56.4**	37.7
Cash and cash equivalents		**206.7**	151.7
Derivative financial instruments		**–**	0.4
Investment property held for sale		**9.4**	–
		272.7	190.0
Total assets		**2,413.9**	1,875.2
Current liabilities			
Trade and other payables		**(278.7)**	(227.5)
Corporation tax liabilities		**(37.6)**	(38.7)
Borrowings	9	**–**	(0.1)
Derivative financial instruments		**(12.3)**	(7.0)
		(328.6)	(273.3)
Non-current liabilities			
Borrowings	9	**(895.9)**	(402.6)
Retirement benefit obligations		**(17.5)**	(21.1)
Amounts owed to non-controlling interest		**–**	(8.7)
Deferred tax liabilities		**(148.6)**	(132.5)
		(1,062.0)	(564.9)
Total liabilities		**(1,390.6)**	(838.2)
Net assets		**1,023.3**	1,037.0
Equity			
Called-up share capital		**86.7**	70.6
Share premium account		**680.7**	321.4
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	10	**(3.8)**	(2.7)
Hedging and translation reserves		**(99.9)**	(0.7)
Retained earnings		**378.9**	653.1
Equity attributable to equity holders of the parent		**1,023.3**	1,022.4
Non-controlling interest	11	**–**	14.6
Total equity		**1,023.3**	1,037.0

Consolidated Cash Flow Statement

For the 52 weeks ended 31 December 2013

	Notes	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Net cash from operating activities	12	**267.6**	294.3
Investing activities			
Dividend from associate		**2.0**	2.0
Interest received	4	**1.1**	0.6
Proceeds on disposal of property, plant and equipment		**1.8**	1.3
Loans		**(6.9)**	–
Acquisitions (net of cash acquired)		**(451.4)**	(19.4)
Purchase of non-controlling interest, net of costs	11	**(423.1)**	–
Purchases of property, plant and equipment		**(49.6)**	(45.8)
Expenditure on computer software		**(35.0)**	(20.5)
Net cash used in investing activities		**(961.1)**	(81.8)
Financing activities			
Proceeds on issue of shares under share schemes		**1.8**	3.2
Purchase of own shares		**(0.4)**	–
Proceeds on rights issue		**384.3**	–
Fees in respect of rights issue		**(10.9)**	–
Dividends paid	7	**(87.1)**	(71.1)
Distributions to non-controlling interests		**(21.6)**	(38.5)
Net amounts drawn down on/(repayments under) borrowing facilities		**120.0**	(67.5)
Debt facility issue costs		**(1.9)**	(1.2)
Issue of £375m Guaranteed Notes due 2020	9	**375.0**	–
Finance fees paid on £375m Guaranteed Notes		**(4.0)**	–
Net cash from/(used in) financing activities		**755.2**	(175.1)
Net increase in cash and cash equivalents in the period		**61.7**	37.4
Changes in foreign exchange rates		**(6.7)**	–
Cash and cash equivalents at start of period		**151.7**	114.3
Cash and cash equivalents at end of period		**206.7**	151.7

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 nature of the Group's operations and its principal activities are set out in the Strategic Report within the Annual Report and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

BASIS OF ACCOUNTING

The Group financial statements have been prepared in accordance with IFRS as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or fair value as described in our accounting policies. The key accounting policies adopted are set out in our Annual Report.

The financial statements set out in this preliminary announcement do not constitute the Company's statutory accounts for the 52 week period ended 31 December 2013 or the 53 week period ended 1 January 2013, but are derived from those accounts. The auditor has reported on those accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS on 28 February 2014.

ADOPTION OF NEW AND REVISED STANDARDS

There were no material changes to the accounts as a result of adopting new or revised accounting standards during the year.

STANDARDS IN ISSUE BUT NOT EFFECTIVE

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report.

We do not anticipate that there will be a material impact on the Group's financial statements from standards that are in issue but not yet effective.

