WILLIAM HILL PLC

Financial Information prepared in accordance

with International Financial Reporting Standards

28 June 2005

William Hill PLC

Report and financial information for the 26 weeks ended 28 June 2005

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INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF WILLIAM HILL PLC ON THE PRELIMINARY COMPARATIVE FINANCIAL INFORMATION FOR THE 26 WEEKS ENDED 28 JUNE 2005

We have reviewed the accompanying preliminary International Financial Reporting Standards (IFRS) consolidated financial information of William Hill PLC ("the Company") and its subsidiaries (together, "the Group") for the 26 weeks ended 28 June 2005 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 12 (hereinafter referred to as "preliminary financial information").

This preliminary financial information is the responsibility of the Company's directors. It has been prepared as part of the Company's conversion to IFRS in accordance with the basis set out in note 1 which describes how IFRSs have been applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at 26 December 2006. Our responsibility is to express an opinion on this preliminary IFRS comparative financial information based on our review.

Our review report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Review work performed

We conducted our review in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the preliminary financial information and underlying financial data and, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the preliminary financial information.

Emphasis of matter

Without modifying our review conclusion, we draw attention to the fact that note 1 explains why there is a possibility that the accompanying preliminary financial information may require adjustment before constituting the final IFRS comparative information for the 26 weeks ended 28 June 2005. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising an income statement, balance sheet, statement of recognised income and expense, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRSs.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the preliminary financial information for the 26 weeks ended 28 June 2005 which has been prepared in accordance with the basis set out in note 1.

Deloitte & Touche LLP
Chartered Accountants
London
5 September 2005

A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

William Hill PLC

Consolidated Income Statement

for the 26 weeks ended 28 June 2005

	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**26 weeks ended 28 June 2005 Total £m**	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Revenue	2	5,054.5	-	5,054.5	3,886.6	8,287.7
Cost of sales		(4,756.7)	-	(4,756.7)	(3,589.7)	(7,726.3)
Gross profit	2	297.8	-	297.8	296.9	561.4
Other operating income		3.0	-	3.0	2.7	4.3
Other operating expenses		(178.9)	(7.2)	(186.1)	(168.6)	(334.8)
Share of results of associate		1.4	-	1.4	1.0	2.1
Operating profit	2	123.3	(7.2)	116.1	132.0	233.0
Investment income	4	5.6	-	5.6	4.1	9.0
Finance costs	5	(20.3)	(2.3)	(22.6)	(16.8)	(35.7)
Profit before tax	2	108.6	(9.5)	99.1	119.3	206.3
Tax	6	(33.3)	1.8	(31.5)	(34.0)	(57.4)
Profit for the period		75.3	(7.7)	67.6	85.3	148.9
Earnings per share (pence)						
Basic	8			17.2	20.4	36.3
Diluted	8			16.9	20.0	35.7

All amounts relate to continuing operations for the current financial period.

Consolidated Statement of Recognised Income and Expense

for the 26 weeks ended 28 June 2005

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
(Loss)/profit on cash flow hedges	(1.3)	7.6	(0.3)
Actuarial loss on defined benefit pension scheme	(5.7)	(0.6)	(10.7)
Exchange difference on translation of foreign operations	(0.1)	(0.1)	-
Tax on items taken directly to equity	2.2	(2.1)	2.6
Net income recognised directly in equity	(4.9)	4.8	(8.4)
Transferred to income statement on cash flow hedges	0.4	1.9	2.6
Profit for the period	67.6	85.3	148.9
Total recognised income and expense for the period	63.1	92.0	143.1

