Thursday, 2 March 2006

WILLIAM HILL PLC

PRELIMINARY ANNOUNCEMENT OF RESULTS

William Hill (the ‘Group’) today announces its results for the 52 weeks ended 27 December 2005 (the ‘period’).

Period highlights:

- Profit on ordinary activities before exceptional items and finance charges up 5% to £246.0m (2004: £234.1m)
- Adjusted basic earnings per share (before exceptional items) were 36.2 pence (2004: 36.5 pence). Basic earnings per share were 28.5 pence (2004: 36.5 pence)
- Interim dividend of 6.1 pence per share (paid on 5 December 2005) and proposed final dividend of 12.2 pence per share (payable on 6 June 2006 to shareholders on the register on 5 May 2006) giving a total dividend up 11% to 18.3 pence per share (2004: 16.5 pence per share)
- Integration of the Stanley Retail business into the existing William Hill estate will be complete by the end of the first quarter 2006. Annualised synergies and other benefits will exceed initial estimate of £13m and could exceed £20m over the medium term.
- Total returned to shareholders since flotation in June 2002 amounts to £446.0m (including dividends and share buy backs). £78.3m of shares purchased in 2005 out of proposed buy back programme of £200-300m announced in September 2005. Intention to renew mandate for a 10% share buy back.
- Successful installation of replacement text and EPOS systems in the William Hill LBOs

Current trading:

Trading in the first eight weeks of 2006 has been mixed, with some strong weeks, aided by more favourable football results and some poor weeks, particularly for horseracing which has been impacted by both unfavourable results and fixture cancellations. Online gaming continues to grow strongly. Costs remain under tight control.

After this relatively short trading period, and with the World Cup and the full year benefits of both the Stanley acquisition and EPOS rollout still to come, the Board remains confident in the prospects for the Group.

Commenting on these results, Charles Scott, Chairman, said:

"In 2005, our third full year as a public company, we took a number of key strategic steps, including the acquisition of Stanley Leisure plc's betting shops and the investment in EPOS and new text systems in our LBOs. Earnings per share excluding exceptional items fell slightly but as a sign of the Board's confidence for the future, we are proposing to increase total dividends by 11%."

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There will be a presentation to analysts at 10.30 am today at the Lincoln Centre, 18 Lincoln's Inn Fields, London WC2. Alternatively, it will be possible to listen to the presentation by dialling 44 (0) 1452 561 263. The presentation will be recorded and will be available for a period of one week by dialling 44 (0) 1452 550 000 and using the replay access number 5845021#. The slide presentation will be available on the Investor Relations section of the website www.williamhillplc.co.uk <http://www.williamhillplc.co.uk>.

CHIEF EXECUTIVE'S REVIEW

Profit on ordinary activities before taxation and exceptional items was £246.0m (2004: £234.1m) and included a contribution of £15.6m from our acquisition of Stanley Leisure plc's retail betting operations (Stanley Retail) in June 2005. Earnings per share excluding exceptional items were 36.2p, broadly level with 2004.

We continued to invest in our business across all three channels. We invested in the ongoing development of our estate, the replacement of our text systems and the installation of electronic point of sale (EPOS) terminals. In addition we commenced a three-year programme to update our core bookmaking systems. As this progresses our technology infrastructure will improve significantly with a common architecture across our business which will allow prices, results and products to be distributed easily, provide a consolidated risk management capability and give our customers a single account with which to gamble across all channels.

In 2005, the Group's sports betting activities, in common with other bookmakers, were adversely affected by sporting results compared to generally more favourable results in 2004. In addition, the Group continued to experience downward pressure on theoretical margins on horseracing, which we first reported on in 2004. This adverse trend was largely offset by particularly strong performances in the Fixed Odds Betting Terminals (FOBT) and poker businesses. Operating expenses were kept under tight control.

Acquisition of Stanley Retail

The acquisition of Stanley Retail was completed on 18 June 2005 adding 624 LBOs to the existing William Hill estate.

The headline price for the acquisition was £504m, which after a working capital adjustment, professional fees and stamp duty resulted in total cash consideration of £506.6m.

Subject to William Hill providing satisfactory undertakings, the OFT decided not to refer the acquisition to the Competition Commission. The undertakings related to the disposal of 77 LBOs (and potentially another two LBOs) out of the combined estate. 76 LBOs (64 Stanley Retail shops and 12 William Hill shops) have been sold to the Tote for net consideration of £34.4m. The LBOs sold to the Tote were on average less profitable than the rest of the estate.

A dedicated multi-disciplinary team was established to take control of Stanley Retail and set about the task of integrating the operation into the enlarged William Hill Group.

Post OFT clearance, the Group started to integrate the two businesses. Key tasks included the harmonisation of products, prices, and betting rules; progressive rebranding of the shops; installation of the same version of electronic point of sale and audiovisual text systems recently deployed in the William Hill estate; renegotiation of contracts with key suppliers; and wind down of the Stanley Retail head office. We remain confident of achieving synergies and other benefits in excess of the £13m that we estimated at the time of the acquisition and we believe that these could exceed £20m over the medium term. Incremental benefits include a reduction in betting tax in the Republic of Ireland from 2% to 1% of turnover from 1 July 2006; the removal of pre-race data charges payable to the British Horseracing Board in certain jurisdictions following a judgment in the Republic of Ireland; and benefits arising from a management restructure relating to the combined retail estate.