GOING CONCERN

The Group meets its day to day working capital requirements from positive operational cash flow and its available cash resources. These are supplemented when required by additional drawings under the Group's bank loan facilities, which are committed until November 2015. 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 2015. The Group's strategic 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.

2. SEGMENT INFORMATION

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports the Group's Chief Executive reviews 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 online sports betting, 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 which were acquired in transactions during the period (see note 13). Other activities include on-course betting and greyhound stadia operations.

Segment information for the 52 weeks ended 31 December 2013 is as follows:

	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.

	Retail £m	Online £m	Telephone £m	US £m	Australia £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information								
Total segment assets	1,389.3	374.5	0.6	54.4	449.4	11.4	115.7	2,395.3
Total segment liabilities	(86.0)	(120.8)	(4.9)	(8.6)	(32.4)	(0.3)	(951.4)	(1,204.4)
Included within total assets:								
Goodwill	681.0	183.9	–	18.1	280.6	7.1	–	1,170.7
Other intangibles with indefinite lives	484.6	–	–	–	86.2	–	–	570.8
Investment in associates	–	–	–	–	–	–	14.0	14.0
Capital additions	39.6	34.7	–	2.6	2.8	–	8.8	88.5

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's Chief Executive. Corporate net assets include net borrowings and the net defined benefit pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 53 weeks ended 1 January 2013:

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate £m	Group £m
Amounts wagered[1]	2,951.5	2,498.5	279.2	132.2	23.4	–	5,884.8
Payout	(2,113.6)	(2,091.8)	(263.2)	(123.3)	(16.0)	–	(4,607.9)
Revenue	**837.9**	**406.7**	**16.0**	**8.9**	**7.4**	**–**	**1,276.9**
GPT, duty, levies and other costs of sales	(137.1)	(35.6)	2.3	(0.9)	(0.9)	–	(172.2)
Gross profit	700.8	371.1	18.3	8.0	6.5	–	1,104.7
Depreciation	(24.8)	(0.8)	–	(0.2)	(0.2)	(3.3)	(29.3)
Amortisation	(2.6)	(11.5)	(0.3)	–	–	–	(14.4)
Other administrative expenses	(461.9)	(213.5)	(17.5)	(8.4)	(5.8)	(27.0)	(734.1)
Share of result of associates	–	–	–	–	–	3.7	3.7
Operating profit/(loss)[2]	**211.5**	**145.3**	**0.5**	**(0.6)**	**0.5**	**(26.6)**	**330.6**
Amortisation of acquired intangibles	–	(3.6)	–	(1.4)	–	–	(5.0)
Exceptional operating items	–	(4.6)	–	(5.3)	–	(4.6)	(14.5)
Profit/(loss) before interest and tax[3]	**211.5**	**137.1**	**0.5**	**(7.3)**	**0.5**	**(31.2)**	**311.1**
Non-operating exceptional items						(0.5)	(0.5)
Investment income						0.6	0.6
Finance costs						(33.5)	(33.5)
Profit before tax							**277.7**

[1] The presentation of amounts wagered for the 2012 comparative period has been revised following a change in accounting policy. Revenues are not affected by this change.

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

[3] 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.

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information							
Total segment assets	1,354.4	346.2	0.8	50.2	11.6	100.5	1,863.7
Total segment liabilities	(65.9)	(104.3)	(1.7)	(8.9)	(0.1)	(486.1)	(667.0)
Included within total assets:							
Goodwill	681.0	183.9	–	18.4	7.1	–	890.4
Other intangibles with indefinite lives	484.6	–	–	–	–	–	484.6
Investment in associates	–	–	–	–	–	12.6	12.6
Capital additions	39.3	20.8	–	1.2	–	–	61.3

There are no inter-segmental sales within the Group.

Revenues and non-current assets by geographical area are as follows:

	Revenues		Non-current assets	
	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m	**31 December 2013 £m**	1 January 2013 £m
United Kingdom	**1,263.4**	1,164.1	**1,396.9**	1,412.1
Rest of the World	**223.1**	112.8	**744.3**	273.1
	1,486.5	1,276.9	**2,141.2**	1,685.2

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) or primary operating location of the company using the asset (for intangible assets).