William Hill PLC

Consolidated Balance Sheet
as at 28 June 2005

	Notes	**28 June 2005 £m**	29 June 2004 £m	28 December 2004 £m
Non-current assets				
Goodwill	10	876.4	732.3	733.3
Other intangible assets	10	477.7	3.6	18.7
Property, plant and equipment		162.6	97.1	104.2
Interest in associate	2	4.3	1.8	2.9
Deferred tax assets		25.5	18.8	24.6
		1,546.5	853.6	883.7
Current assets				
Inventories		0.3	0.3	0.3
Trade and other receivables		19.2	21.0	15.4
Assets held for resale	10	14.5	-	-
Cash and cash equivalents		160.1	60.0	60.5
		194.1	81.3	76.2
Total assets	2	1,740.6	934.9	959.9
Current liabilities				
Trade and other payables		(86.1)	(63.7)	(67.8)
Tax liabilities		(58.4)	(59.1)	(46.9)
Bank overdraft and loans		-	(55.9)	(49.8)
		(144.5)	(178.7)	(164.5)
Non current liabilities				
Bank loans due after more than one year		(1,075.6)	(342.3)	(447.7)
Retirement benefit obligations		(62.3)	(43.9)	(55.3)
Deferred tax liabilities		(161.8)	(1.9)	(16.1)
		(1,299.7)	(388.1)	(519.1)
Total liabilities	2	(1,444.2)	(566.8)	(683.6)
Net assets		296.4	368.1	276.3
Equity				
Called-up share capital	9	40.5	42.2	40.5
Share premium account	9	311.3	311.3	311.3
Capital redemption reserve	9	1.7	-	1.7
Merger reserve	9	(26.1)	(26.1)	(26.1)
Own shares held	9	(59.3)	(37.0)	(59.3)
Hedging and translation reserves	9	(3.0)	1.9	(1.7)
Retained earnings	9	31.3	75.8	9.9
Total equity	9	296.4	368.1	276.3

William Hill PLC

Consolidated Cash Flow Statement

for the 26 weeks ended 28 June 2005

	Notes	**26 weeks ended 28 June 2005 £m**	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Net cash from operating activities	11	91.7	101.6	164.7
Investing activities				
Interest received		1.4	0.7	1.9
Proceeds on disposal of property, plant and equipment		0.4	0.6	0.9
Purchases of property, plant and equipment		(23.1)	(6.7)	(18.5)
Purchases of betting licences		(0.9)	-	(0.6)
Expenditure on computer software		(2.0)	(1.1)	(9.7)
Acquisition of subsidiary		(500.2)	-	(3.2)
Net cash used in investing activities		(524.4)	(6.5)	(29.2)
Financing activities				
Purchase of own shares		-	(28.8)	(145.5)
Dividends paid		(43.1)	(37.7)	(59.6)
Repayments of borrowings		(500.0)	(15.0)	(6.3)
New bank loans raised		1,075.4	-	90.0
Net cash used in financing activities		532.3	(81.5)	(121.4)
Net increase in cash and cash equivalents in the period		99.6	13.6	14.1
Cash and cash equivalents at start of period		60.5	46.4	46.4
Cash and cash equivalents at end of period		160.1	60.0	60.5

Notes to the Financial Information

for the 26 weeks ended 28 June 2005

1. Basis of accounting

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Greenside House, 50 Station Road, London N22 7TP.

The Group is preparing for the adoption of International Financial Reporting Standards as its primary accounting basis for the period ending 26 December 2006. The Group's date of adoption and transition will therefore be the 29 December 2004, as comparative information will be prepared for the accounting period beginning on this date.

The pro forma financial information for the 26 weeks ended 28 June 2005 produced here has been prepared for illustrative purposes only and does not comply with all of the provisions of IAS 34 'Interim Financial Reporting'. It has been prepared on the basis that the IFRS transition date is 29 December 2004.

The financial information presented in this document has been prepared on the basis of International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees, and as interpreted by any regulatory bodies applicable to the Group. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. As a result, information contained within the IFRS financial information will require updating for any subsequent amendment to IFRS required for first time adoption or those new standards that the Group may elect to adopt early.

The pro-forma financial information has been prepared on the basis of the accounting policies set out in the Group's pro-forma IFRS accounts for the 52 weeks ended 28 December 2004, which can be found on the Group's website *www.williamhillplc.co.uk*. This interim report should therefore be read in conjunction with the 2004 pro-forma information.

In preparing this financial information, the Group has assumed that the European Commission will endorse the amendment to IAS 19 'Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures'.

On 19 November 2004, the European Commission endorsed an amended version of IAS 39 'Financial Instruments: Recognition and Measurement' rather than the full version as previously published by the IASB. In accordance with guidance issued by the UK Accounting Standards Board, the full version of IAS 39, as issued by the IASB, has been adopted in the preparation of this financial information.

First-time adoption of International Financial Reporting Standards
The financial information has been prepared in accordance with IFRS for the first time. The disclosures required by IFRS 1 'First-time Adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in note 12.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. Under IFRS 1, the Group will be required to establish its IFRS accounting policies as at 26 December 2006 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 29 December 2004.