Retail

The Retail division grew gross win by 13.7% to £623.4m (0.8% excluding Stanley Retail) and profit increased by 9.7% to £181.6m (0.3% excluding Stanley Retail).

Excluding Stanley Retail, gross win on over the counter (OTC) and amusement with prizes machines (AWPs) fell by 6.9% and 69.0%, respectively, but this was compensated for by an increase in FOBT gross win of 33.5%.

In the William Hill estate total gross win declined 1.3% and increased 3.3% in the first and second half years, respectively, against the comparative periods.

LBOs in the Stanley estate performed better year-on-year than those in the original William Hill estate in the period from their acquisition through to the year end. The pattern of a reduction in OTC and AWP gross win and an increase in FOBT gross win was also seen in Stanley Retail.

The average number of FOBTs in the William Hill estate increased to 5,892 in the period (2004: 4,442). We finished the year with 6,078 FOBTs (2004: 5,573) in the William Hill estate and 1,613 FOBTs in the Stanley estate. The average net profit per machine per week in the William Hill estate was £402 (2004: £373) for the year and in the Stanley Retail estate was £293 for the period since its acquisition. The improved profitability in the William Hill estate was mainly due to better contractual terms with our main FOBT supplier Leisure Link effective from May 2005.

The number of AWPs in the William Hill estate at the end of year was 276 (2004: 530) and the average number traded in the period fell from 1,392 in 2004 to 353 in 2005. In Stanley Retail, there were 335 AWPs at the end of the year.

Costs in the channel were up 17.0% (1.5% excluding Stanley Retail). Excluding Stanley Retail, there were savings in staff costs due to reduced overtime and premium payments under the new employment contracts with shop staff and productivity improvements resulting from the investment in EPOS. FOBT rentals fell due to more favourable contractual terms, which are exclusively royalty based, and AWP rentals fell due to the reduction in the number of machines in the estate. These savings were offset by increases in rent and rates due to increased shop numbers and rent reviews; energy costs; communications costs incurred to provide EPOS infrastructure; picture and data costs due to additional shop numbers, increased charges from SIS and the number of LBOs showing Sky Sports; and depreciation and maintenance charges as a result of introducing new text and EPOS systems.

We completed 138 development and shop fitting projects during the year including 31 new licences, 53 extensions and resites and 54 shopfittings. We spent £23m on estate development in the year.

At the end of the year we had 2,121 LBOs in the United Kingdom, 9 in the Channel Islands, 2 in the Isle of Man and 52 in the Republic of Ireland; a total of 2,184.

We completed the installation of a new text system and an EPOS system in the William Hill estate in the year with minimal disruption and extended the rollout of the same systems to the Stanley Retail estate. The total cash investment in respect of these projects is expected to be £53m.

Telephone

Telephone gross win fell by 11.4% to £53.4m and profit fell by 41.2% to £13.0m. This channel is the most vulnerable to adverse sporting results and the decline in theoretical horseracing betting margins as its higher staking customers tend to back a higher proportion of favourites and are less likely to recycle winnings.

There was a fall in gross win against the comparative period in both the first and second half of 2005, although the fall in the second half was less pronounced than in the first half.

Costs in this channel were up 10.9% due to increases in bank charges and a higher allocation of central technology costs.

We ended the year with 174,000 active telephone customers (2004: 184,000).

Interactive

Interactive gross win increased 16.2% to £123.3m and profit grew 18.4% to £61.2m.

Growth in gross win was seen across all products with the strongest growth in poker, which increased 90%. Sportsbook gross win grew despite adverse sporting results, on the back of an increase in turnover and active accounts. Our arcade experienced strong growth and the casino showed a small increase in gross win.

In October 2004 we launched William Hill TV (WHTV) on Sky Channel 425. Gross win generated through the interactive games arcade remains low. However, we have seen an increase in stakes placed through the Interactive and Telephone sportsbooks on greyhound racing shown live on Channel 425. We have commenced a trial broadcast of Channel 425 content into our betting shops and we hope that this will increase shop gross win as well as draw shop punters to interactive television outside shop hours. We will evaluate the benefits of Channel 425 in mid 2006.

Gross win grew against the comparative periods in both the first and second half-years of 2005 and the growth achieved in the second half was just below that achieved in the first half. Betting grew at 4.6% in the first half and 15.6% in the second half and gaming (casino and poker) grew at 30.9% in the first half and 15.3% in the second half.

We continue to expand our range of in running betting opportunities and launched a live betting console on our sportsbook, which enables the rapid update of prices during play. We enhanced our single account proposition and internet and telephone customers can now bet on sports, poker, casino, and arcade from a single wallet. We launched 5 new arcade games that expanded our offering to 10 games. Our mobile sportsbook service is supported on the majority of WAP enabled handsets.

We upgraded our poker product through our partner Cryptologic and they now have the fifth largest poker room on the internet. As a result, our players compete for over $3.5m in guaranteed tournament prize pools each month. Players can also qualify for the World Series of Poker and European Poker Tour events. William Hill continues to build its poker brand and is the official sponsor of the European Poker Rankings. The finals of the William Hill Grand Prix attracted top players from around the world with a prize pool of £450,000. The finals are being broadcast on Sky television.