The reconciliation of segment assets/(liabilities) to the Consolidated Statement of Financial Position is as follows:

	Assets		Liabilities	
	31 December 2013 £m	1 January 2013 £m	**31 December 2013 £m**	1 January 2013 £m
Total segment assets/(liabilities)	**2,395.3**	1,863.7	**(1,204.4)**	(667.0)
Corporation tax liabilities	**–**	–	**(37.6)**	(38.7)
Deferred tax assets/(liabilities)	**18.6**	11.5	**(148.6)**	(132.5)
Total assets/(liabilities)	**2,413.9**	1,875.2	**(1,390.6)**	(838.2)

3. EXCEPTIONAL ITEMS

Exceptional items are those items the Group considers to be non-recurring 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:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Operating		
Sportingbet acquisition and integration costs[1]	**(13.5)**	(4.6)
VAT repayment[2]	**(5.6)**	–
tomwaterhouse.com acquisition and integration costs[3]	**(2.0)**	–
US acquisition costs	**–**	(5.3)
Spanish back taxes	**–**	(4.6)
	(21.1)	(14.5)
Non-Operating		
Costs in respect of refinancing[4]	**(1.7)**	–
Fair value loss on hedging arrangements	**–**	(0.5)
	(1.7)	(0.5)
Total exceptional items	**(22.8)**	(15.0)

The tax impact of exceptional items is as follows:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Tax credit in respect of VAT repayment[2]	**1.3**	–
Tax credit in respect of refinancing costs[4]	**0.4**	–
Tax credit in respect of Spanish back taxes	**–**	0.1
Tax credit in respect of US acquisition costs	**–**	1.3
Tax credit in respect of fair value loss on hedging arrangements	**–**	0.1
	1.7	1.5

1 On 19 March 2013, the Group acquired a number of operations from the Sportingbet Plc Group, as described in note 13. Costs relating to this acquisition were charged as exceptional items.

2 During 2013, HMRC 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. That refund is now expected to be repaid to HMRC and is charged as an exceptional item in 2013.

3 On 12 August 2013, the Group acquired tomwaterhouse.com, as described in note 13. Costs relating to this acquisition were charged as exceptional items.

4 In June 2013, the Group issued a £375m corporate bond and used the proceeds to settle £275m borrowed under a Term Loan Facility arranged in December 2012, with the remainder used to clear down outstanding amounts under the Group's revolving credit facility. The Term Loan Facility was immediately cancelled and the remaining balance of finance fees, which were being expensed over the life of the debt, was charged as an exceptional item.

4. INVESTMENT INCOME

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 (restated) £m
Interest on bank deposits	**1.1**	0.6

Following the introduction of IAS 19 (revised 2011), finance income and finance costs relating to the Group's pension scheme assets and liabilities are presented net in finance costs. This presentation has been applied also to the prior year's results.

5. FINANCE COSTS

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 (restated) £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**41.0**	29.0
Amortisation of finance costs	**3.7**	2.2
Net interest payable	**44.7**	31.2
Loss on revaluation of amounts due to non-controlling interest	**–**	0.9
Interest on net pension scheme liabilities	**0.7**	1.4
	45.4	33.5

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Current tax:		
UK corporation tax	**48.9**	60.9
Overseas tax	**5.2**	2.2
Adjustment in respect of prior periods	**0.3**	(2.2)
Total current tax charge	**54.4**	60.9
Deferred tax:		
Origination and reversal of temporary differences	**(4.2)**	0.1
Impact from changes in statutory tax rates	**(18.8)**	(12.6)
Adjustment in respect of prior periods	**(0.9)**	(1.7)
Total deferred credit	**(23.9)**	(14.2)
Total tax on profit on ordinary activities	**30.5**	46.7

