William HILL

THE HOME OF BETTING

William Hill PLC

Annual Report and Accounts 2012

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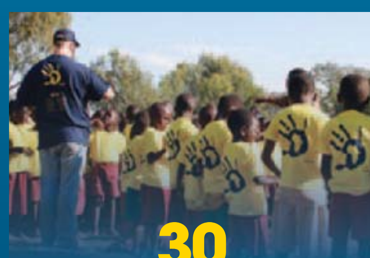


HOME represents the way we work at William Hill.

The stories throughout this year's report are aligned under the four principles:

HUNGRY FOR SUCCESS

OUTSTANDING SERVICE

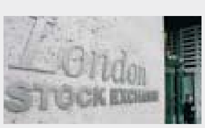
MAKING IT HAPPEN

EVERYONE MATTERS

10 YEARS OF WILLIAM HILL PLC

2002

June
Floated on the London Stock Exchange at 225p.



2005

June
Acquired Stanley Leisure PLC's retail bookmaking operations totalling 624 shops.

2007

September
The 2005 Gambling Act came into effect, allowing the gambling industry to advertise for the first time.

2008

February
Ralph Topping was appointed Chief Executive.

December
Launched the new Sportsbook with Openbet (previously Orbis) technology.

William Hill SPORTS BOOK

THE HOME OF BETTING

WILLIAM HILL IS ONE OF THE WORLD'S LEADING BETTING AND GAMING COMPANIES BY MARKET CAPITALISATION, AND ONE OF THE MOST RECOGNISED AND TRUSTED BRANDS IN THE GAMBLING INDUSTRY.

ON THE HIGH STREET, ONLINE, ON THE PHONE AND ON THE MOVE, WE AIM TO PROVIDE BETTING AND GAMING SERVICES WHEREVER AND WHENEVER A CUSTOMER WANTS TO GAMBLE.

December
Established the William Hill Online joint venture.

2009

April
Raised £350m through a 1:1 Rights Issue to restructure the balance sheet after debt refinancing.

August
Relocated the Sportsbook operation from the UK to Gibraltar.

October
Issued our debut corporate bond of £300m to diversify debt facilities.

2012

June
Became the first European operator to be awarded a full gaming licence in Nevada, followed by the formation of William Hill US and the acquisition of three US land-based sports betting businesses.

December
Announced proposed acquisition of Sportingbet's Australian and Spanish businesses for a total cash consideration of £460m.

AT A GLANCE

WHAT WE DO AND WHERE WE DO IT

WHAT WE DO

Our business provides customers with a wide range of sports betting and gaming opportunities, which we aim to make available to customers whenever and wherever they want to gamble. Customers access our products via multiple channels, including shops, the internet, telephone, mobile devices and text-based services.

We are best known for our sports betting expertise and we continue to expand our sports betting product range and to offer attractive pricing on high-profile events. We also offer a full range of gaming products, providing customers with an exciting gaming experience. Although sports betting margins can fluctuate with sporting results, gaming margins are more predictable and provide a more stable source of revenue for the Group.

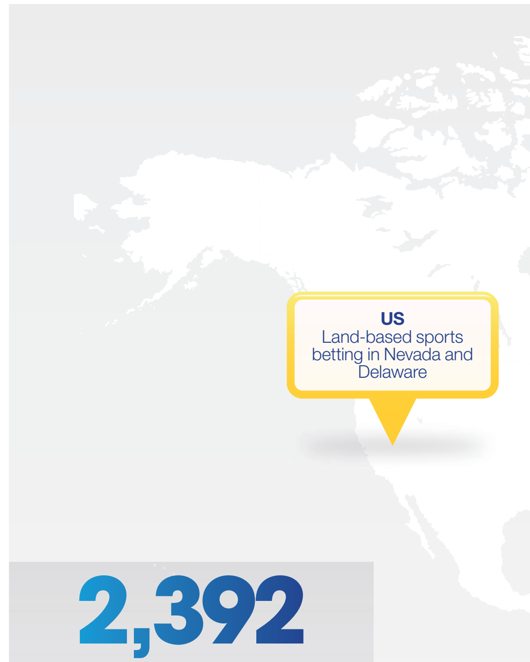
The combination of betting and gaming also enables us to cross-sell products to customers, which we believe increases customer value and retention.

WHERE WE DO IT

In the UK, we are the largest bookmaker by number of licensed betting offices (LBOs) and William Hill Online is the UK's leading online betting and gaming business by revenue.

However, we are now an international business, with operations in eight countries across the world. While our core business is in the UK, we are taking our sports betting expertise and operational capabilities into other territories on a selective and targeted basis. This benefits us by diversifying our exposure to the UK economy and taxation and regulation regimes, and by increasing the proportion of revenues generated in locally licensed territories outside the UK.

In the last two years, we have launched locally licensed online businesses in the Italian and Spanish markets, and established land-based operations in the US. As at March 2013, we are also in the process of acquiring Sportingbet's online businesses in Australia and Spain.