As part of our international strategy we launched a Greek language poker room to complement our Greek download and instant casinos.

We added 31 new games to our Boss and Cryptologic download casinos, including 6 Marvel Comic themed games targeted at the slot machine market and blackjack and roulette variants aimed at the European market. We now offer over 140 games and paid out over £750,000 in shared progressive jackpots in 2005.

Total active accounts increased to 341,000 as at 27 December 2005 (28 December 2004: 292,000).

Costs in the channel increased 20.7% due to increased marketing activities to support the growth of our poker business and to fund the costs of Channel 425 production and content.

Cost of content

In July 2005 the Court of Appeal agreed with the European Court of Justice (ECJ) interpretation of the Database Directive, which had previously been referred to the ECJ by the Court of Appeal in relation to our dispute with the BHB on the use of certain racing data. This judgment supported the Group's position. Subsequently, the BHB has decided not to challenge this judgment thus bringing to an end the dispute that commenced in 2001.

Had the BHB been successful, their database would have been the basis of a commercial deal between racing and betting that would have allowed the statutory levy scheme to end. As a result of the decision, the Government has extended the statutory levy until 2009 and appointed a committee, under the chairmanship of Lord Donoughue, to find an alternative basis for a commercial arrangement. The committee issued its draft report in December 2005. It is anticipated that discussion will take place between interested parties during 2006 in order to assess whether a viable alternative to the current statutory levy can be developed from the options identified by the committee.

The betting industry has contractual arrangements in place with the country's 59 racetracks for the supply of horseracing pictures into LBOs. These contracts expire between spring 2007 and summer 2009.

With regard to football, the Retail division continues to make payments to the football authorities as part of an ongoing agreement. It should be noted that at the same time as delivering its judgment on the interpretation of the Database Directive in relation to horseracing, the ECJ took a similar line on three football related cases. We are still in discussion with the football authorities concerning future arrangements for LBOs, as well as remote channels.

In November 2005 the BHB settled a long running dispute with Irish bookmakers over data rights. The settlement came during a hearing in Dublin's Commercial Court and allowed the BHB to keep the £30m it had collected from Irish bookmakers since March 2001. However the BHB accepted that no further payments under the previous contract would be made after 9 January 2006. Accordingly, from that date, William Hill has ceased to make any payment to the BHB in respect of horseracing betting in its LBOs in certain jurisdictions. Previously the company had paid 10% of gross win arising from betting on UK horseracing in LBOs outside of Great Britain.

Operating costs

Full year expenses for the Group were £418.2m an increase of 26.6% (5.5% excluding Stanley Retail and exceptional costs).

Excluding Stanley Retail and exceptional costs, staff costs, which represented roughly half of our total costs, fell 1.2% reflecting the introduction of our new staffing contract in the retail estate and improvement in productivity as a result of the rollout of EPOS. Property costs, which represented 16.0% of our total costs, were up 10.9% over the comparable period reflecting increases in rent and rates in part driven by an increase in average shop size and an increase in the number of shops, and higher energy costs. Depreciation and equipment maintenance costs increased 21.2% with the rollout of EPOS and text systems along with the supporting technology, although this was offset by staff costs savings. The cost of providing pictures and data to our LBOs was up 8.5% over the comparable period due to the size of the estate and price increases. Advertising and marketing costs, including the cost of casino bonus cash payments that are expensed in arriving at gross profit, were up 19.5% over the comparable period reflecting increased web advertising and promotions, in particular focusing on poker and WHTV.

Other cost increases relate to our investments in WHTV and our ongoing investment in information technology, EPOS capabilities and core bookmaking systems. All expenditure on information technology is subject to rigorous cost benefit analysis, and tightly managed through formalised project and programme management systems.

Exceptional costs of £26.9m were incurred in 2005 of which £19.0m (including £5.4m of non-cash charges) related to the integration of Stanley Retail within the William Hill estate, £3.0m related to the aborted return of capital exercise and £7.4m related to the installation of EPOS and text systems. A profit of £2.5m was recorded on the disposal of 12 William Hill LBOs.

Regulatory development

In April 2005 the new Gambling Act was enacted. We are advised that it is unlikely to be fully implemented before Autumn 2007 pending the setting up of the Gambling Commission.

Proposed deregulation, including extended betting shop opening hours, the installation of higher payout gaming machines and the removal of the demand criteria, will impact our estate. The new Act also opens up the possibility of a UK based remote gaming industry and over the next two years the Government aims to establish both regulatory and taxation regimes to enable this to occur. We will continue to work with our trade associations to assist the Gambling Commission to develop appropriate regulation.

Capital structure

William Hill was listed on the London Stock Exchange in June 2002 and at that time the Group put in place a capital structure and financing arrangements to provide the optimum capital structure for William Hill as a public company, consistent with the Board's strategy. Since flotation, William Hill's strong financial performance has led the Board to conclude that William Hill could support a significantly higher amount of debt and to do so would be in the interest of shareholders. In March 2005 the Company announced a return of capital to shareholders of £453m and a £40m additional contribution to the Group's defined benefit pension scheme to address the actuarial deficit in the scheme.

In light of the acquisition of Stanley Retail, the Company decided not to proceed with the return of capital but secured new facilities of £1.2bn in order to fund the acquisition, refinance the facilities put in place at flotation and make a £47m additional contribution to the Group's defined benefit pension scheme over a five year period.