The effective tax rate in respect of ordinary activities before exceptional items is 11.5% (53 weeks ended 1 January 2013: 16.5%). The effective tax rate in respect of ordinary activities after exceptional items was 11.9% (53 weeks ended 1 January 2013: 16.8%). The current period's charge excluding exceptional items is lower than the UK statutory rate of 23.25% mainly due to a lower effective tax rate on the income of Online and a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 20%. The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 31 December 2013		53 weeks ended 1 January 2013	
	£m	%	£m	%
Profit before tax	**257.0**		277.7	
Tax on Group profit at standard UK corporation tax rate of 23.25% (2012: 24.5%)	**59.8**	**23.3**	68.0	24.5
Impact of changes in statutory tax rates	**(18.8)**	**(7.4)**	(12.6)	(4.5)
Lower effective tax rate of Online	**(12.9)**	**(5.0)**	(8.6)	(3.1)
Tax on share of results of associates	**(0.8)**	**(0.3)**	(0.9)	(0.3)
Adjustment in respect of prior periods	**(0.6)**	**(0.2)**	(3.9)	(1.4)
Permanent differences – non-deductible expenditure	**3.8**	**1.5**	4.7	1.6
Total tax charge	**30.5**	**11.9**	46.7	16.8

The Group earns its profits primarily in the UK and therefore the tax rate used for tax on Group profit for the purposes of this analysis is the standard rate for UK corporation tax.

There are no material unrecognised deferred tax assets.

7. DIVIDENDS PROPOSED AND PAID

	52 weeks ended 31 December 2013 Per share	53 weeks ended 1 January 2013 (restated) Per share	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Equity shares:				
– current period interim dividend paid	**3.7p**	3.2p	**32.1**	24.0
– prior period final dividend paid	**7.2p**	6.2p	**55.0**	47.1
	10.9p	9.4p	**87.1**	71.1
Proposed dividend	**7.9p**	7.2p	**69.1**	55.0

The proposed final dividend of 7.9p will, subject to shareholder approval, be paid on 6 June 2014 to all shareholders on the register on 2 May 2014. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results. The Group estimates that approximately 875 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust.

The comparator per share figures have been restated to take into account the impact of the rights issue; dividends paid during the period of 10.1p have been presented as 9.4p and the proposed final 2012 dividend of 7.8p has been presented as 7.2p.

8. EARNINGS PER SHARE

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

	52 weeks ended 31 December 2013			53 weeks ended 1 January 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)	**211.2**	**–**	**211.2**	189.8	–	189.8
Exceptional items (note 3) (£m)	**22.8**	**–**	**22.8**	13.7	–	13.7
Exceptional items – tax charge (note 3) (£m)	**(1.7)**	**–**	**(1.7)**	(1.5)	–	(1.5)
Amortisation of intangibles (net of tax) (£m)	**9.2**	**–**	**9.2**	4.5	–	4.5
Adjusted profit after tax for the financial period (£m)	**241.5**	**–**	**241.5**	206.5	–	206.5
Weighted average number of shares (million)	**838.3**	**15.3**	**853.6**	757.9	11.7	769.6
Earnings per share (pence)	**25.2**	**(0.5)**	**24.7**	25.0	(0.3)	24.7
Amortisation adjustment (pence)	**1.1**	**–**	**1.1**	0.6	–	0.6
Exceptional adjustment (pence)	**2.5**	**–**	**2.5**	1.6	(0.1)	1.5
Earnings per share – adjusted (pence)	**28.8**	**(0.5)**	**28.3**	27.2	(0.4)	26.8

An adjusted earnings per share, based on profit for the period before exceptional items and before the amortisation of specifically identified intangible assets arising 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. The effect of this was to reduce the average number of shares by 0.8m in the 52 weeks ended 31 December 2013 (53 weeks ended 1 January 2013: 0.9m).

The comparator 2012 figures have been restated from the previously reported 27.0p (basic) and 26.6p (diluted) earnings per share to take into account the impact of the rights issue in line with IAS 33 "Earnings Per Share".

