William Hill PLC

24 February 2012

Continued strong momentum in 2011 driven by innovation and investment

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 27 December 2011 (the period). The comparator period is the 52 weeks ended 28 December 2010.

	52 weeks ended 27 Dec 2011 (£m)	52 weeks ended 28 Dec 2010 (£m)	Change vs. 2010 (%)
Net revenue	£1,136.7m	£1,071.8m	6%
- Retail net revenue	£789.7m	£783.1m	1%
- Online net revenue	£321.3m	£251.5m	28%
Operating profit(1)	£275.7m	£276.8m	0%
Pre-exceptional profit before tax	£239.4m	£219.3m	9%
Profit before tax	£187.4m	£193.3m	-3%
Profit after tax	£146.5m	£156.0m	-6%
Earnings per share – basic, adjusted(2)(3)	24.2p	21.7p	12%
Earnings per share – basic(2)	16.5p	18.6p	-11%
Dividend per share	9.6p	8.3p	16%

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(2) Basic EPS is based on an average of 699.0 million shares for 2011 and an average of 697.9 million shares for 2010
(3) Adjusted EPS is stated before exceptional items and £3.6m (2010: £3.6m) Online amortisation relating to trade names, affiliate relationships and non-competition agreements

Key points:

- Positive performance with Group net revenue up 6% and pre-exceptional profit before tax in growth by 9%
- Basic, adjusted earnings per share in growth by 12% and dividend per share by 16%
- William Hill Online delivers second consecutive year of +20% net revenue growth and mobile innovations increase Sportsbook bets by c500%
- Resilient UK Retail performance with growth in OTC amounts wagered and machines gross win driving net revenue growth despite sporting results impact
- International expansion progresses with Italian website launch and impending land-based sports betting acquisitions in US
- Further balance sheet strengthening as net debt for covenant purposes reduces by £83m to £416m

Ralph Topping, Chief Executive of William Hill, commented:

"This is a very positive performance, particularly in a year without a significant international football tournament and with a c£9m increase in VAT payments as a result of the rate change. It reflects the underlying strength of the business and benefits from our innovations and investments. Our strategic focus continues to be on developing our products to enhance the customer experience, on broadening and strengthening our channels to maximize our customer reach and on developing the business internationally. In the last year, we have built on the momentum and success of 2010 by further expanding our Online offering through new mobile and text-betting channels and are continuing to invest in innovations to enhance the customer experience across all channels.

“We have great confidence that, as a multi-channel gambling company with a strong management team, we are well placed to leverage the advantages of the William Hill brand. We believe there are more opportunities to grow in our core market in the UK and also for the business to expand internationally beyond our traditional roots as more governments open up their regulated gambling markets. We will, therefore, seek to invest selectively in taking our brand and our capabilities beyond the UK over the coming years.”

Analyst and investor presentation			
Meeting: 9.30 a.m. GMT on 24 February 2012 The Lincoln Centre 18 Lincoln's Inn Fields London WC2A 3ED	Live conference call: Tel UK: 0845 634 0041 Tel int'l: +44 (0) 20 8817 9301 Passcode: 6678073	Archive conference call (until 2 March 2012) Tel: +44 (0) 20 7769 6425 Passcode: 6678073#	Video webcast: www.williamhillplc.com Available live and, until 24 February 2013, as an archive

A separate conference call will be held at 11.30 am GMT **for debt analysts and investors**. Dial-in details are:

UK telephone: 0845 634 0041
International telephone: +44 (0)20 8817 9301
Passcode: 6678005

Archive of the debt call:
Telephone: +44 (0)20 7769 6425
Passcode: 6678005#

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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 15,000 people. Founded in 1934, it is now the UK's largest bookmaker with over 2,370 licensed betting offices (LBOs) that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. William Hill Online (www.williamhill.com) is one of Europe's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their mobile, by telephone and by text services. William Hill PLC is listed on the London Stock Exchange and generates revenues of over £1.1bn 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

With William Hill Online delivering another year of outstanding growth and the Retail channel seeing 6% wagering growth in a challenging macro-economic environment, the Group has delivered a positive performance in 2011, reflecting the strength of the business and the benefit of our innovations and investments both in the UK and internationally. This performance was in spite of the year lacking a significant international football tournament and after a c£9m increase in VAT payments following from the changed VAT rate in early 2011. The Group saw some challenging sporting results but benefitted from less weather disruption than in the comparator period. Group net revenue grew 6% to £1,136.7m (2010: £1,071.8m) and Operating profit[1] was in line with market expectations at £275.7m (2010: £276.8m).

William Hill Online achieved a second consecutive year of +20% net revenue growth, with a 28% increase to £321.3m (2010: £251.5m), benefitting from continued innovations in its sports betting, in-play and mobile offerings and despite a short period of business disruption in the fourth quarter. Investment in marketing increased, for example to support the launch of William Hill Online in the regulated Italian market (www.williamhill.it). Operating profit[1] was 17% higher at £106.8m (2010: £91.1m). Retail amounts wagered grew by 6%. OTC gross win fell as a result of a lower year-on-year gross win margin, reflecting less favourable sporting results, but this was offset by continued strength in machine revenues, leading to 1% growth in Retail net revenue. Retail Operating profit[1] fell 4% to £196.8m (2010: £204.5m), after taking account of well-controlled cost growth of only 2%.

The restructuring of the Telephone operation was successfully completed in February. Despite cost savings arising from this, both amounts wagered and gross win margins declined, and the business was also impacted by losses to a high-staking client which led to an Operating loss[1] of £4.3m (2010: profit of £0.9m). Accordingly, as announced in January 2012, the Group has taken a c£47m exceptional write-off of Goodwill and other associated assets given future anticipated levels of performance.

The Group continues to generate substantial levels of cash, with net cash inflow from operating activities of £241.7m (2010: £223.9m), reducing net debt for covenant purposes to £416m (2010: £499m). The Board has declared a final dividend of 6.7p per share (2010: 5.8p per share), giving a full-year dividend of 9.6p per share (2010: 8.3p per share), an increase of 16% over the prior year, reflective of the 12% growth in basic adjusted earnings per share and the Board's policy in regards to levels of dividend cover.

Going into 2011, William Hill was – like many businesses with a strong presence in the UK – predicted to face a challenging consumer backdrop but our performance in 2011 in general, and our underlying growth in Retail OTC stakes in particular, reflects our positioning as a predominantly low ticket leisure activity.

The Group continues to invest in order to drive growth. Cash capital expenditure increased from £37m in 2010 to £56m in 2011, with more investment in the fabric of our Retail estate and in product development and business infrastructure in Online. This has enabled us to build on the momentum and success of 2010 by further expanding our Online offerings through new mobile and text-betting channels in the last year, maximising our customer reach. We also continue to invest in innovations to enhance the customer experience across all channels, as well as seeking out opportunities to add shareholder value internationally, as evidenced by the impending acquisition of three land-based sports betting businesses in Nevada and the Online entrance into the Italian regulated market.

The Board has great confidence that, as a multi-channel gambling company with a strong management team, we are well placed to leverage the advantages of the William Hill brand. We believe there are more opportunities to grow in our core market in the UK and also for the business to expand internationally beyond our traditional roots as more governments open up their regulated gambling markets. We will, therefore, continue to invest selectively in taking our brand and our capabilities beyond the UK in 2012 and in future years.

Strategy

With our core capability in sports betting and cross-sell into gaming, we focus on three areas to expand our business: our products, our multi-channel strategies and international development.

Wider product offering

We provide a range of betting and gaming products to appeal to a wide customer base and to encourage use of more than one product. Across the business, gaming - including gaming machines, casino, poker, bingo, numbers betting and lotteries - accounts for 53% of our revenues.