Subsequent to receiving clearance from the OFT on the Stanley Retail acquisition, the Board gave further consideration to the appropriate financing arrangements for the enlarged Group. In September 2005, the Board announced it will target a ratio of net debt to earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) of approximately 3.5 times to be achieved over the medium term. The Board also announced that consistent with this target, it expected to return £200m – £300m within an 18 month period. By the end of 2005, £78.3m had been returned by means of on-market share buy-backs.

Taxation

In its Pre-Budget Report on 5 December 2005, HM Treasury announced the conclusions it had reached on gambling taxation. HM Treasury concluded that current tax arrangements are generally working well at present and that maintaining stability in the overall structure of taxation is desirable in a period of transition. In these circumstances the Government decided to maintain the current tax regimes which are working well for betting, betting exchanges, lottery and bingo.

Gross profit tax

HM Treasury concluded that gross profit tax has been a success and the Government has decided not to increase the rate of gross profit tax or make any changes to it at this time.

Betting exchanges

The Government concluded that the fairest way to tax betting exchanges is to tax commission earned by them. It also concluded that taxing layers on exchanges, purely on the basis that they lay bets, would not be fair or proportionate. On this basis it concluded that the current taxation arrangements remain appropriate.

As a result of the Government's decision we expect to see continued pressure on theoretical margins and to address, in part, this issue we recently started to hedge directly into betting exchanges as a means of improving the effectiveness of our hedging activities. In addition, the Starting Price Regulatory Commission (SPRC) is undertaking an independent review of how starting prices are formed. The SPRC has appointed PricewaterhouseCoopers to conduct a full review of the process and is expected to announce its findings in the early summer.

FOBTs

FOBTs were classified as gaming machines for VAT purposes from 6 December 2005. From this date, income earned from these machines is subject to VAT rather than gross profits tax. This is in line with other types of gaming machine.

From the 2006 Budget, AMLD will be payable in addition to VAT and further discussions are taking place between the Government and the gambling industry prior to the rate being set.

Remote gaming

HM Treasury announced that in order to align taxation policy with the Gambling Act 2005, remote gaming will be brought into the gambling duty net, with the intention of announcing the rate in the 2006 Budget. HM Treasury has committed to further discussion with the industry and other stakeholders prior to announcing the rate.

Republic of Ireland

In December 2005 the Irish Government announced a reduction in the tax rate from 2% to 1% of turnover to apply from 1 July 2006.

Pension plan

The Board undertook during the year to make a special contribution of £47m to the Group's defined benefit scheme. The contribution will be spread over a period of five years and is designed to eliminate the deficit calculated on a continuing basis by the actuary as at September 2004. The first payment of £9.4m was made in October 2005. The Board and pension scheme Trustee have consulted on this specific proposal and believe it represents an appropriate course of action that properly balances the legitimate interests of shareholders, members and pensioners.

Future capital structure and dividend policy

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

For 2006, the Board expects to maintain dividend cover on a per share basis broadly in line with the level in 2005. In addition, the Board will be seeking authority from shareholders for a renewal of the on-market share buy-back mandate.

This announcement contains certain statements that are or may be forward-looking regarding the Group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.

William Hill PLC

Consolidated Profit and Loss Account

For the 52 weeks ended 27 December 2005

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 27 December 2005 Total £m	52 weeks ended 28 December 2004 (restated) £m
Turnover					
Existing operations		**9,812.3**	**-**	**9,812.3**	8,287.7
Acquisitions		**933.8**	**-**	**933.8**	-
	2	**10,746.1**	**-**	**10,746.1**	8,287.7
Cost of sales		**(10,114.9)**	**-**	**(10,114.9)**	(7,726.3)
Gross profit	2	**631.2**	**-**	**631.2**	561.4
Net operating expenses		**(388.8)**	**(29.4)**	**(418.2)**	(330.4)
Operating profit					
Existing operations		**226.8**	**(10.4)**	**216.4**	231.0
Acquisitions		**15.6**	**(19.0)**	**(3.4)**	-
	2	**242.4**	**(29.4)**	**213.0**	231.0
Share of associate’s operating profit		**3.6**	**-**	**3.6**	3.1
Profit on disposal of fixed assets		**-**	**2.5**	**2.5**	-
Profit on ordinary activities before finance charges		**246.0**	**(26.9)**	**219.1**	234.1
Net interest payable	4	**(39.9)**	**(2.4)**	**(42.3)**	(25.2)
Other finance charges		**(1.1)**	**-**	**(1.1)**	(1.5)
Profit on ordinary activities before tax		**205.0**	**(29.3)**	**175.7**	207.4
Tax on profit on ordinary activities	5	**(63.7)**	**(0.6)**	**(64.3)**	(57.6)
Profit on ordinary activities after tax for the financial period		**141.3**	**(29.9)**	**111.4**	149.8
Dividends proposed and paid	6	**(69.6)**	**-**	**(69.6)**	(65.1)
Retained profit for the financial period	8	**71.7**	**(29.9)**	**41.8**	84.7
Earnings per share (pence)					
Basic	7			**28.5**	36.5
Basic - adjusted	7			**36.2**	36.5
Diluted	7			**28.1**	35.9