9. BORROWINGS

	31 December 2013 £m	1 January 2013 £m
Borrowings at amortised cost		
Bank loans	**230.0**	110.0
Less: expenses relating to bank loans	**(2.5)**	(3.8)
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(1.0)**	(1.2)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(1.9)**	(2.5)
£375m 4.25% Guaranteed Notes due 2020	**375.0**	–
Less: expenses relating to £375m 4.25% Guaranteed Notes due 2020	**(3.7)**	–
Total Borrowings at amortised cost	**895.9**	402.5
Obligations under finance leases	**–**	0.2
Total Borrowings	**895.9**	402.7
Less: amount shown as due for settlement in 12 months (shown under current liabilities)	**–**	(0.1)
Amount shown as due for settlement after 12 months	**895.9**	402.6
The gross borrowings, including finance leases, are repayable as follows:		
Amounts due for settlement within one year	**–**	0.1
In the second year	**230.0**	0.1
In the third to fifth years inclusive	**300.0**	410.0
After more than five years	**375.0**	–
	905.0	410.2

Bank facilities

As at 31 December 2013, the Group had the following bank facilities:

1. A revolving credit bank loan facility of £550m provided by a syndicate of banks which expires in November 2015. At the period-end, £230m of this facility was drawn down.
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 Term Loan Facilities of £325m that were established during 2012. The remaining unamortised finance fees on the facility were charged to exceptional costs as described in note 3.

£550m Revolving Credit Facility (RCF)

Borrowings under the RCF are unsecured but are guaranteed by the Company and by William Hill Organization Limited, one of the principal operating subsidiaries of the Company.

Borrowings under the Facility incur interest at LIBOR plus a margin of between 2.00% and 2.75%, determined by the Group's consolidated Net Debt to EBITDA ratio as defined in the loan agreement. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings under the RCF.

The upfront participation and other fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loans 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 31 December 2013, the Group had an overdraft facility with National Westminster Bank plc of £5m (1 January 2013: £5m). The balance on this facility at 31 December 2013 was £nil (1 January 2013: £nil).

Corporate bonds

(i) £300m 7.125% Guaranteed Notes due 2016

As part of its strategy to diversify its funds and strengthen its balance sheet, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by William Hill Organization Limited, a principal subsidiary of the Company. The bonds carry a coupon of 7.125% but together with the discount on issue of the bonds bear an effective interest rate of 7.25%.

(ii) £375m 4.25% Guaranteed Notes due 2020

In June 2013, the Group issued £375m of corporate bonds and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the bond used to reduce outstanding amounts under the Group's RCF. The bonds, which are guaranteed by William Hill Organization Limited, bear a coupon rate of 4.25% and are due for redemption in June 2020.

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. OWN SHARES

	£m
At 2 January 2013	(2.7)
Purchase of own shares	(9.6)
Transfer of own shares to recipients	8.5
At 31 December 2013	**(3.8)**

Own shares held comprise:

	31 December 2013			1 January 2013		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	**843,732**	**0.1**	**3.8**	500,000	0.1	2.7

11. NON-CONTROLLING INTEREST (NCI)

The non-controlling interest relates to the 29% share in Online owned by Playtech Limited ("Playtech") during the prior and part of the current period.

On 15 April 2013, the Group purchased Playtech's stake in the Online business for a cash consideration of £423.8m. As this was a transaction with minority equity owners of the business without a change of control, it has been recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £2.8m have been recorded in equity along with a receipt of £3.5m representing a subsequent working capital adjustment. A liability of £9.7m, representing fixed annual fees due to Playtech, was also reversed through equity following the end of the underlying obligation.

As a result of the purchase of this minority stake, the financial statements show a nil non-controlling interest in the Statement of Financial Position and present a non-controlling share of profits only up to 14 April 2013, being £15.3m. A reconciliation of the movements in non-controlling interests is provided in the Consolidated Statement of Changes in Equity.