IFRS 1 provides a number of optional exceptions to this general principle. The most significant of these are set out below, together with a description in each case of whether an exception has been adopted by the Group.

Business combinations
The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before the 30 December 2003.

Employee benefits
The Group has recognised actuarial gains and losses in relation to employee benefit schemes at 29 December 2004. The Group has recognised actuarial gains and losses in full in the period in which they occur in the statement of recognised income and expense in accordance with the amendment to IAS 19 'Employee Benefits', issued on 16 December 2004.

1. Basis of accounting (continued)

Share-based payments
The Group has elected to apply IFRS 2 'Share-based Payment' to all relevant share based payment transactions granted after 7 November 2002 but not fully vested at 29 December 2004.

Financial instruments
The Group has applied IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' for all periods presented and has therefore not taken advantage of the exemption in IFRS 1 that would enable the Group to only apply these standards from 28 December 2005.

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

Presentation of financial information

The primary statements within the financial information contained in this document have been presented substantially in accordance with IAS 1 'Presentation of Financial Statements'. However, this format and presentation may require modification in the event that further guidance is issued and as practice develops.

2. Segmental information

For management purposes, the Group is currently organised into three principal operating divisions – retail, telephone and interactive. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the 26 weeks ended 28 June 2005:

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Revenue	4,298.7	331.8	409.7	14.3	-	5,054.5
Payout	(4,009.3)	(303.2)	(347.8)	(10.8)	-	(4,671.1)
Gross win	**289.4**	**28.6**	**61.9**	**3.5**	**-**	**383.4**
GPT, duty, levies, VAT and other cost of sales	(65.7)	(7.7)	(11.7)	(0.5)	-	(85.6)
Gross profit	223.7	20.9	50.2	3.0	-	297.8
Depreciation	(8.0)	(0.3)	(0.5)	(0.1)	(0.4)	(9.3)
Other administrative expenses	(126.7)	(12.8)	(18.0)	(3.2)	(5.9)	(166.6)
Share of result of associate	-	-	-	-	1.4	1.4
Exceptional items	(4.4)	-	-	-	(2.8)	(7.2)
Operating profit/(loss)	**84.6**	**7.8**	**31.7**	**(0.3)**	**(7.7)**	**116.1**
Investment income	-	-	-	-	5.6	5.6
Finance costs	-	-	-	-	(22.6)	(22.6)
Profit/(loss) before tax	**84.6**	**7.8**	**31.7**	**(0.3)**	**(24.7)**	**99.1**
Balance sheet information						
Total assets	1,317.1	79.6	138.1	15.4	190.4	1,740.6
Total liabilities	(48.6)	(6.5)	(16.7)	(0.6)	(1,371.8)	(1,444.2)
Investment in associate	-	-	-	-	4.3	4.3
Capital additions	64.5	-	3.8	-	0.4	68.7

2. Segmental information (continued)

Business segment information for the 26 weeks ended 29 June 2004:

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Revenue	3,266.1	274.5	331.4	14.6	-	3,886.6
Payout	(2,975.3)	(239.9)	(278.5)	(10.8)	-	(3,504.5)
Gross win	**290.8**	**34.6**	**52.9**	**3.8**	**-**	**382.1**
GPT, duty, levies, VAT and other cost of sales	(64.4)	(8.3)	(12.0)	(0.5)	-	(85.2)
Gross profit	226.4	26.3	40.9	3.3	-	296.9
Depreciation	(6.8)	(0.3)	(0.3)	(0.1)	(0.4)	(7.9)
Other administrative expenses	(122.5)	(12.2)	(16.4)	(3.2)	(3.7)	(158.0)
Share of result of associate	-	-	-	-	1.0	1.0
Operating profit/(loss)	**97.1**	**13.8**	**24.2**	**-**	**(3.1)**	**132.0**
Investment income	-	-	-	-	4.1	4.1
Finance costs	-	-	-	-	(16.8)	(16.8)
Profit/(loss) before tax	**97.1**	**13.8**	**24.2**	**-**	**(15.8)**	**119.3**

Balance sheet information

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Total assets	641.5	85.0	111.2	15.2	82.0	934.9
Total liabilities	(38.7)	(6.6)	(15.0)	(0.8)	(505.7)	(566.8)
Investment in associate	-	-	-	-	1.8	1.8
Capital additions	6.6	0.1	0.9	0.1	-	7.7