We are continually developing and extending our sports betting offering and use pricing tactically to attract customers around the most high-profile betting events. In 2011, for instance, we improved the football coupons in our shops, which, together with our enhanced Online offering, drove a 31% increase in football stakes. We continue to broaden our online in-play offering, including launching rugby, ice hockey and NFL models last year, and further models are in development for launch in 2012. In shops, trials are underway of the Storm Plus three-screen gaming machines, which support enhanced marketing and rewards.

In our UK Retail business, 30% of customers are using more than one product and two-thirds of gaming customers also bet over-the-counter. On average, multi-product Retail customers are spending three to four times as much as single product customers. In Online, the revenues from key cross-sell gaming products, our Games, Vegas and Skill platforms, grew by 54%, faster than any other product.

Greater multi-channel usage

Our goal is to make it easy for customers to access our products wherever and whenever they want to gamble. In our experience, a multi-channel operation increases customer loyalty. For instance, 84% of our customers are using us more often than any other bookmaker versus 76% for the nearest competitor[4]. More than half of our Online customers are also using the shops to place bets and 30% of our 18-25 year old customers use both Retail and Online.

The prominence of the William Hill brand means it is critical for us to provide a consistently high-quality experience across all channels. We are continuing to expand into new channels, beyond our traditional businesses. In the last year, we launched text betting and improved our mobile capability. Our Sportsbook app has recently been launched in the Apple App Store and further gaming apps are currently in development for 2012. Improvements in technology are quickly transforming the potential for mobile gambling. This channel is experiencing fast growth and is a key focus for William Hill Online.

Increased internationalisation

The UK is our core market, representing 92% of our Group net revenues in 2011. Although we are the market leader in the UK licensed betting office (LBO) market[5] and have an estimated 12% market share in online betting and gaming[6], we see opportunities to continue to increase our market share in the UK.

However, with many governments either introducing or liberalising gambling regulations, opportunities are opening up for William Hill to take its expertise into new territories in a number of ways, for example through marketing our own brand, partnering with governments or operators, or acquisition. When entering new markets, we will focus on our core capabilities in fixed-odds betting, as high-quality operators and as a prominent online betting and gaming operator. Sports betting is a significant entry mechanism, which also affords us the ability to leverage gaming to maximise yield and 'share of wallet'. There are a variety of ways we can target the consumer, as with the land-based betting acquisitions we are undertaking in the US or the Italian website we launched in July 2011. Other opportunities to reach the consumer lie in business-to-business or business-to-government relationships where we could fill a capability gap. Given our expertise, scale and trusted brand, we feel we are well positioned as a potential partner both for commercial organisations and for governments.

Summary of financial results

	2011 £m	**2010 £m**	**% change**
- Retail net revenue	789.7	783.1	+1%
- Online net revenue	321.3	251.5	+28%
- Telephone net revenue	18.2	30.3	-40%
- Other net revenue	7.5	6.9	+9%
Group net revenue	**1,136.7**	**1,071.8**	**+6%**

	2011 £m	2010 £m	% change
- Retail Operating profit	196.8	204.5	-4%
- Online Operating profit	106.8	91.1	+17%
- Telephone Operating profit	(4.3)	0.9	-
- Other Operating profit	0.6	0.1	-
- Corporate expenses (including associate income)	(24.2)	(19.8)	+22%
Operating profit(1)	**275.7**	**276.8**	**0%**
Amortisation(2)	(3.6)	(3.6)	0%
Profit before interest, tax and exceptional items	**272.1**	**273.2**	**0%**
Exceptional items	(52.0)	(26.0)	-
Net interest cost	(32.7)	(53.9)	-39%
Profit before tax	**187.4**	**193.3**	**-3%**

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(2) Online amortisation relating to trade names, affiliate relationships and non-competition agreements

William Hill Online

William Hill Online delivered an outstanding performance again in 2011, recording a second consecutive year of revenue growth of greater than 20%. Net revenue was 28% higher and Operating profit[1] was 17% higher, reflecting additional marketing investment and employee costs.

Our competitive position is strengthening through the expanding breadth and depth of our sports-betting product range and our enhanced gaming experience, driven by investments in product developments and business infrastructure.

Accordingly, we have seen significant year-on-year growth in the Sportsbook, with amounts wagered increasing by 51%. We saw 75% growth in in-play betting, helped by increased advertising, and pre-match betting advanced by 38%. Despite the lack of a major football tournament, football betting grew 54% driven by our market-leading football offering.

Sportsbook gross win margin was 7.0% (2010: 8.0%), which is in line with expectations. Against 2010, the margin decline primarily reflected a weaker performance from football and horseracing. Pre-match gross win margins, reflecting the football and horseracing trends, fell by 1.1 percentage points to 8.7% in 2011. In-play margins held up better at 4.6% (2010: 4.8%). Sportsbook net revenue grew 36%.

Gaming net revenue advanced by 24% in total. Within gaming, all verticals grew net revenue, with Playtech Casino up 8%, Vegas Casino games up 54%, Bingo up 19% and Poker 7% higher.

Innovation continues to be a key driver for Online. In 2011, William Hill Online launched a new text betting service, introduced a new mobile Sportsbook and expanded its horseracing product, which helped in driving 46% growth in horseracing wagering. Not only did we introduce new in-play models but we also improved existing algorithmic models, thereby creating a greater variety of bet types and improving margins. As an example, Online's new basketball algorithm delivered a 66% increase in wagering in total and a 149% increase in in-play betting together with a 1.3 percentage point increase in the gross win margin.

Online costs were up 31%, primarily as a result of a step-up in marketing investment as well as increased employee costs, particularly in our IT, Marketing and Operations teams. Marketing investment was equivalent to 27% of net revenue. The Tel Aviv and Sofia operations, which saw some personnel disruption in October, are now functioning normally. Key leadership appointments have been made and the majority of vacant positions have been filled through both internal promotions and external recruitment.

Operating profit[1], at £106.8m, was 17% higher than in the prior year (2010: £91.1m). This resulted in a non-controlling interest for the year for Playtech of £31.3m (2010: £26.3m).

Retail

Retail delivered a resilient performance in a UK market faced with ongoing consumer uncertainty, helped by innovations in our football product offering and the Storm gaming machines.

Retail amounts wagered grew 6% year-on-year. OTC amounts wagered grew 3%, with underlying amounts wagered, adjusted both for the impact of the World Cup trading periods and for weather-affected trading periods, estimated to have grown by c1% to 2% in each of the four quarters.

OTC gross win margin - at 16.8% - was both slightly below the expected range of 17% to 18% and below the prior year (2010: 17.9%). A weaker year-on-year first half margin was followed by adverse results, predominantly in football, in the second half. As a result, total Retail gross win was 2% higher, with OTC down 3% but gaming machines up 9%.Retail net revenue grew 1%, reflecting the impact of the VAT increase. Gross win per machine per week was £901 (2010: £847).

Costs were well managed and showed an increase of only 2%, below the Group's expectations of 3-4%, brought about by tight control of Retail employee costs and property and other costs coming in below estimate. Overall, this resulted in a 4% decline in Operating profit[1] to £196.8m (2010: £204.5m).

We are continuing to add value by investing in the estate, opening 34 new licenses and re-siting a further 24 shops. The Group withdrew from the Republic of Ireland during the year, closing 20 under-performing shops at the beginning of the year and, towards the end of the year, selling the remaining 15 shops to Boylesports. The estate as a whole decreased by six shops to 2,371. Excluding the Republic of Ireland, the estate increased by a net 1%, in line with the Group's expectations. We recorded exceptional costs of £1.9m related to the withdrawal from the Republic of Ireland.

Trials are underway of a number of new technologies designed to enhance the customer experience in the shops, including self-service betting terminals and 'video wall' technology used in TV displays. Additionally, we are conducting a trial of a three-screen version of the Storm cabinet, called Storm Plus, in 100 shops, which has marketing and rewards functionality. In January 2012, William Hill awarded an exclusive contract to Inspired Gaming Group for the sole supply of gaming machines to the Retail estate. The roll-out of Storm Plus cabinets to the 21% of the estate not currently supplied by Inspired will be completed by the middle of 2012.