Consolidated Statement of Total Recognised Gains and Losses

for the 52 weeks ended 27 December 2005

	Notes	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Profit for the financial period		**111.4**	149.8
Actuarial gain/(loss) recognised in the pension scheme		**2.0**	(10.7)
Deferred tax attributable to actuarial gain/(loss)		**(0.6)**	3.2
Total recognised gains and losses relating to the period		**112.8**	142.3
Prior period adjustment	1	**(0.6)**	
Total recognised gains and losses since last annual report and financial statements		**112.2**	

William Hill PLC

Consolidated Balance Sheet
as at 27 December 2005

	Notes	**27 December 2005** £m	28 December 2004 (restated) £m
Fixed assets			
Intangible assets - goodwill		**1,177.1**	736.2
Tangible assets		**188.7**	119.0
Investments		**3.4**	2.9
		1,369.2	858.1
Current assets			
Stocks		**0.4**	0.3
Debtors: amounts falling due within one year		**20.4**	15.4
Debtors: amounts falling due after one year		**-**	5.9
Cash at bank and in hand		**76.6**	60.5
		97.4	82.1
Creditors: amounts falling due within one year		**(186.3)**	(203.6)
Net current liabilities		**(88.9)**	(121.5)
Total assets less current liabilities		**1,280.3**	736.6
Creditors: amounts falling due after more than one year		**(1,016.1)**	(447.7)
Provisions for liabilities and charges		**(12.5)**	-
Net assets excluding pension liability		**251.7**	288.9
Pension liability		**(31.8)**	(38.5)
Net assets including pension liability		**219.9**	250.4
Capital and reserves			
Called up share capital	8	**39.1**	40.5
Share premium account	8	**311.3**	311.3
Capital redemption reserve	8	**3.1**	1.7
Merger reserve	8	**(26.1)**	(26.1)
Own shares held	8	**(57.5)**	(59.3)
Profit and loss account	8	**(50.0)**	(17.7)
Equity shareholders' funds	8,9	**219.9**	250.4

William Hill PLC

Consolidated Cash Flow Statement

for the 52 weeks ended 27 December 2005

	Notes	**52 weeks ended 27 December 2005 £m**	52 weeks ended 28 December 2004 £m
Net cash inflow from operating activities	10	**242.0**	247.3
Dividend from associate		**2.1**	-
Returns on investments and servicing of finance	11	**(33.4)**	(23.3)
Taxation		**(49.4)**	(57.4)
Capital expenditure and financial investment	11	**(53.8)**	(27.3)
Acquisitions and disposals	11	**(466.1)**	(3.8)
Equity dividends paid		**(66.6)**	(59.6)
Net cash (outflow)/inflow before financing		**(425.2)**	75.9
Financing	11	**441.3**	(61.8)
Increase in cash in the period	12	**16.1**	14.1

1. Changes in accounting policies and restatement of comparatives

As encouraged by the Accounting Standards Board, the Group has adopted FRS 20 'Share-based Payment' in the 52 weeks to 27 December 2005, although it is not mandatory in this period.

FRS 20 changes the basis of charging the profit and loss account for share-based remuneration. Under the provisions of FRS 20, options granted are valued and charged to the profit and loss account on the basis of fair values as calculated by an option pricing model rather than on the basis of the intrinsic value of the share on which the option was granted, as was the case previously. In addition the costs of SAYE schemes are chargeable under FRS 20 whereas formerly they were exempt. The transitional arrangements of FRS 20 also mean that all options granted before 7 November 2002 do not attract a charge.

The effect of these changes is that in the 52 weeks ended 27 December 2005 the charge under FRS 20 is £1.3m more than the charge that would have been reported under UK GAAP prior to the introduction of FRS 20 (52 weeks ended 28 December 2004 – £2.1m less than under UK GAAP prior to FRS 20). In addition, there is a related increase in the tax charge and a reduction of deferred tax asset of £0.4m in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 – £0.6m reduction in the tax charge and increase in the deferred tax asset). As the deferred tax adjustment is the only one that affects cumulative reserves, £0.6m is shown as the prior period adjustment in the statement of total recognised gains and losses.

2. Segmental information

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

Segmental information by distribution channel is shown below:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 (restated) £m
Turnover		
- Retail	**9,285.5**	7,020.7
- Telephone	**605.8**	540.8
- Interactive	**826.0**	696.3
- Other activities	**28.8**	29.9
	10,746.1	8,287.7
Gross win		
- Retail	**623.4**	548.1
- Telephone	**53.4**	60.3
- Interactive	**123.3**	106.1
- Other activities	**7.6**	7.6
	807.7	722.1
Operating profit		
- Retail	**181.6**	165.5
- Telephone	**13.0**	22.1
- Interactive	**61.2**	51.7
- Other activities	**(0.1)**	(0.3)
- Central costs	**(13.3)**	(8.0)
	242.4	231.0
Exceptional items [1] (note 3)	**(29.4)**	-
	213.0	231.0
Net assets		
- Retail	**127.7**	73.4
- Telephone	**1.8**	0.7
- Interactive	**2.8**	2.7
- Other activities	**7.2**	7.1
- Corporate	**80.4**	166.5
	219.9	250.4

[1] £26.4m of exceptional items incurred relates to the Retail channel and £3.0m relates to central costs.