Business segment information for the 52 weeks ended 28 December 2004:

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Revenue	7,020.7	540.8	696.3	29.9	-	8,287.7
Payout	(6,472.6)	(480.5)	(590.2)	(22.3)	-	(7,565.6)
Gross win	**548.1**	**60.3**	**106.1**	**7.6**	**-**	**722.1**
GPT, duty, levies, VAT and other cost of sales	(123.6)	(14.3)	(21.9)	(0.9)	-	(160.7)
Gross profit	424.5	46.0	84.2	6.7	-	561.4
Depreciation	(14.2)	(0.5)	(0.5)	(0.3)	(0.7)	(16.2)
Other administrative expenses	(244.8)	(23.4)	(32.0)	(6.7)	(7.4)	(314.3)
Share of result of associate	-	-	-	-	2.1	2.1
Operating profit/(loss)	**165.5**	**22.1**	**51.7**	**(0.3)**	**(6.0)**	**233.0**
Investment income	-	-	-	-	9.0	9.0
Finance costs	-	-	-	-	(35.7)	(35.7)
Profit/(loss) before tax	**165.5**	**22.1**	**51.7**	**(0.3)**	**(32.7)**	**206.3**

Balance sheet information

	Retail £m	Telephone £m	Interactive £m	Other £m	Corporate £m	Group £m
Total assets	647.3	79.9	134.9	15.1	82.7	959.9
Total liabilities	(38.5)	(4.2)	(16.3)	(0.8)	(623.8)	(683.6)
Investment in associate	-	-	-	-	2.9	2.9
Capital additions	31.2	0.8	2.3	0.6	0.1	35.0

2. Segmental information (continued)

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

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

Turnover of £65.0m and an operating loss of £0.4m have been consolidated into these results in respect of the Stanley Racing acquisition completed by the Group on 18 June 2005 as detailed in note 10.

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, pension liability and dividends payable as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis. Included within total assets by segment are £678.5m, £75.0m, £115.8m and £7.1m that relates to goodwill allocated to the retail, telephone, interactive and stadia operations respectively.

There are no inter-segmental sales within the Group.

In accordance with IAS 14 ‘Segment Reporting’, segmental information by geographical location is not presented as the Group’s revenue and profits arise primarily from customers in the United Kingdom with significantly less than 10% (the minimum required by IAS 14 to necessitate disclosure) of revenue and profits generated from customers outside of this jurisdiction. All of the Group’s net assets are located in the United Kingdom.

3. Exceptional items

Exceptional items are those items the Group considers to be one-off or material in nature that should be brought to the readers’ attention.

Exceptional operating costs are as follows:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Costs of implementation of EPOS and text systems [1]	**2.7**	-	-
Costs of integration of Stanley acquisition [2]	**1.7**	-	-
Costs of aborted return of capital scheme [3]	**2.8**	-	-
	7.2	-	-

[1] These 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] These costs arose from the due diligence on and the integration of Stanley Racing’s LBOs and comprise primarily consultancy costs.

[3] These costs represent professional fees incurred in respect of an aborted return of capital scheme.

Exceptional interest costs are as follows:

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Write off of previously capitalised bank facility fee	**2.2**	-	-
Breakage fee	**0.1**	-	-
	2.3	-	-

3. Exceptional items (continued)

Following the negotiation of new banking arrangements and the consequent repayment of the old bank facility, the unamortised costs of £2.2m associated with the old facility were written off.

A tax credit of £1.8m was recognised in respect of the exceptional operating costs and interest costs in the 26 weeks ended 28 June 2005. This represented the reduction in corporation tax payable, which the Group expects to be able to make in respect of these exceptional items.

4. Investment income

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Interest on bank deposits	**1.4**	0.7	1.9
Expected return on pension scheme assets	**4.2**	3.4	7.1
	5.6	4.1	9.0

5. Finance costs

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Interest on bank loans and overdrafts	**15.0**	11.7	25.6
Interest on guaranteed unsecured loan notes 2005	**-**	0.1	0.2
Amortisation of finance costs	**0.4**	0.7	1.3
	15.4	12.5	27.1
Interest on pension scheme liabilities	**4.9**	4.3	8.6
	20.3	16.8	35.7
Exceptional interest (note 3)	**2.3**	-	-
	22.6	16.8	35.7

6. Tax on profit on ordinary activities

The expected effective rate in respect of ordinary activities before exceptional costs is 30.7% (26 weeks ended 28 June 2004 – 28.5%; 52 weeks ended 28 December 2004 – 27.8%). The tax charge on ordinary activities after taxation has been calculated using an expected effective rate for the full year of 31.8%. This is higher than the statutory rate of 30% due to expenditure incurred for which the Group will not get tax relief. The prior periods' comparative tax rates were impacted by the utilisation of certain tax losses in those periods.