Telephone

Despite the restructuring implemented in February 2011, the Telephone channel delivered an Operating loss[1] of £4.3m in 2011 (2010: Operating profit[1] of £0.9m), impacted by a 19% reduction in amounts wagered and by losses to a high-staking client, predominantly on football betting, reducing the gross win margin by 1.5 percentage points to 5.1%. Cost of sales fell 62% and operating costs were reduced by 10%.

Whilst the Group sees a long-term future for the Telephone operation, current and future anticipated levels of performance do not support the asset values held on the balance sheet. Accordingly, the Group has made a £47m exceptional non-cash write-down of the remaining Telephone goodwill together with other associated assets linked to this channel.

Despite this asset write-down, the Group intends to maintain its Telephone operation as it provides an important component of the Group’s multi-channel strategy.

US acquisitions

In the second quarter of 2011, William Hill announced plans to acquire three land-based sports betting businesses operating in Nevada and Delaware, American Wagering, Inc., Brandywine and Cal Neva Sportsbook. In doing so, the Group would take a leading position in land based sports betting in the US and would position itself well in the event of any future developments. The total cost of the acquisitions will be approximately $55m. They are conditional on William Hill being licensed by the Nevada Gaming Commission. Our application is currently being reviewed and we believe the process could complete by the summer of 2012. As part of this transaction, the Group has incurred £1.7m of exceptional costs to date, and has invested £4.1m via convertible loans ahead of deal completion.

Financial review

Whilst Operating profit[1] was broadly flat between 2010 and 2011, pre-exceptional earnings after tax and interest grew year–on-year by 13%, as net finance costs fell by 39% and the Group’s effective tax rate fell to 17.3%. Net debt fell by £83m, from £499m to £416m, reflecting the strong operational cash generation of the Group during the year.

Pre-exceptional Income Statement

The Group reported £1,136.7m of net revenue in 2011, up 6% on the prior year. Within this, Online grew by 28%, Retail by 1% and Telephone declined by 40%.

Pre-exceptional cost of sales for the Group, at £163.6m, was 6% higher than the prior year (2010: £154.3m). This line includes taxes, levies and royalties relating to the operation of a betting and gaming company. By channel, Retail saw increases in spend driven by growth in machines gross win and through an increase in the Retail UK horseracing levy paid. Online cost of sales saw a sharp increase, as tax in newly regulated markets began to be charged and due to strong net revenue growth in its Casino category. Finally, Telephone saw a sharp fall, driven partly by a fall in gross win and partly arising from the restructuring of the business.

Including other operating income, pre-exceptional net operating expenses grew by 9% from £647.6m in 2010 to £703.4m in 2011. Pre-exceptional Retail net operating expenses grew by 2%. Total labour costs fell year over year, reflecting good cost control together with the 2010 comparator including redundancy costs relating to site closures in Ireland and to the outsourcing of cleaning. Content cost increases remain well ahead of inflation. Total property costs grew by 3% driven by additional repairs and maintenance spend together with rent costs, which grew by around 2%. Online net operating expenses grew by 31%, driven by increases in marketing (now standing at 27% of net revenue for the year as a whole), employee costs and other operating costs. Online also saw £3.6m of amortisation relating to trade names, affiliate relationships and non-competition agreements (2010: £3.6m). Pre-exceptional corporate expenses rose by £3.5m reflecting higher employee costs and marketing costs at the corporate level. Other operating income was £4.4m (2010: £5.3m).

The Group saw a £2.4m contribution from its associate SIS during the year (2010: £3.3m).

Operating profit[1] was £275.7m versus £276.8m in 2010. After amortisation, pre-exceptional Group earnings before interest and tax (EBIT) was £272.1m, broadly in line with the prior year (2010: £273.2m).

Pre-exceptional net finance costs were £32.7m, a 39% reduction on the prior year, reflecting the benefit to the Group of the financing changes made at the end of 2010 (2010: £53.9m) and pre-exceptional pre-tax profit for the year was £239.4m, up 9% on the comparable number (2010: £219.3m).

Exceptional costs

In total, the Group recorded pre-tax exceptional costs of £52.0m (2010: £26.0m). This exceptional cost comprised £50.2m of exceptional operating expenses and £1.8m of exceptional finance costs.

As outlined earlier, the performance of the Telephone channel in 2011 and looking ahead gave rise to an impairment of the goodwill and associated assets relating to Telephone totalling £46.6m. Other exceptional operating costs included £1.7m relating to the impending acquisition of three businesses in Nevada and £1.9m related to the closure of the business in the Republic of Ireland, net of sale proceeds.

Whilst the Group de-designated its previously effective interest rate hedges in 2010 following its refinancing, the underlying instruments remain in place, expiring at the end of 2012. During 2011, the Group incurred £1.8m of valuation losses on those derivatives.

Taxation

Pre-exceptional tax on profit was £41.5m (2010: £44.0m) at an effective tax rate of 17.3% (2010: 20.1%). The effective tax rate benefitted from a deferred tax credit arising as a result of the drop in enacted UK corporation tax rates to 25%. There will continue to be deferred tax credits in both 2012 and 2013 arising as a result of scheduled reductions in the UK corporation tax rate. There was also a £2.3m benefit arising from the release of prior year provisions no longer deemed necessary.

Looking ahead, the Group expects that the pre-exceptional effective tax rate on profit for 2012 will be around 20% and for 2013 will be around 19%. Tax on exceptional items was a £0.6m credit (2010: £6.7m credit), making total tax for the Group for 2011 of £40.9m (2010: £37.3m).

Earnings per share

Pre-exceptional profit for the year was £197.9m, up 13% on the prior year comparable (2010: £175.3m). Profit for the period was £146.5m (2010: £156.0m), which included £31.3m (2010: £26.3m) relating to the non-controlling interest in William Hill Online.

Basic earnings per share was 16.5p (2010: 18.6p). Basic adjusted earnings per share grew by 12% from 21.7p in 2010 to 24.2p in 2011, which reflected a broadly flat underlying EBIT performance together with a reduction in net finance charges and in the effective tax rate. The adjustments made relate to the removal of exceptional items to give a better sense of business progress and an adjustment for amortisation of acquired intangible assets, reflecting the key external metric of Operating profit.

Cash flow and balance sheet

As at the end of the fiscal year, drawn debt for the Group was £470m, from total facilities of £855m, and net debt for covenant purposes – which takes into account unrestricted cash – was £416m, some £83m lower than the equivalent number at the end of 2010 (£499m).

The Group generated £241.7m net cash from operating activities (2010: £223.9m). This benefited from a favourable working capital movement of £33m, driven by growth in Online and in general business accruals. A working capital outflow of c£10-20m is expected in 2012.

Of this cash inflow, the Group expended £56m on capital expenditure during the year together with a £4m loan being invested in the Group’s impending US acquisitions. £61m was returned to shareholders via dividend and £31m was distributed in relation to the non-controlling interest in William Hill Online. There were sundry cash inflows of £5m, enabling the Group to increase its cash and cash equivalents by £5m after taking account of a £90m debt repayment.

Following a triennial actuarial valuation and a subsequent update at the year-end, the Group's accounting pension deficit was revised to £34.1m (2010: £30.9m). Following the exercise, a new funding plan has been agreed by the Group and the pension trustees, which will see additional contributions, broadly in line with those currently being made, to address the pension deficit over an eight-year period. This valuation reflects the fact that the defined benefit pension scheme has now been closed to future accruals.

Fiscal and regulatory update

Gaming machines taxation and regulation

On 4 January 2011, VAT increased from 17.5% to 20%. This had a full-year adverse impact of approximately £9m including additional VAT paid on revenues from gaming machines in the shops.