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

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

2. Segmental information (continued)

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

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

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Gross win	**807.7**	722.1
GPT, duty, levies, VAT and other cost of sales	**(176.5)**	(160.7)
Gross profit	**631.2**	561.4

3. Exceptional items

Exceptional operating items are as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Costs of implementation of EPOS and text systems [1]	**7.4**	-
Costs of integration of Stanley Retail acquisition [2]	**19.0**	-
Costs of aborted return of capital scheme [3]	**3.0**	-
	29.4	-

[1] Costs arose from the roll out of electronic point of sale and text systems across the LBO network and primarily encompass training and consultancy costs.

[2] Costs arose from the due diligence on and the integration of Stanley Retail (as defined in note 13) and comprise primarily external consultancy costs, redundancy and related staff costs and asset impairments.

[3] Costs represent professional fees incurred in respect of an aborted plan to return capital.

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Profit on disposal of fixed assets	**2.5**	-

Gain made on the disposal of the 12 William Hill LBOs, as part of the sale of 76 LBOs undertaken after the Office of Fair Trading review of the purchase of Stanley Retail.

3. Exceptional items (continued)

Exceptional interest costs are as follows:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Write off of previously capitalised bank facility fee	**2.3**	-
Breakage fee	**0.1**	-
	2.4	-

Following the negotiation of new banking arrangements and the consequent repayment of the old bank facility, the unamortised costs of £2.3m associated with the old facility were written off.

A tax charge of £0.6m was recognised in respect of the exceptional items. This represents the net increase in corporation tax payable, which the Group expects to incur in respect of these exceptional items and comprises:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Capital gain on disposal of 76 LBOs [1]	**7.1**	-
Tax relief expected in respect of operating and interest costs	**(6.5)**	-
	0.6	-

[1] Due to the accounting rules governing the subsequent disposal of acquired operations, the profit and loss account bears the full tax charge relating to the capital gain on the disposal of 76 LBOs, while the gain on disposal is only recognised in the profit and loss account in respect of the sale of the 12 William Hill shops. The net proceeds of the remaining 64 Stanley Retail LBOs have been used to determine fair values and hence have been reflected through adjusted goodwill recognised as set out in note 13.

4. Net interest payable and similar charges

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Interest receivable:		
Interest receivable	**2.5**	1.9
Share of associate's net interest receivable	**0.1**	-
Interest payable and similar charges:		
Bank loans and overdrafts	**(41.5)**	(25.6)
Guaranteed unsecured loan notes 2005	**-**	(0.2)
Amortisation of finance costs	**(1.0)**	(1.3)
	(39.9)	(25.2)
Exceptional interest costs (note 3)	**(2.4)**	-
Net interest payable	**(42.3)**	(25.2)

5. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 (restated) £m
UK corporation tax at 30%	**51.4**	57.4
UK corporation tax – prior periods	**-**	(1.7)
Overseas tax	**0.5**	0.3
Share of associated undertaking tax charge	**1.1**	1.0
Total current tax charge	**53.0**	57.0
Deferred tax – origination and reversal of timing differences	**11.3**	0.6
Total tax on profit on ordinary activities	**64.3**	57.6

The effective tax rate in respect of ordinary activities before exceptional items was 31.1% (52 weeks ended 28 December 2004 - 27.8%). The effective tax rate in respect of ordinary activities after exceptional items was 36.6%. This is higher than the statutory rate of 30% due to:

- Chargeable gains arising on the sale of the Stanley Retail LBOs being treated as part of the tax charge whereas for accounting purposes the gains are dealt with in arriving at goodwill (note 3); and
- The Group incurred a number of expenses on which it will not get tax relief.

The relatively low tax rate in the prior period resulted from the utilisation of certain tax losses in that period.

6. Dividends proposed and paid

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Equity shares:		
- interim dividend paid	**23.5**	22.0
- final dividend proposed/paid	**46.1**	43.1
	69.6	65.1
Dividend per ordinary share (pence)	**18.3**	16.5

The interim dividend of 6.1p (52 weeks ended 28 December 2004 – 5.5p) was paid on 5 December 2005. The proposed final dividend of 12.2p (52 weeks ended 28 December 2004 – 11.0p) will, subject to shareholder approval, be paid on 6 June 2006 to all shareholders on the register on 5 May 2006.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. As at 27 December 2005, the trust held 1.2m ordinary shares. In addition, the Company has not provided for dividends on the 10.5m shares held in treasury. The Company estimates that 378.2m shares will qualify for the final dividend.

7. Earnings per share

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

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 (restated) £m
Profit after tax for the financial period	**111.4**	149.8
Exceptional items – operating expenses	**29.4**	-
Exceptional items – profit on sale of fixed assets	**(2.5)**	-
Exceptional items – interest	**2.4**	-
Exceptional items – tax charge	**0.6**	-
Profit after tax for the financial period before exceptional items	**141.3**	149.8

	Number (m)	Number (m)
Basic weighted average number of shares	**390.5**	**410.1**
Dilutive potential ordinary shares:		
Employee share awards and options	**5.5**	**7.4**
Dilutive weighted average number of shares	**396.0**	**417.5**

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 12.7m in the 52 weeks ended 27 December 2005 (52 weeks ended 28 December 2004 – 8.7m).