7. Dividends proposed and paid

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Equity shares:			
- final dividend of 11.0p per share for the 26 weeks ended 28 December 2004 (9.0p per share for the 52 weeks ended 30 December 2003)	**43.1**	37.6	37.6
- interim dividend of 5.5p per share for the 26 weeks ended 29 June 2004	**-**	-	22.0
	43.1	37.6	59.6
Proposed interim dividend of 6.1p per share for the 26 weeks ended 28 June 2005.	**23.8**	-	-

The proposed interim dividend was approved by a committee of the board of directors on 4 September 2005 and has not been included as a liability in this financial information. The proposed interim dividend of 6.1p will be paid on 5 December 2005 to all shareholders on the register on 4 November 2005.

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. As at 28 June 2005, the trust held 2.8m ordinary shares. In addition, the Company does not pay dividends on the 10.5m shares held in Treasury. The Company estimates that 390.5m shares will qualify for the interim dividend.

8. Earnings per share

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

	26 weeks ended 28 June 2005 Pence	26 weeks ended 29 June 2004 Pence	52 weeks ended 28 December 2004 Pence
Basic - adjusted	**19.2**	20.4	36.3
Basic	**17.2**	20.4	36.3
Diluted	**16.9**	20.0	35.7

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

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Profit after tax for the financial period	**67.6**	85.3	148.9
Exceptional items – operating expenses	**7.2**	-	-
Exceptional items – interest	**2.3**	-	-
Exceptional items – tax credit	**(1.8)**	-	-
Profit after tax for the financial period before exceptional items	**75.3**	85.3	148.9

8. Earnings per share (continued)

	26 weeks ended 28 June 2005 Number (m)	26 weeks ended 29 June 2004 Number (m)	52 weeks ended 28 December 2004 Number (m)
Basic weighted average number of shares	**392.1**	418.4	410.1
Dilutive potential ordinary shares:			
Employee share awards and options	**7.1**	7.5	7.4
Dilutive weighted average number of shares	**399.2**	425.9	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 in the 26 weeks ended 28 June 2005 by 13.3m (26 weeks ended 28 June 2004 – 4.5m; 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.

9. Reserves

Group:	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 29 December 2004	40.5	311.3	1.7	(26.1)	(59.3)	-	(1.7)	9.9	276.3
Profit for the financial period	-	-	-	-	-	-	-	67.6	67.6
Dividends (note 7)	-	-	-	-	-	-	-	(43.1)	(43.1)
Actuarial loss recognised in the pension scheme	-	-	-	-	-	-	-	(5.7)	(5.7)
Change in value of hedging derivative	-	-	-	-	-	-	(1.3)	-	(1.3)
Transfer to income	-	-	-	-	-	-	(0.4)	-	(0.4)
Deferred tax arising on items taken to equity	-	-	-	-	-	-	0.5	1.7	2.2
Expense recognised in respect of share remuneration	-	-	-	-	-	-	-	0.9	0.9
Currency translation differences	-	-	-	-	-	(0.1)	-	-	(0.1)
At 28 June 2005	**40.5**	**311.3**	**1.7**	**(26.1)**	**(59.3)**	**(0.1)**	**(2.9)**	**31.3**	**296.4**

Subsequent to the publication of the accounts prepared in accordance with IFRS for the 52 weeks ended 28 December 2004, an additional deferred tax liability of £12.3m has been recognised in respect of properties previously acquired by acquisition.

9. Reserves (continued)

Own shares held at 28 June 2005 amounting to £59.3m comprise 10.5m shares (nominal value - £1.1m) held in treasury purchased for £56.1m and 2.8m shares (nominal value - £0.3m) held in The William Hill Holdings 2001 Employee Benefit Trust purchased for £3.2m. The shares held in treasury were purchased at a weighted average price of £5.32. At 28 June 2005 the total market value of own shares held was £70.9m.