2,392

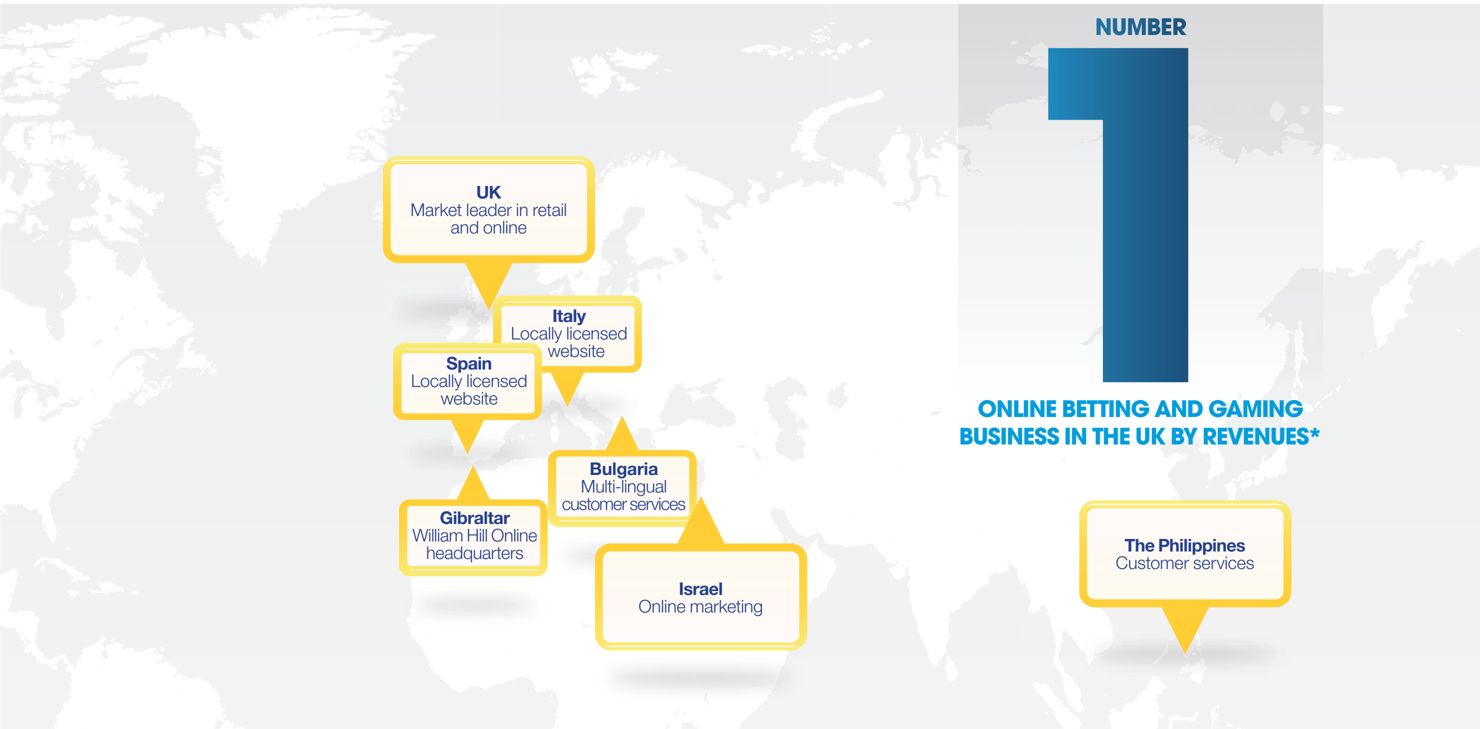
BETTING SHOPS IN THE UK

NUMBER 1

BOOKMAKER IN THE UK BY NUMBER OF BETTING SHOPS

1.8m

ACTIVE ONLINE CUSTOMERS

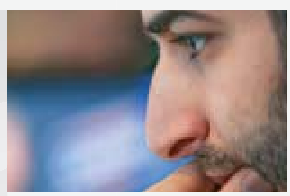


NUMBER 1

ONLINE BETTING AND GAMING BUSINESS IN THE UK BY REVENUES*

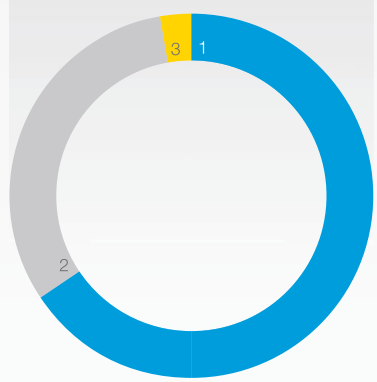
16,883

EMPLOYEES IN THE UK, GIBRALTAR, ISRAEL, BULGARIA, ITALY, SPAIN, THE PHILIPPINES AND THE US



£1.28bn

TOTAL REVENUE



1.	UK Retail	£837.9m
2.	Online	£406.7m
3.	Other	£32.3m

*Source: Gambling Data, European Regulated Online Markets Data Reports 2012.