Following consultation on migration of the tax base for gaming machines away from Amusement Machine Licence Duty and VAT to a new Machine Games Duty, HM Treasury is expected to announce the rate for the new duty in the Budget on 21 March 2012, with an expected implementation date of 1 February 2013. HM Treasury have indicated that the rate will be revenue neutral, which means they should take into account the future loss of recoverable VAT. They have also announced that two rates will apply, with Category A, B and C machines in one group and Category D machines treated separately. The industry has worked closely with HM Treasury officials and the Government Minister, and our views on rates and the potential business impact of a rate above that required to be tax revenue neutral have been clearly communicated.

The Department of Culture, Media and Sport (DCMS) has also reinstituted the triennial review of gaming machine stakes and prizes.

Online regulation

The regulation of online betting and gaming has continued to develop across the world during the last year and we expect further changes to come during 2012.

In the UK, DCMS has indicated that it will be moving to regulate online operators on a 'point-of-consumption' basis by means of a limited online gambling bill. DCMS are currently bidding for a legislative slot and it is likely that timescales will be announced in the Queen's speech, potentially in May 2012. Following this, a Gambling Commission consultation process is expected to take place, with implementation in 2013 the most likely outcome.

Following this announcement, HM Treasury instigated a review of taxation of operators servicing UK-based online customers. An initial pre-consultation closed last year and the outcome of that review is awaited. We have sought to highlight to HM Treasury the issues that must be considered in implementing such a change by providing detailed economic modelling and legal and regulatory analysis generated for William Hill by Deloitte and Gambling Compliance.

US regulation

The State of New Jersey has recently indicated its intention to challenge the Federal law, PASPA, that prevents all but four states from providing land-based sports betting.

Sports betting rights and funding for sport

The 51st Horserace Levy Scheme was agreed without reference to the Secretary of State. As part of the scheme, William Hill, Ladbrokes and Coral, as the three major bookmakers, agreed to guarantee that a minimum of £45m would be received by the Levy Board, even if the 51st Scheme did not deliver this from normal payments by bookmakers. We are now focused on agreeing a long-term funding deal with Racing, taking into account content costs and sponsorships of horseracing as well as the Levy.

Some sports governing bodies continue to conflate the issue of sports funding and integrity, not least in Europe where there is still a push for legislators to create a sports betting 'right'. We believe that the problem lies with unregulated markets and that there are very few cases in our regulated market where initial suspicions are confirmed and taken forward for either criminal or regulatory action.

In the build-up to the Olympics, there have been some references to the risk to the Games of betting-related corruption, including the suggestion that this risk is on a par with drugs-related offences by athletes. Research by Coventry University shows that 'doping' incidents in the last few years are 65 times more prevalent than other integrity issues. Moreover, the International Olympics Committee (IOC) has said that there was no evidence of betting-related event fixing in the last two Olympics and we believe there is no reason to suggest that there will be problems in London. The UK regulatory environment in this area is, arguably, one of the strongest in the world and we remain fully committed to working with DCMS, the Gambling Commission, our trade bodies and the IOC to protect the integrity of the Olympic Games.

Dividend

The Board has approved a final dividend of 6.7p per share (2010: 5.8p per share), giving a total 2011 dividend of 9.6p per share (2010: 8.3p per share). The dividend is payable on 8 June 2012, the ex-dividend date is 2 May 2012 and the record date is 4 May 2012. The Group estimates that 703.0 million shares will qualify for the final dividend.

Board changes

During the course of the year, David Allvey stood down after nine years on the Board and three new Non-executive Directors were appointed. In recent years, David Allvey had held the positions of Chair of the Audit and Risk Committee and Senior Independent Non-executive Director. The Board would like to thank David for his considerable contribution and his guidance during a period of significant change for William Hill.

During the year, the Board expanded with the appointment of David Lowden (previously CEO of Taylor Nelson Sofres PLC), Georgina Harvey (Managing Director of the Regionals Division of Trinity Mirror PLC) and Imelda Walsh (previously Retail Human Resources Director at J Sainsbury plc) as Non-executive Directors. Together, they offer good insight into the issues being faced by William Hill, with financial, retail and multi-channel experience. David Lowden was appointed Chairman of the Audit and Risk Committee. David Edmonds, the Group's longest-standing Non-executive Director, was appointed the Senior Independent Non-executive Director.

Current trading

In the seven weeks from 28 December 2011 to 14 February 2012, Group net revenue was up 13%.

In Retail, amounts wagered was up 2%, despite the impact of adverse weather in February. The OTC gross win margin was above the expected trading range at 18.1%, resulting in overall Retail net revenue growth of 5%.

Online continues to perform strongly. Net revenue was up 30%. Sportsbook net revenue grew by 64%, with amounts wagered up 24% and gross win margin, at 8.1%, up two percentage points. Sportsbook amounts wagered exceeded £40m in a week for the first time during this period.

At this early stage in the year, the Board is confident in the outlook for 2012.

Principal risks and uncertainties

The key risks areas for 2012 are as follows:

- UK and overseas taxation and duties;
- regulation in online gambling;
- the economic climate;
- recruitment and retention of key employees;
- key supplier relationships;
- UK and international growth opportunities; and
- business continuity and disaster recovery preparedness.

For a discussion of these risks and how we are addressing them, please refer to our 2011 Annual Report and Accounts, which will be published on 13 March 2012, or the investor relations section of the corporate website at www.williamhillplc.com.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the Group financial statements, prepared in accordance with the applicable accounting standards[7], 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: and
2. the business review, which is incorporated into the Directors' 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 they face.

By order of the Board,

R.J. Topping	N. Cooper
Chief Executive	Group Finance Director
24 February 2012	24 February 2012

Reference notes

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(2) Basic EPS is based on an average of 699.0 million shares for 2011 and an average of 697.9 million shares for 2010
(3) Adjusted EPS is stated before exceptional items and £3.6m (2010: £3.6m) Online amortisation relating to trade names, affiliate relationships and non-competition agreements
(4) LBO Survey, 2010
(5) Gambling Commission
(6) Deloitte from statutory accounts and Mintel, 2009
(7) 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 General Accepted Accounting Practice

Consolidated Income Statement
For the 52 weeks ended 27 December 2011

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 27 December 2011 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 28 December 2010 Total £m
Continuing Operations							
Amounts wagered	2	**17,911.4**	**-**	**17,911.4**	16,519.8	–	16,519.8
Revenue	2	**1,136.7**	**-**	**1,136.7**	1,071.8	–	1,071.8
Cost of sales	2	**(163.6)**	**-**	**(163.6)**	(154.3)	5.6	(148.7)
Gross profit	2	**973.1**	**-**	**973.1**	917.5	5.6	923.1
Other operating income		**4.4**	**-**	**4.4**	5.3	–	5.3
Other operating expenses	3	**(707.8)**	**(50.2)**	**(758.0)**	(652.9)	(6.1)	(659.0)
Share of results of associates		**2.4**	**-**	**2.4**	3.3	–	3.3
Profit before interest and tax		**272.1**	**(50.2)**	**221.9**	273.2	(0.5)	272.7
Investment income	4	**15.0**	**-**	**15.0**	14.0	–	14.0
Finance costs	5	**(47.7)**	**(1.8)**	**(49.5)**	(67.9)	(25.5)	(93.4)
Profit before tax		**239.4**	**(52.0)**	**187.4**	219.3	(26.0)	193.3
Tax	6	**(41.5)**	**0.6**	**(40.9)**	(44.0)	6.7	(37.3)
Profit for the period		**197.9**	**(51.4)**	**146.5**	175.3	(19.3)	156.0
Attributable to:							
Equity holders of the parent		**166.6**	**(51.4)**	**115.2**	149.0	(19.3)	129.7
Non-controlling interest		**31.3**	**-**	**31.3**	26.3	–	26.3
		197.9	**(51.4)**	**146.5**	175.3	(19.3)	156.0
Earnings per share (pence)							
Basic	8			**16.5**			18.6
Diluted	8			**16.3**			18.4