An adjusted earnings per share based on profit for the financial period before exceptional items has been presented in order to highlight the underlying performance of the Group.

8. Capital and reserves

Group:

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Profit and loss account £m	Total £m
At 28 December 2004 (as previously reported)	40.5	311.3	1.7	(26.1)	(59.3)	(17.1)	251.0
Prior period adjustment (note 1)	-	-	-	-	-	(0.6)	(0.6)
As restated	40.5	311.3	1.7	(26.1)	(59.3)	(17.7)	250.4
Retained profit for the financial period	-	-	-	-	-	41.8	41.8
Actuarial gain recognised in the pension scheme	-	-	-	-	-	2.0	2.0
Deferred tax arising thereon	-	-	-	-	-	(0.6)	(0.6)
Shares repurchased and cancelled	(1.4)	-	1.4	-	-	(78.3)	(78.3)
Expense recognised in respect of share remuneration	-	-	-	-	-	2.2	2.2
Movement on reserves due to transfer of own shares to recipients	-	-	-	-	1.8	0.6	2.4
At 27 December 2005	**39.1**	**311.3**	**3.1**	**(26.1)**	**(57.5)**	**(50.0)**	**219.9**

8. Capital and reserves (continued)

Own shares held at 27 December 2005 amounting to £57.5m comprise 10.5m shares (nominal value - £1.1m) held in treasury purchased for £56.1m and 1.2m shares (nominal value - £0.1m) held in The William Hill Holdings 2001 Employee Benefit Trust purchased for £1.4m. The shares held in treasury were purchased at a weighted average price of £5.32. At 27 December 2005 the total market value of own shares held in treasury and in the Trust was £63.8m.

9. Reconciliation of movements in equity shareholders' funds

	27 December 2005 £m	28 December 2004 (restated) £m
Profit for the financial period	**111.4**	149.8
Other recognised gains and losses relating to the period (net)	**1.4**	(7.5)
	112.8	142.3
Dividends paid and proposed	**(69.6)**	(65.1)
Own shares purchased during period	**(78.3)**	(145.4)
Expense recognised in respect of share remuneration	**2.2**	1.2
Movement on reserves due to transfer of shares to recipients	**2.4**	-
Net reduction to equity shareholders' funds	**(30.5)**	(67.0)
Opening equity shareholders' funds (as previously reported)	**251.0**	317.4
Prior period adjustment – deferred tax related to share remuneration (note 1)	**(0.6)**	-
As restated	**250.4**	317.4
Closing equity shareholders' funds	**219.9**	250.4

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

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 (restated) £m
Operating profit before operating exceptional items	**242.4**	231.0
Depreciation	**27.0**	16.2
Profit on sale of fixed assets	**(0.2)**	(0.6)
Amortisation of EDIP and LTIP	**2.2**	1.2
Exceptional costs	**(22.2)**	-
(Increase)/decrease in debtors	**(1.6)**	0.5
Increase in creditors	**3.1**	1.6
Defined benefit pension cost less cash contributions	**(8.7)**	(2.6)
Net cash inflow from operating activities	**242.0**	247.3

Stanley Retail has generated a total net cash inflow since its acquisition of £4.3m, comprising an operating profit of £15.6m, offset by exceptional costs incurred of £19.0m and with depreciation and impairment provisions added back of £7.7m.

None of the other acquisitions detailed in note 13 generated significant cash flows during the period of their ownership by the Group.

11. Analysis of cash flows

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Returns on investments and servicing of finance:		
Interest received	**2.6**	1.9
Interest paid	**(35.4)**	(25.2)
Premium paid on interest rate collar	**(0.6)**	-
Net cash outflow	**(33.4)**	(23.3)
Capital expenditure and financial investment:		
Purchase of fixed assets	**(54.5)**	(28.2)
Sale of tangible fixed assets	**0.7**	0.9
Net cash outflow	**(53.8)**	(27.3)
Acquisitions and disposals:		
Purchase of subsidiary undertakings and sundry LBOs	**(508.5)**	(3.9)
Net cash acquired with subsidiary undertaking	**8.0**	0.1
Disposal of LBOs net of costs	**34.4**	-
Net cash outflow	**(466.1)**	(3.8)
Financing:		
Purchase of own shares	**(76.8)**	(145.5)
SAYE share redemptions	**2.7**	-
Repayment of Guaranteed unsecured loan notes 2005	**-**	(6.3)
Loan facilities drawn down	**1,020.0**	90.0
Loan facility repaid	**(500.0)**	-
New facility debt issue costs	**(4.6)**	-
Net cash inflow/(outflow)	**441.3**	(61.8)

12. Analysis and reconciliation of net debt

	29 December 2004 £m	Cash flow £m	Other non-cash items £m	**27 December 2005 £m**
Analysis of net debt				
Cash at bank and in hand	60.5	16.1	-	**76.6**
Debts due within one year	(49.8)	50.0	(0.2)	**-**
Debts due after more than one year	(447.7)	(565.4)	(3.0)	**(1,016.1)**
Total	(437.0)	(499.3)	(3.2)	**(939.5)**

Other non-cash items of £3.2m comprise amortised debt issue costs.