12. NOTES TO THE CASH FLOW STATEMENT

	52 weeks ended 31 December 2013 £m	53 weeks ended 1 January 2013 £m
Profit before interest and tax, excluding exceptional items	**324.1**	325.6
Adjustments for:		
Share of result of associates	**(3.4)**	(3.7)
Depreciation of property, plant and equipment	**34.3**	29.3
Amortisation of computer software	**21.0**	14.4
Amortisation of specifically identified intangible assets recognised on acquisitions	**10.9**	5.0
Gain on disposal of property, plant and equipment	**(0.4)**	(1.0)
Cost charged in respect of share remuneration	**8.9**	10.6
Defined benefit pension cost less cash contributions	**(8.1)**	(8.8)
Changes in foreign exchange rates	**–**	(0.4)
Fair value movements on investment property	**1.4**	–
Exceptional operating expense	**(16.0)**	(9.6)
Movement on financial derivatives	**4.6**	(0.6)
Operating cash flows before movements in working capital:	**377.3**	360.8
(Increase)/decrease in receivables	**(5.8)**	15.7
(Decrease)/increase in payables	**(6.7)**	10.2
Cash generated by operations	**364.8**	386.7
Income taxes paid	**(55.9)**	(52.0)
Interest paid	**(41.3)**	(40.4)
Net cash from operating activities	**267.6**	294.3

13. ACQUISITIONS

a) Acquisition of Australian and Spanish operations from Sportingbet PLC (Sportingbet)

On 19 March 2013, the Group acquired the Australian sportsbook operations of Sportingbet and the Miapuesta brand and was granted a call option over Sportingbet's locally licensed Spanish business. The acquisition, representing a further step in the Group's strategy of selective international expansion, was made for a cash consideration of £459.4m and resulted in the Group acquiring 100% of the share capital of the entities acquired.

The call option over the Spanish business was exercised in September 2013 for nil additional consideration and control was assumed on 17 September 2013.

Goodwill recognised on acquisition represented expected profit enhancements from future revenue growth prospects and is not expected to be deductible for tax purposes.

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Intangible non-current assets	**170.7**
Property, plant & equipment and software	**5.1**
Investment property	**10.8**
Cash at bank	**25.9**
Receivables	**9.3**
Payables	**(49.0)**
Deferred tax provisions	**(43.0)**
Total net assets acquired	**129.8**
Goodwill	**329.6**
Total consideration	**459.4**

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Cash consideration paid	**459.4**
Net cash acquired	**(25.9)**
Net acquisition cash flows	**433.5**

(b) Acquisition of tomwaterhouse.com

On 12 August 2013, the Group acquired 100% of Tom Waterhouse N.T. pty Limited ("tomwaterhouse.com"), an Australian online betting business, as part of a strategy of selective international expansion as the Group develops its second "home" market in Australia.

The acquisition was completed for a cash consideration of AU$35m (£20.5m). A potential additional earn-out on a sliding scale of up to AU$70m is payable to the vendors, subject to tomwaterhouse.com achieving incremental operating profit on a sliding scale between AU$10m and AU$30m in the year to 31 December 2015. The Group has the option at its sole discretion to pay this earn-out in cash or in shares of William Hill PLC, with the number of such shares to be calculated based on the share price in the 30 days prior to settlement. At the date of acquisition, this earn-out was accounted for as a derivative liability of £0.6m.

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies and is not expected to be deductible for tax purposes.

The acquisition-date fair values of the assets and liabilities acquired are provisional. These may be further adjusted, particularly in respect of intangible assets, current liabilities and deferred tax provisions, as we gain further understanding of the business. The provisional purchase price allocation is set out in the table below:

	Fair value £m
Net assets acquired:	
Intangible assets	**3.6**
Cash in bank and on hand	**2.6**
Deferred tax provision	**(0.4)**
Other net liabilities	**(9.0)**
Total net liabilities acquired	**(3.2)**
Goodwill	**24.3**
Total consideration	**21.1**

The aggregate cash consideration, net of cash acquired, was as follows:

	£m
Total consideration	**21.1**
Less contingent element	**(0.6)**
Cash consideration paid	**20.5**
Net cash acquired	**(2.6)**
Net acquisition cash flows	**17.9**