Consolidated Statement of Comprehensive Income
For the 52 week period ended 27 December 2011

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Profit for the period	**146.5**	156.0
Loss on cash flow hedges	**-**	(8.4)
Hedging losses transferred to income statement	**-**	11.8
Charged to income statement on de-designation	**-**	14.2
Actuarial (loss)/gain on defined benefit pension scheme	**(10.1)**	6.1
Exchange differences on translation of foreign operations	**0.1**	0.6
Tax on items of other comprehensive income	**0.9**	(7.4)
Other comprehensive (loss)/income for the period	**(9.1)**	16.9
Total comprehensive income for the period	**137.4**	172.9
Attributable to:		
Equity holders of the parent	**106.1**	146.6
Non-controlling interest	**31.3**	26.3
	137.4	172.9

Consolidated Statement of Changes in Equity
For the 52 week period ended 27 December 2011

	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 £m	Non-controlling interest £m	Total equity £m
At 29 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7
Retained profit for the financial period	-	-	-	-	-	-	115.2	115.2	31.3	146.5
Other comprehensive income for the period	-	-	-	-	-	0.1	(9.2)	(9.1)	-	(9.1)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**0.1**	**106.0**	**106.1**	**31.3**	**137.4**
Transfer of own shares to recipients	-	-	-	-	6.9	-	(6.8)	0.1	-	0.1
Shares issued during the period	0.1	1.0	-	-	-	-	-	1.1	-	1.1
Credit recognised in respect of share remuneration	-	-	-	-	-	-	5.5	5.5	-	5.5
Tax credit in respect of share remuneration	-	-	-	-	-	-	1.5	1.5	-	1.5
Dividends paid (note 7)	-	-	-	-	-	-	(60.9)	(60.9)	-	(60.9)
Acquisition of non-controlling interest	-	-	-	-	-	-	(8.8)	(8.8)	-	(8.8)
Distributions to non-controlling interest	-	-	-	-	-	-	-	-	(31.0)	(31.0)
At 27 December 2011	**70.3**	**318.3**	**6.8**	**(26.1)**	**(11.7)**	**0.6**	**529.6**	**887.8**	**11.8**	**899.6**

	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 £m	Non-controlling interest £m	Total equity £m
At 30 December 2009	70.2	317.3	6.8	(26.1)	(23.9)	(12.8)	412.6	744.1	12.2	756.3
Retained profit for the financial period	–	–	–	–	–	–	129.7	129.7	26.3	156.0
Other comprehensive income for the period	–	–	–	–	–	13.3	3.6	16.9	–	16.9
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**13.3**	**133.3**	**146.6**	**26.3**	**172.9**
Transfer of own shares to recipients	–	–	–	–	5.3	–	(5.0)	0.3	–	0.3
Credit recognised in respect of share remuneration	–	–	–	–	–	–	4.7	4.7	–	4.7
Tax charge in respect of share remuneration	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid (note 7)	–	–	–	–	–	–	(52.3)	(52.3)	–	(52.3)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(27.0)	(27.0)
At 28 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7

Consolidated Statement of Financial Position
As at 27 December 2011

	Notes	27 December 2011 £m	28 December 2010 £m
Non-current assets			
Intangible assets		**1,398.4**	1,446.2
Property, plant and equipment		**215.2**	198.3
Interest in associate		**10.9**	9.9
Investments		**4.1**	–
Deferred tax asset		**15.1**	16.2
		1,643.7	1,670.6
Current assets			
Inventories		**0.2**	0.3
Trade and other receivables		**50.1**	47.0
Cash and cash equivalents		**114.3**	109.4
		164.6	156.7
Total assets		**1,808.3**	1,827.3
Current liabilities			
Trade and other payables		**(185.4)**	(148.9)
Current tax liabilities		**(56.3)**	(52.6)
Borrowings		**(0.1)**	(0.1)
Derivative financial instruments		**(16.0)**	(23.3)
		(257.8)	(224.9)
Non-current liabilities			
Borrowings	9	**(460.5)**	(548.4)
Retirement benefit obligations	13	**(34.1)**	(30.9)
Amounts owed to non-controlling interest		**(7.8)**	–
Derivative financial instruments		**(1.7)**	(9.4)
Deferred tax liabilities		**(146.8)**	(159.0)
		(650.9)	(747.7)
Total liabilities		**(908.7)**	(972.6)
Net assets		**899.6**	854.7
Equity			
Called-up share capital		**70.3**	70.2
Share premium account		**318.3**	317.3
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	10	**(11.7)**	(18.6)
Hedging and translation reserves		**0.6**	0.5
Retained earnings		**529.6**	493.1
Equity attributable to equity holders of the parent		**887.8**	843.2
Non-controlling interest	11	**11.8**	11.5
Total equity		**899.6**	854.7

Consolidated Cash Flow Statement
For the 52 week period ended 27 December 2011

	Notes	**52 weeks ended 27 December 2011 £m**	52 weeks ended 28 December 2010 £m
Net cash from operating activities	12	**241.7**	223.9
Investing activities			
Dividend from associate		**1.4**	–
Interest received	4	**0.5**	0.6
Proceeds on disposal of property, plant and equipment		**1.6**	2.1
Loans treated as investments		**(4.1)**	–
Purchases of property, plant and equipment		**(40.9)**	(22.4)
Expenditure on computer software		**(14.6)**	(14.3)
Net cash used in investing activities		**(56.1)**	(34.0)
Financing activities			
SAYE share option redemptions		**0.1**	0.3
Dividends paid	7	**(60.9)**	(52.3)
Distributions to non-controlling interests	11	**(31.0)**	(27.0)
Repayments of borrowings		**(90.0)**	(734.1)
Amounts drawn down		**-**	619.0
New debt facility issue costs		**-**	(6.2)
Proceeds on issue of shares		**1.1**	–
Net cash used in financing activities		**(180.7)**	(200.3)
Net increase/(decrease) in cash and cash equivalents in the period		**4.9**	(10.4)
Cash and cash equivalents at start of period		**109.4**	119.8
Cash and cash equivalents at end of period		**114.3**	109.4

Notes to the Group Financial Statements

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 Directors' Report in the Annual Report.

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 the policies set out below.

Basis of preparation

The Group financial statements have been prepared in accordance with IFRS. 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. Group financial statements have been prepared in accordance with the accounting policies followed in preparation of the Group's annual consolidated financial statements for the 52-week period ended 27 December 2011.

The Group financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

The financial statements set out in this preliminary announcement do not constitute the Company's statutory accounts for the 52 week period ended 27 December 2011 or the 52 week period ended 28 December 2010, but are derived from those accounts. The annual report and financial statements for the 52 week period ended 27 December 2011 have been approved by the Board of Directors on 24 February 2012, along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditors have 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. Statutory accounts for the 52 week period ended 28 December 2010 have been delivered to the Registrar of Companies.

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 2011 Annual Report and Financial Statements will be dispatched to shareholders on 13 March 2012.

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. The Group's funding requirements for the medium term are satisfied by the Group's £550m revolving credit facility which expires in November 2015 and a fully drawn £300m corporate bond which matures in November 2016. Whilst current economic conditions create uncertainty over the level of demand for the Group's products the Group's strategic forecasts, based on reasonable and prudent assumptions, indicate that the Group should be able to operate within the level of its currently available debt facilities. After making enquiries, 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.

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 on our website along with our complete list of accounting policies.

The key impact of IAS 19 (revised) 'Employee Benefits' will be to remove the separate assumptions for expected return on plan assets and discounting of scheme liabilities and replace them with one single discount rate for the net deficit.

Notwithstanding that the accounting deficit may change as a result of IAS 19 (revised), we do not anticipate that there will be a material impact on profit from standards that are in issue but not yet effective.

2. Segment information

The Board has reviewed and confirmed the Group's reportable operating segments in line with the guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports the Board and the Group's Chief Executive review to make strategic decisions.