	52 weeks ended 27 December 2005 £m	52 weeks ended 28 December 2004 £m
Increase in cash in the period	**16.1**	14.1
Cash inflow from increase in net debt	**(515.4)**	(83.7)
Change in net debt resulting from cash flows	**(499.3)**	(69.6)
Debt issue costs written off and amortised	**(3.2)**	(1.3)
	(502.5)	(70.9)
Opening net debt	**(437.0)**	(366.1)
Closing net debt	**(939.5)**	(437.0)

13. Acquisition of investments

Stanley Retail

On 18 June 2005, the Group acquired Stanley Leisure plc's retail bookmaking operations in Great Britain, Northern Ireland, the Republic of Ireland, Jersey and the Isle of Man (Stanley Retail) for total cash consideration of £506.6m including costs of £6.6m. The capitalised goodwill on this transaction was £440.7m representing licence value and goodwill. This goodwill is subject to an annual impairment review in accordance with FRS 10 and FRS 11.

Stanley Retail earned a profit after taxation but before exceptional items of £15.2m in the period from 2 May 2005 to 27 December 2005 (year ended 1 May 2005 - £17.3m), of which £3.8m arose in the period from 2 May 2005 to 18 June 2005.

The summarised profit and loss account for the period from 2 May 2005 to 18 June 2005, shown on the basis of the accounting policies of Stanley Retail prior to the acquisition, was as follows:

	£m
Turnover	88.3
Profit on ordinary activities before tax	5.3
Tax on profit on ordinary activities	(1.5)
Profit on ordinary activities after tax	**3.8**

13. Acquisitions (continued)

The following table sets out the amalgamated book values of the acquired identifiable assets and liabilities of Stanley Retail and their provisional fair value to the Group:

	Book value £m	Fair value adjustments £m		Fair value to Group £m
Fixed assets				
Tangible assets	257.9	(214.0)	a,b,c	43.9
Current assets				
Stocks	0.2	(0.1)	d	0.1
Debtors and prepayments	3.2	(0.3)	b	2.9
Assets held for resale	-	31.1	b	31.1
Cash	8.1	(0.1)	b	8.0
Total assets	**269.4**	**(183.4)**		**86.0**
Creditors				
Creditors and accruals	(15.6)	(1.2)	b,e	(16.8)
Provisions				
Onerous contracts	-	(1.4)	e	(1.4)
Deferred tax	(1.9)	-		(1.9)
Total liabilities	**(17.5)**	**(2.6)**		**(20.1)**
Net assets	**251.9**	**(186.0)**		**65.9**
Less: cash consideration				**506.6**
Goodwill arising				**440.7**

The explanations for the fair value adjustments are as follows:

a. Adjustment of £206.1m to property valuation reflecting the disaggregation of betting licence value which under Stanley Retail's accounting policy was included in tangible assets, while under the Group's accounting policy, it remains part of goodwill;

b. Adjustments to various assets and liabilities reflecting the disposal in July 2005 of 28 LBOs to Tote Bookmakers Limited for total net consideration of £14.7m and the subsequent disposal in December 2005 of 36 LBOs also to Tote Bookmakers Limited for a total net consideration of £15.3m. In addition £1.1m has been included in this adjustment in respect of the profits earned by the disposed of Stanley Retail LBOs in their period of ownership by the Group;

c. Reduction of £7.8m to reflect the depreciated replacement cost of the assets and a £2.6m increase in values representing IS assets in use in Stanley Retail which were previously shown as having no net book value;

d. Adjustment of £0.1m to stock items reflecting the Group's policy in respect of certain consumables; and

e. Adjustment for ante post and sleeper bets (£0.8m), dilapidations and vacant properties (£0.7m) and onerous contracts (£1.4m).

The cash consideration for the purchase of Stanley Retail comprised the headline figure of £504.0m, less adjustment for working capital of £4.0m plus professional fees and stamp duty of £6.6m.

13. Acquisitions (continued)

Other acquisitions

The Group also purchased another two LBOs in the period for a total cash consideration of £1.9m, principally representing goodwill and the value of the relevant licences. The other net assets acquired with these LBOs were negligible.

Stanley Retail and other acquisitions

Net cash outflows in respect of the acquisitions comprised:

	£m
Cash consideration	(508.5)
Cash at bank and in hand acquired	8.0
	(500.5)

Included in cash consideration of £508.5m is £6.6m in respect of professional fees and stamp duty.

14. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the 52 week period ended 27 December 2005 or the 52 week period ended 28 December 2004, but is derived from those accounts. Statutory accounts for the 52 week period ended 28 December 2004 have been delivered to the Registrar of Companies and those for the 52 week period ended 27 December 2005 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts and their reports were unqualified and did not contain statements under section 237(2) or (3) Companies Act 1985.

The financial information within this preliminary announcement has been prepared on the basis of the accounting policies in the Group’s statutory accounts for the 52 weeks ended 28 December 2004 (except as outlined in note 1). The preliminary results should therefore be read in conjunction with the 2004 report and accounts.

15. Introduction of International Financial Reporting Standards (IFRS)

The Group is preparing for the adoption of IFRS as its primary accounting basis for the 52 week period ending 26 December 2006. However, financial statements for the 52 week period ended 27 December 2005 prepared in accordance with IFRS have been prepared for illustrative purposes only and will be available from mid-April on the Group’s corporate information web site www.williamhillplc.co.uk.