10. Acquisition of subsidiary

Stanley Racing

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 Racing) for total cash consideration of £508.3m including costs of £6.8m.

This transaction has been accounted for by the purchase method of accounting. The goodwill arising on these transactions are subject to an annual impairment review in accordance with IAS 36 'Impairment of assets'.

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

	Book value £m	Fair value adjustments £m		Fair value to Group £m
Fixed assets				
Intangible assets	0.8	457.2	a	458.0
Tangible assets	257.1	(212.0)	b,c,d	45.1
Current assets				
Stocks	0.2	(0.1)	e	0.1
Debtors and prepayments	3.0	(0.1)	c	2.9
Investment held for resale	-	14.5	c	14.5
Cash	8.1	(0.1)	c	8.0
Total assets	**269.2**	**259.4**		**528.6**
Creditors				
Creditors and accruals	(15.6)	(2.8)	f	(18.4)
Provisions				
Deferred tax	(1.9)	(143.0)	g	(144.9)
Total liabilities	**(17.5)**	**(145.8)**		**(163.3)**
Net assets	**251.7**	**113.6**		**365.3**
Less: cash consideration				**508.3**
Goodwill arising				**143.0**

The explanations for the fair value adjustments are as follows:

[a] Adjustment reflecting the fair value of betting licences held as determined by consideration paid;

[b] Adjustment of £206.7m to property valuation reflecting the disaggregation of betting licence value which under Stanley Racing's accounting policy was included within tangible assets;

[c] Adjustments to various assets and liabilities reflecting the disposal in July 2005 of 28 LBOs to the Tote for total net consideration of £14.5m;

10. Acquisition of subsidiary (continued)

[d] Reduction of £6.6m to reflect the depreciated replacement cost of the assets and a £2.6m increase in values representing IS assets in use in Stanley Racing which were previously shown as having no net book value;

[e] Adjustment to stock items reflecting the William Hill's policy in respect of certain consumables;

[f] Adjustments for ante post and sleeper bets (£0.8m), dilapidations and vacant properties (£0.7m), holiday pay (£0.4m) and onerous contracts (£1.4m);

[g] Adjustment of £143.0m relates to the recognition of deferred tax in respect of betting licences in [a] above and in respect of properties acquired.

Although the Group is in the process of negotiating undertakings with the Office of Fair Trading to sell approximately a further 50 LBOs, no fair value adjustment has been included above for this item due to uncertainty as to which LBOs will be sold to meet this commitment.

Reorganisation costs of £1.7m have been incurred in respect of this acquisition.

Net cash outflows in respect of the acquisition comprised:

	£m
Cash consideration	(508.3)
Cash at bank and in hand acquired	8.1
	(500.2)

The cash consideration for the purchase of Stanley Racing comprised the headline figure of £504.0m, less adjustment for working capital of £2.5m (still subject to final agreement with Stanley Leisure plc) plus professional fees and stamp duty of £6.8m.

Stanley Racing Group recorded a loss after taxation of £0.3m in the period between its acquisition by the Group and 28 June 2005.

11. Notes to the cash flow statement

	26 weeks ended 28 June 2005 £m	26 weeks ended 29 June 2004 £m	52 weeks ended 28 December 2004 £m
Operating profit	116.1	132.0	233.0
Adjustments for:			
Share of result of associate	(1.4)	(1.0)	(2.1)
Depreciation of property, plant and equipment	8.3	7.6	15.3
Depreciation of computer software	1.0	0.3	0.9
Gain on disposal of property, plant and equipment	(0.3)	(0.4)	(0.6)
Cost charged in respect of share remuneration	0.9	0.4	1.3
Defined benefit pension cost less cash contributions	0.6	(3.2)	(2.6)
	125.2	135.7	245.2
Operating cash flows before movements in working capital:			
(Increase)/decrease in receivables	(0.3)	(2.3)	0.5
Increase in payables	8.7	8.7	1.6
Cash generated by operations	133.6	142.1	247.3
Income taxes paid	(26.6)	(27.9)	(57.4)
Interest paid	(15.3)	(12.6)	(25.2)
Net cash from operating activities	91.7	101.6	164.7

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

The acquisition detailed in note 10 did not generate significant cash flows during the period of its ownership by the Group.