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all activity undertaken online including an online sportsbook, online casino, online poker sites and other gaming products. The Telephone segment comprises the Group's telephone betting services. Other activities include on-course betting and greyhound stadia operations.

Segment information for the 52 weeks ended 27 December 2011 is as follows:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	15,640.0	1,874.2	370.9	26.3	-	17,911.4
Payout	(14,850.3)	(1,552.9)	(352.7)	(18.8)	-	(16,774.7)
Revenue	**789.7**	**321.3**	**18.2**	**7.5**	**-**	**1,136.7**
GPT, duty, levies and other cost of sales	(131.2)	(28.5)	(2.9)	(1.0)	-	(163.6)
Gross profit	658.5	292.8	15.3	6.5	-	973.1
Depreciation	(24.6)	(0.5)	-	(0.2)	(1.9)	(27.2)
Amortisation[1]	(1.6)	(12.3)	(0.3)	-	-	(14.2)
Other administrative expenses	(435.5)	(176.8)	(19.3)	(5.7)	(24.7)	(662.0)
Share of result of associates	-	-	-	-	2.4	2.4
Exceptional operating items	(1.9)	-	(46.6)	-	(1.7)	(50.2)
Segment profit/(loss) before interest and tax	**194.9**	**103.2**	**(50.9)**	**0.6**	**(25.9)**	**221.9**
Non-operating exceptional items					(1.8)	(1.8)
Investment income					15.0	15.0
Finance costs					(47.7)	(47.7)
Profit before tax					**(60.4)**	**187.4**

[1] Included within amortisation for the online segment is £3.6m of amortised intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets and which is added back to arrive at the Group's non-statutory operating profit measure of £275.7m.

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Statement of Financial Position information						
Total segment assets	1,394.0	324.1	2.4	14.1	58.6	1,793.2
Total segment liabilities	(67.6)	(95.0)	(3.6)	(0.2)	(565.5)	(731.9)
Investment in associates	-	-	-	-	10.9	10.9
Capital additions	41.2	19.7	-	-	-	60.9
Included within Total assets:						
Goodwill	681.0	183.9	-	7.1	-	872.0
Other intangibles with indefinite lives	484.6	-	-	-	-	484.6

Segment information for the 52 weeks ended 28 December 2010:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	14,763.0	1,272.7	457.6	26.5	–	16,519.8
Payout	(13,979.9)	(1,021.2)	(427.3)	(19.6)	–	(15,448.0)
Revenue	**783.1**	**251.5**	**30.3**	**6.9**	**–**	**1,071.8**
GPT, duty, levies and other cost of sales	(127.0)	(18.7)	(7.7)	(0.9)	–	(154.3)
Gross profit	656.1	232.8	22.6	6.0	–	917.5
Depreciation	(24.1)	(0.6)	–	(0.3)	(1.9)	(26.9)
Amortisation	(3.2)	(10.3)	(0.7)	–	–	(14.2)
Other administrative expenses	(424.3)	(134.4)	(21.0)	(5.6)	(21.2)	(606.5)
Share of result of associates	–	–	–	–	3.3	3.3
Exceptional operating items	5.6	–	(6.1)	–	–	(0.5)
Segment profit/(loss) before interest and tax	**210.1**	**87.5**	**(5.2)**	**0.1**	**(19.8)**	**272.7**
Non-operating exceptional items					(25.5)	(25.5)
Investment income					14.0	14.0
Finance costs					(67.9)	(67.9)
Profit before tax					**(99.2)**	**193.3**

Statement of Financial Position information

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Total segment assets	1,385.1	290.0	61.6	13.8	60.6	1,811.1
Total segment liabilities	(54.1)	(61.1)	(14.4)	(0.3)	(652.1)	(782.0)
Investment in associates	–	–	–	–	9.9	9.9
Capital additions	26.2	14.0	2.4	–	0.8	43.4
Included within Total assets:						
Goodwill	681.0	183.9	45.6	7.1	–	917.6
Other intangibles with indefinite lives	484.6	–	–	–	–	484.6

Net assets/(liabilities) have been allocated by segment where assets and liabilities can be identified with a particular channel. Corporate net assets include corporation and deferred tax, net borrowings, and pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis.
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 27 December 2011 £m	52 weeks ended 28 December 2010 £m	**52 weeks ended 27 December 2011 £m**	52 weeks ended 28 December 2010 £m
United Kingdom	**1,051.4**	997.8	**1,593.5**	1,631.1
Rest of the World	**85.3**	74.0	**50.2**	39.5
	1,136.7	1,071.8	**1,643.7**	1,670.6

The 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), with the exception of goodwill, which arises on consolidation and is recognised in the UK.

The reconciliation of segment liabilities to the Consolidated Statement of Financial Position is as follows:

	Assets		Liabilities	
	27 December 2011 £m	28 December 2010 £m	**27 December 2011 £m**	28 December 2010 £m
Total segment assets/(liabilities)	**1,793.2**	1,811.1	**(731.9)**	(782.0)
Corporation tax assets/(liabilities)	**-**	–	**(30.0)**	(31.6)
Deferred tax assets/(liabilities)	**15.1**	16.2	**(146.8)**	(159.0)
Total assets/(liabilities)	**1,808.3**	1,827.3	**(908.7)**	(972.6)

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 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Operating		
US acquisition costs[1]	**(1.7)**	–
Telephone business asset impairments[2]	**(46.6)**	–
Disposal of trade in Republic of Ireland[3]	**(1.9)**	–
VAT refund[4]	**-**	5.6
Restructure of telephone operation[5]	**-**	(6.1)
	(50.2)	(0.5)
Non-Operating		
Fair value loss on hedging arrangements[6]	**(1.8)**	(4.1)
Transfer to income statement on de-designation of hedges[7]	**-**	(14.2)
Costs in respect of re-financing[8]	**-**	(7.2)
	(1.8)	(25.5)
Total exceptional items	**(52.0)**	(26.0)

The tax impact of exceptional items is as follows:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
US acquisition costs[1]	**-**	–
Tax on VAT refund[4]	**-**	(1.6)
Tax credit in respect of Telephone operation restructure[5]	**-**	1.1
Tax credit in respect of fair value loss on hedging arrangements[6]	**0.6**	1.1
Tax credit in respect of transfer to income statement on de-designation[7]	**-**	4.0
Tax credit in respect of finance costs[8]	**-**	2.1
	0.6	6.7

[1] During the 52 weeks to 27 December 2011, the Group signed binding agreements to acquire three USA-based businesses. Costs relating to those agreements and related transactions have been expensed as exceptional items.

[2] During the 52 weeks to 27 December 2011, following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors wrote off the carrying value of goodwill and other fixed assets in the telephone division, with a combined value of £46.6m.

[3] During the period, the Group completed the sale of its remaining 15 shops in the Republic of Ireland to the Irish bookmaker Boylesports for a cash consideration of €1.5m. This sale completed on 13 December 2011. The net loss on disposal, including provisions for impairment of remaining assets, is presented above as an exceptional item.

[4] During 2010, the Group recognised £5.6m in respect of a VAT reclaim received in the period; this arose following a favourable High Court judgement. The reclaim concerned overpaid VAT on the Group's gaming machines during that and previous periods. Due to the size and nature of the amount, it was decided to disclose the item as exceptional. Whilst this refund has been received from HMRC, it remains subject to further legal action by HMRC, which if successful, could result in full repayment of these amounts, although the directors consider this unlikely.

[5] No costs were incurred in 2011 in respect of the telephone operation restructure.

[6] In 2011, the Group incurred £1.8m of valuation losses on interest rate derivatives.

[7] In 2011, no costs were incurred in de-designating hedges. In 2010, these costs represented the recycling of deferred gains and losses to the income statement.

[8] In 2011, no refinancing costs were incurred. In 2010, these related to the early settlement of a loan facility.

4. Investment income

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Interest on bank deposits	**0.5**	0.6
Expected return on pension scheme assets	**14.5**	13.4
	15.0	14.0

5. Finance costs

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**29.6**	35.1
Amortisation of finance costs	**2.2**	5.7
Fair value losses on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt	**-**	11.8
Net interest payable	**31.8**	52.6
Interest on pension scheme liabilities	**15.9**	15.3
	47.7	67.9

6. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Current tax:		
UK corporation tax	**50.6**	50.6
Overseas tax	**1.3**	0.7
Adjustment in respect of prior periods	**(2.3)**	(5.3)
Total current tax charge	**49.6**	46.0
Deferred tax:		
Origination and reversal of timing differences	**3.3**	(2.0)
Impact from changes in statutory tax rates	**(12.2)**	(6.0)
Adjustment in respect of prior periods	**0.2**	(0.7)
Total deferred credit	**(8.7)**	(8.7)
Total tax on profit on ordinary activities	**40.9**	37.3

The effective tax rate in respect of ordinary activities before exceptional items is 17.3% (52 weeks ended 28 December 2010: 20.1%). The effective tax rate in respect of ordinary activities after exceptional items was 21.8% (52 weeks ended 28 December 2010: 19.3%). The current period's charge excluding exceptional items is lower than the statutory rate of 26.5% mainly due to a lower effective tax rate on the income of William Hill Online (defined in the Group's Annual Report), a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 25% and adjustments in respect of prior periods. 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 27 December 2011		52 weeks ended 28 December 2010	
	£m	**%**	£m	%
Profit before tax	**187.4**		193.3	
Tax on Group profit at standard UK corporation tax rate of 26.5% (2010: 28%)	**49.7**	**26.5**	54.1	28.0
Impact of changes in statutory tax rates	**(12.2)**	**(6.5)**	(6.0)	(3.1)
Lower effective tax rate of William Hill Online	**(9.4)**	**(5.0)**	(7.1)	(3.7)
Tax on share of results of associates	**(0.6)**	**(0.3)**	(0.9)	(0.5)
Adjustment in respect of prior periods	**(2.1)**	**(1.1)**	(6.0)	(3.1)
Permanent differences – non deductible expenditure	**15.5**	**8.2**	3.2	1.7
Total tax charge	**40.9**	**21.8**	37.3	19.3

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.

The UK government has announced future decreases in the UK corporation tax rate to 23.0% by 2014. The impact of these proposed rate changes would be to reduce the net deferred tax liabilities in the Statement of Financial Position from £131.7m to £121.3m if the UK timing differences were all to reverse at 23.0%.

7. Dividends proposed and paid

	52 weeks ended 27 December 2011 Per share	52 weeks ended 28 December 2010 Per share	**52 weeks ended 27 December 2011 £m**	52 weeks ended 28 December 2010 £m
Equity shares:				
– current period interim dividend paid	**2.9p**	2.5p	**20.3**	17.5
– prior period final dividend paid	**5.8p**	5.0p	**40.6**	34.8
	8.7p	7.5p	**60.9**	52.3
Proposed dividend	**6.7p**	5.8p	**47.1**	40.5

The proposed final dividend of 6.7p will, subject to shareholder approval, be paid on 8 June 2012 to all shareholders on the register on 4 May 2012. In line with the requirements of IAS 10 – 'Events after the Reporting Period', this dividend has not been recognised within these results.

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 and in treasury are given in note 10. The Company estimates that 703.0m shares will qualify for the final dividend.

8. Earnings per share

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

	52 weeks ended 27 December 2011			52 weeks ended 28 December 2010		
	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	**115.2**	**-**	**115.2**	129.7	–	129.7
Exceptional items (note 3) £m	**52.0**	**-**	**52.0**	26.0	–	26.0
Exceptional items – tax charge (note 3) £m	**(0.6)**	**-**	**(0.6)**	(6.7)	–	(6.7)
Amortisation of intangibles £m	**2.6**	**-**	**2.6**	2.6	–	2.6
Adjusted profit after tax for the financial period £m	**169.2**	**-**	**169.2**	151.6	–	151.6
Weighted average number of shares (million)	**699.0**	**8.5**	**707.5**	697.9	6.5	704.4
Earnings per share (pence)	**16.5**	**(0.2)**	**16.3**	18.6	(0.2)	18.4
Amortisation adjustment (pence)	**0.4**	**-**	**0.4**	0.4	–	0.4
Exceptional adjustment (pence)	**7.3**	**(0.1)**	**7.2**	2.7	–	2.7
Earnings per share – adjusted (pence)	**24.2**	**(0.3)**	**23.9**	21.7	(0.2)	21.5

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

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 3.2m in the 52 weeks ended 27 December 2011 (52 weeks ended 28 December 2010: 3.8m).

9. Borrowings

	27 December 2011 £m	28 December 2010 £m
Borrowings at amortised cost		
Bank loans	**170.0**	260.0
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0
Less: expenses relating to bank loans	**(5.1)**	(6.5)
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(1.5)**	(1.8)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(3.1)**	(3.6)
Total Borrowings at Amortised cost	**460.3**	548.1
Obligations under finance leases	**0.3**	0.4
Total Borrowings	**460.6**	548.5
Less: Amount shown as due for settlement in 12 months (shown under current liabilities)	**(0.1)**	(0.1)
Amount shown as due for settlement after 12 months	**460.5**	548.4
The gross borrowings, including finance leases are repayable as follows:		
Amounts due for settlement within one year	**0.1**	0.1
In the second year	**-**	–
In the third to fifth years inclusive	**470.2**	260.3
After more than five years	**-**	300.0
	470.3	560.4

Bank Facilities

As at 27 December 2011, the Group had a committed bank loan facility of £550m provided by a syndicate of banks. At the period-end, £170m of this facility was drawn down. This facility is a Revolving Credit Facility (“RCF”), expiring in November 2015.

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.

Corporate Bonds

As part of its strategy to diversify its funding sources, 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%. Finance fees and associated costs incurred on the issue of the bonds together with the discount on issue have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the bonds.

Obligations under finance leases

The Group has finance leases for various items of plant, equipment, fixtures and fittings. The interest rate inherent in the leases is fixed at the contract date for all of the lease term. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The average effective interest rate contracted approximates 1% (52 weeks ended 28 December 2010: 1%) per annum. The Group’s obligations under finance leases are small; accordingly there is no meaningful difference between contractual minimum lease payments and their present value. The fair value of the Group’s lease obligations approximates to their carrying value.

Overdraft facility

At 27 December 2011, the Group had an overdraft facility with National Westminster Bank plc of £5m (28 December 2010: £5m). The balance on this facility at 27 December 2011 was £nil (28 December 2010: £nil).

10. Own shares

	£m
At 28 December 2010	(18.6)
Transfer of own shares to recipients	6.9
At 27 December 2011	**(11.7)**

Own shares held comprise:

	27 December 2011			28 December 2010		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	**2,204,000**	**0.2**	**11.7**	3,155,000	0.3	16.7
Treasury shares	**-**	**-**	**-**	355,000	–	1.9
	2,204,000	**0.2**	**11.7**	3,510,000	0.3	18.6

The shares held in treasury were purchased at a weighted average price of £5.32 (28 December 2010: £5.32). The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £5.32 (28 December 2010: £5.32).

11. Non-controlling Interest (NCI)

The non-controlling interest relates to the 29% share in William Hill Online owned by Playtech Limited.

Payments are made to Playtech by the Group subsidiaries under various service and equity agreements. The Group considers the substance of individual payments in determining their accounting treatment. Where it is concluded that the payments are in respect of Playtech's investment in the Group's subsidiary, they are treated as profits attributable to the non-controlling interest. Where they represent additional services rendered, they are disclosed within operating costs in the Online segment.