Notes to the Financial Information

for the 26 weeks ended 28 June 2005

12. Explanation of transition to IFRSs

This is the first year that the Group has presented its financial information under IFRS. The following disclosures are required in the year of transition. For the purposes of this financial information, the last financial statements prepared under UK GAAP were for the 52 weeks ended 28 December 2004 and the date of transition to IFRS was taken to be 29 December 2004.

Reconciliation of equity at 29 December 2004:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Goodwill	h	736.2	(2.9)	733.3
Other intangible assets	a,h	-	18.7	18.7
Property, plant and equipment	a	119.0	(14.8)	104.2
Interest in associate		2.9	-	2.9
Deferred tax assets	b,c,d,g	5.9	18.7	24.6
Total non-current assets		864.0	19.7	883.7
Inventories		0.3	-	0.3
Trade and other receivables		15.4	-	15.4
Cash and cash equivalents		60.5	-	60.5
Total current assets		76.2	-	76.2
Total assets		940.2	19.7	959.9
Trade and other payables	d,e,f	(106.9)	39.1	(67.8)
Tax liabilities		(46.9)	-	(46.9)
Bank overdraft and loans		(49.8)	-	(49.8)
Bank loans due after more than one year		(447.7)	-	(447.7)
Retired benefit obligations	b,g	(38.5)	(16.8)	(55.3)
Deferred tax liabilities	c,h,j	-	(16.1)	(16.1)
Total liabilities		(689.8)	6.2	(683.6)
Net assets		250.4	25.9	276.3
Equity				
Called-up share capital		40.5	-	40.5
Share premium account		311.3	-	311.3
Capital redemption reserve		1.7	-	1.7
Merger reserve		(26.1)	-	(26.1)
Own shares		(59.3)	-	(59.3)
Hedging and other reserves	d	-	(1.7)	(1.7)
Retained earnings	e,f,g,j	(17.7)	27.6	9.9
		250.4	25.9	276.3

12. Explanation of transition to IFRS (continued)

Reconciliation of equity at 28 June 2005:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Goodwill	h	1,193.9	(317.5)	876.4
Other intangible assets	a,f,h	-	477.7	477.7
Property, plant and equipment	a	178.3	(15.7)	162.6
Interest in associate		4.3	-	4.3
Deferred tax assets	b,c,d,g	1.6	23.9	25.5
Total non-current assets		1,378.1	168.4	1,546.5
Inventories		0.3	-	0.3
Trade and other receivables		19.2	-	19.2
Assets held for resale		14.5	-	14.5
Cash and cash equivalents		160.1	-	160.1
Total current assets		194.1	-	194.1
Total assets		1,572.2	168.4	1,740.6
Trade and other payables	d,e,f	(103.8)	17.7	(86.1)
Tax liabilities		(58.4)	-	(58.4)
Bank loans due after more than one year		(1,075.6)	-	(1,075.6)
Retired benefit obligations	b,g	(43.4)	(18.9)	(62.3)
Deferred tax liabilities	c,h,j	-	(161.8)	(161.8)
Total liabilities		(1,281.2)	(163.0)	(1,444.2)
Net assets		291.0	5.4	296.4
Equity				
Called-up share capital		40.5	-	40.5
Share premium account		311.3	-	311.3
Capital redemption reserve		1.7	-	1.7
Merger reserve		(26.1)	-	(26.1)
Own shares		(59.3)	-	(59.3)
Hedging and translation reserves	d,i	-	(3.0)	(3.0)
Retained earnings	e,f,g,i,j	22.9	8.4	31.3
Total equity		291.0	5.4	296.4

12. Explanation of transition to IFRS (continued)

Notes to the reconciliation of equity

(a) Software classification - application software, which can be run independently from any specific hardware configuration, is typically included within other intangibles under IFRS rather than tangible assets as is the norm under UK GAAP. The effect of this is to reclassify software of £15.7m (29 December 2004 - £14.8m) from tangible assets to intangible assets. Total net assets are not affected by this adjustment.

(b) Deferred tax associated with pension liabilities – under IFRS deferred tax relating to the pension scheme cannot be netted off against the pension liability as it is under UK GAAP. This has the effect of increasing the Group's deferred tax asset by £18.6m (29 December 2004 - £16.5m) with a consequent increase in the net pension liability presented. Net assets are not affected by this adjustment.

(c) Deferred tax offset - due to more restrictive rules on the ability to offset deferred tax liabilities and assets, the deferred tax liabilities and assets are grossed up by £3.9m (29 December 2004 - £1.3m).

(d) Financial instruments - all derivative instruments are required by IFRS to be carried on the balance sheet at fair value. Under IFRS, hedge accounting for derivatives is only allowed where detailed documentation in accordance with IAS 39 is in place. This allows the movements in fair values of the relevant derivative instrument (but not the related borrowings) to be recognised directly in reserves and therefore not impact earnings. This issue will have no impact on the Group's earnings as acceptable hedge accounting documentation has been in place since 29 December 2004. However the balance sheet does reflect a financial liability of £4.2m (29 December 2004 - £2.5m) representing the fair value of the relevant derivatives, as well as a related deferred tax asset of £1.3m (29 December 2004 - £0.8m) offset by corresponding entries in a new 'hedging reserve'.

(e) Dividends – under IFRS dividends payable may only be recorded as a liability of the Group when a legal or constructive liability has been incurred. This is likely to be when the dividend proposed by the Board is made public on the announcement of the Group's results. Currently under UK GAAP, dividends are recorded in the period to which they relate, even if only proposed after the period end. This has the effect of increasing the net assets of the Group by the amount of the proposed dividend of £23.8m (29 December 2004 - £43.1m).

(f) Holiday pay - it is accepted practice under IFRS to provide for pay for holidays to which staff are entitled but which they have not yet taken. This has resulted in the recognition of an accrual for holiday pay of £1.9m (29 December 2004 - £1.5m), £0.4m of which was recognised on acquisition of Stanley Racing and consequently affects the licence value recognised.

(g) Pensions - a small difference arises in the valuation of the pension scheme assets under IFRS, because pension assets must be valued using bid prices rather than using mid-market prices as is the convention under UK GAAP. This results in an increase in the pension scheme liability of £0.3m (29 December 2004 - £0.3m) and a consequent adjustment to deferred tax assets of £0.1m (29 December 2004 - £0.1m).

(h) Acquisitions - the Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place before the 30 December 2003.

The Group has adopted IFRS 3 'Business combinations' in full for the 26 weeks ended 28 June 2005. This has resulted in the recognition of additional intangible fixed assets of £461.1m and related deferred tax liabilities of £144.1m (29 December 2004 - £3.9m and £1.0m respectively). Under UK GAAP the intangible fixed assets would have been recognised in goodwill and the deferred tax liability would not have arisen.

(i) Translation reserve – under IFRS, currency differences on translation of subsidiaries are shown in a separate reserve, while UK GAAP allows this to be carried in retained earnings. This results in an adjustment of £0.1m between this reserve and retained earnings (29 December 2004 - £nil).

(j) Deferred tax on properties acquired via business combinations – under IFRS, a tax timing difference of £13.8m (29 December 2004 - £13.8m) has been recognised in respect of properties previously acquired via acquisitions.

12. Explanation of transition to IFRS (continued)

Reconciliation of profit or loss for 26 weeks ended 28 June 2005:

	Notes	UK GAAP £m	Effects of transition to IFRS £m	IFRS £m
Revenue		5,054.5	-	5,054.5
Cost of sales		(4,756.7)	-	(4,756.7)
Gross profit		297.8	-	297.8
Other operating income		3.0	-	3.0
Other operating expenses		(186.1)	-	(186.1)
Share of results of associate	a	2.0	(0.6)	1.4
Operating profit		116.7	(0.6)	116.1
Investment income		5.6	-	5.6
Finance costs		(22.6)	-	(22.6)
Profit before tax		99.7	(0.6)	99.1
Tax	b	(32.1)	0.6	(31.5)
Profit for the period		67.6	-	67.6

Notes to the reconciliation of profit or loss

(a) Associate profit - under IFRS, the share of the associate's result included in the Group's operating profit is after a charge for interest and tax. These items were shown within the Group's interest and tax charges under UK GAAP. This has the effect of reducing operating profit by £0.6m, representing the tax charge of the associate.

(b) Tax charge – the tax charge is £0.6m lower under IFRS compared to UK GAAP reflecting the different treatment of associate tax highlighted in (a) above.

Explanation of material adjustments to the cash flow statement for 2004

There are no significant adjustments between the cash flow statements produced under IFRS as against UK GAAP.