During the period, William Hill Online opened a telebetting operation in Gibraltar. The Group agreed with Playtech that Playtech would not take a share in the profits of the new telephone business but would receive a £1m annual payment as compensation for use of shared services. This transaction effectively restricts Playtech's interest in the new telephone business to £1m annually. This annual fee has been recognised as a liability. The liability has been valued at £8.8m, of which £7.8m is non-current. This transaction has been taken through reserves in accordance with IAS 27.

There are circumstances under which this annual fee would be forfeited by Playtech, in which case this liability will reverse.

A reconciliation of movements in the NCI is provided in the Consolidated Statement of Changes in Equity.

12. Notes to the cash flow statement

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Profit before interest and tax, excluding exceptional items	**272.1**	273.2
Adjustments for:		
Share of result of associates	**(2.4)**	(3.3)
Depreciation of property, plant and equipment	**27.2**	26.9
Amortisation of computer software	**10.6**	10.6
Amortisation of Trade Names, affiliates and NCA	**3.6**	3.6
Loss on disposal of property, plant and equipment	**0.2**	0.9
Gain on disposal of land and buildings	**(0.5)**	(1.5)
Cost charged in respect of share remuneration	**5.5**	4.7
Defined benefit pension cost less cash contributions	**(8.3)**	(8.2)
Foreign exchange reserve movement	**0.1**	0.6
Exceptional operating (expense)/income	**(0.5)**	3.2
Movement on financial derivatives	**0.9**	0.8
Operating cash flows before movements in working capital:	**308.5**	311.5
Decrease in inventories	**0.1**	–
Increase in receivables	**(3.1)**	(2.2)
Increase in payables	**35.7**	32.0
Cash generated by operations	**341.2**	341.3
Income taxes paid	**(51.6)**	(51.7)
Interest paid	**(47.9)**	(65.7)
Net cash from operating activities	**241.7**	223.9

13. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes in the United Kingdom. The UK schemes are operated under a single trust and the assets of all the schemes held separately from those of the Group in funds under the control of trustees. The respective costs of these schemes are as follows:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Defined contribution scheme (charged to profit before interest and tax)	**4.6**	2.4
Defined benefit scheme (charged to profit before interest and tax)	**2.1**	6.0
Defined benefit scheme (charged to finance costs)	**1.4**	1.9
Defined benefit scheme (charged/(credited) to Statement of Comprehensive Income)	**10.1**	(6.1)
	18.2	4.2

Defined contribution schemes

The defined contribution scheme, to which both the Group and employees contribute to fund the benefits are available for all eligible employees. The only obligation of the Group with respect to these schemes is to make the specified contributions.

The total cost charged to income in respect of these schemes represents contributions payable to this scheme by the Group at rates specified in the rules of the scheme. As at 27 December 2011, contributions of £nil (28 December 2010: £nil) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group also operates a defined benefit scheme in the UK for eligible employees which closed to new members in 2002. Under the scheme, employees are entitled to retirement benefits varying between 1.67% and 3.33% of final pensionable pay for each year of service on attainment of a retirement age of 63. The scheme is a funded scheme and the rate of Company contributions paid during 2011 for future service benefits was 25.0% of members' pensionable pay. The general principles adopted by the Trustees for the purposes of this funding valuation are that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pensions right. The group expects to make contributions of ca. £10m to the scheme during 2012.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2010 and updated to 27 December 2011 by a qualified independent actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

With effect from 1 April 2011, the defined benefit scheme was closed to future accrual. Employed members of this scheme were automatically transferred into the defined contribution scheme.

Disclosure of principal assumptions

The financial assumptions used by the actuary in determining the present value of the defined benefit scheme's liabilities were:

	27 December 2011	28 December 2010
Rate of increase of salaries	**4.10%**	4.50%
Rate of increase of pensions in payment	**3.10%**	3.50%
Discount rate	**4.70%**	5.50%
Rate of increase in RPI inflation	**3.10%**	3.50%
Rate of increase in CPI inflation	**2.30%**	-

In accordance with the accounting standard, the discount rate has been determined by reference to market yields at the period end date on high quality fixed income investments at a term consistent with the expected duration of the liabilities. Price inflation is determined by the difference between the yields on fixed and index-linked government bonds with an adjustment to allow for differences in the demand for these bonds, which can distort this figure. The Bank of England target inflation rate has also been considered in setting this assumption. The expected rate of salary growth and pension increases are set with reference to the expected rate of inflation. No change has been made to the basis of inflation applied to pension increases in the scheme.

The mortality assumption is kept under review and has been updated. The current life expectancies for a male member underlying the value of the accrued liabilities are:

Life expectancy at age 63	**27 December 2011**	28 December 2010
Member currently aged 63	**24 years**	24 years
Member currently aged 45	**26 years**	25 years

The assets in the scheme and their expected rate of return are set out in the table below. The expected rate of return is determined by taking the long term rates of return available on government and corporate bonds at the period end date. The expected return on equities is calculated by applying a suitable "risk premium" to the return on government bonds having regard to historic returns and long-term future expectations.

	27 December 2011		28 December 2010	
	Expected return %	**Value £m**	Expected return %	Value £m
Equities	**6.0**	**138.1**	6.3	149.9
Corporate Bonds	**4.4**	**39.7**	5.5	37.4
Gilts and Cash	**2.8**	**97.0**	4.3	74.5
Total market value of assets		**274.8**		261.8
Present value of scheme liabilities		**(308.9)**		(292.7)
Deficit in scheme		**(34.1)**		(30.9)

Analysis of the amount charged to profit before interest and tax:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Current service cost	**2.0**	5.7
Past service cost	**0.1**	0.3
Total operating charge	**2.1**	6.0

Analysis of the amount charged/(credited) to finance costs:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Expected return on pension scheme assets	**(14.5)**	(13.4)
Interest on pension scheme liabilities	**15.9**	15.3
Net cost	**1.4**	1.9

Analysis of the amounts recognised in the Consolidated Statement of Comprehensive Income:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Actual return less expected return on pension scheme assets	**1.8**	(12.5)
Experience gains arising on the scheme liabilities	**-**	–
Changes in assumptions underlying the present value of the scheme liabilities	**8.3**	6.4
	10.1	(6.1)

Movements in the present value of defined benefit obligations in the current period were as follows:

	27 December 2011 £m	28 December 2010 £m
At beginning of period	**292.7**	273.4
Movement in period:		
Service cost	**2.0**	5.7
Interest cost	**15.9**	15.3
Contributions from scheme members	**0.2**	0.8
Actuarial losses	**8.3**	6.4
Benefits paid	**(10.3)**	(9.2)
Past service cost	**0.1**	0.3
At end of period	**308.9**	292.7

Movements in the present value of fair value of scheme assets in the current period were as follows:

	27 December 2011 £m	28 December 2010 £m
At beginning of period	**261.8**	230.2
Movement in period:		
Expected return on scheme assets	**14.5**	13.4
Actuarial (losses)/gains	**(1.8)**	12.5
Contributions from the sponsoring companies	**10.4**	14.1
Contributions from scheme members	**0.2**	0.8
Benefits paid	**(10.3)**	(9.2)
At end of period	**274.8**	261.8

14. Reconciliation of profit before interest and tax to operating profit

	Retail £m	**Online £m**	**Telephone £m**	**Other £m**	**Corporate £m**	**2011 Total £m**	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	**2010 Total £m**
Profit/(loss) before interest and tax	194.9	103.2	(50.9)	0.6	(25.9)	**221.9**	210.1	87.5	(5.2)	0.1	(19.8)	**272.7**
Amortisation*	-	3.6	-	-	-	**3.6**	–	3.6	–	–	–	**3.6**
Exceptional operating items (note 3)	1.9	-	46.6	-	1.7	**50.2**	(5.6)	–	6.1	–	–	**0.5**
Operating profit	196.8	106.8	(4.3)	0.6	(24.2)	**275.7**	204.5	91.1	0.9	0.1	(19.8)	**276.8**

*Amortisation for this purpose refers only to the amortisation of trade names, affiliate relationships and non-competition agreements as set out in the Group financial statements