OUR BUSINESS MODEL

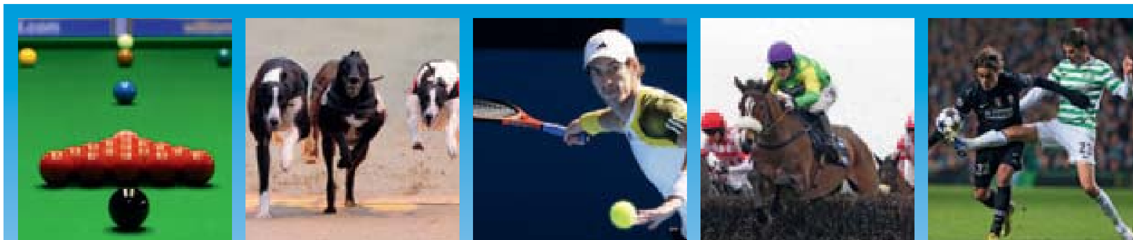
HOW WE MAKE MONEY

Retail

Mobile

Online

Telephone



BETTING IS ABOUT **INDIVIDUALS** STAKING MONEY ON THEIR OPINION ON THE LIKELIHOOD OF THE OUTCOME OF ANY EVENT.

OUR **MULTI-CHANNEL** OFFER PROVIDES CUSTOMERS WITH EASY ACCESS TO OUR PRODUCTS TO MAXIMISE OUR REVENUE.

CUSTOMERS ARE PRIMARILY RECRUITED VIA **SPORTS BETTING** WHERE WE BUILD A MARGIN INTO THE OFFER PRICE AND MANAGE OUR BALANCE OF RISK AND REWARD.

IN-PLAY SPORTS BETTING USES ALGORITHMS TO PROVIDE INSTANT ODDS AND ENABLE US TO EXTEND THE RANGE OF OUTCOMES ON WHICH CUSTOMERS CAN BET.

GAMING IS CONSTANTLY AVAILABLE AND EXTENDS THE OPPORTUNITY FOR CUSTOMERS TO MAXIMISE THEIR SPEND WITH US, AT A CONSTANT c3% MARGIN.

INTERNATIONALISATION, WHETHER ONLINE OR LAND-BASED, ENABLES US TO TAKE OUR PRODUCTS TO A WIDER MARKET AND LEVERAGES THE STRENGTH OF OUR BRAND TO MAXIMISE OUR INCOME.

2012 OVERVIEW

STRONG PERFORMANCE AND GOOD STRATEGIC PROGRESS

WILLIAM HILL DELIVERED A VERY POSITIVE PERFORMANCE IN 2012, UNDERPINNED BY THE RELEVANCE OF ITS MULTI-CHANNEL APPROACH, WITH STRONG PERFORMANCE IN SHOPS, ONLINE AND VIA MOBILE DEVICES.

PERFORMANCE OVERVIEW

Our announcement on 1 March 2013 that we propose taking full control of William Hill Online marks a major milestone for the Group and rounds off a successful 12 months which have seen us take our first steps into the US, launch online in Spain and, through the pending Sportingbet acquisition, lay the foundations for growth in the attractive Australian market. Selective international expansion is a core aspect of the Group's strategy, enabling diversification of the Group's revenues across several locally licensed international territories.

At the same time, it is pleasing to report that the team has remained highly focused on operational matters and has delivered a strong 2012 organic performance across both Retail and Online channels. Retail has continued to deliver revenue and profit growth, while William Hill Online recorded another outstanding year, particularly in mobile which has significantly outperformed our expectations and which very much remains a high priority.

Overall, the Group recorded a 12% increase in net revenue. Operating profit[1] grew by 20% to £330.6m. Pre-exceptional profit before interest and tax was £325.6m, up 20%. Basic adjusted earnings per share was 21% higher, benefitting from this strong performance and a reduction in the effective tax rate. Basic earnings per share increased by 64%. The Group has a strong balance sheet at present with net debt to EBITDA of 1.0 times at the end of the 2012 financial year.

DIVIDEND

The Board has approved a final dividend of 7.8p per share (2011: 6.7p per share), giving a total 2012 dividend of 11.2p per share (2011: 9.6p per share). This represents 17% growth, reflecting the strong results delivered in the 2012 financial year and the Board's confidence in Wiliam Hill's future.

ACQUISITIONS

William Hill US

As part of our strategy to expand internationally, we established William Hill US in 2012. In June, the Group and five of our senior personnel were granted non-restricted gaming licences by the Nevada Gaming Commission. Following this, we completed the acquisitions announced in 2011 of three land-based sports betting businesses, American Wagering, Inc., Brandywine Bookmaking LLC and the racing and sportsbook assets of Sierra Development Company, trading as Cal Neva, for approximately $49m (£31m).

We integrated these businesses in the second half and rebranded the operations as William Hill US. We now operate in 180 locations in Nevada, both in casino-based Sports Books and in bar locations. We are also the exclusive risk manager for the State of Delaware's sports lottery and the Marriott hotel in St Kitts, provide hardware and software to many of the major Nevada Sports Books and have one of the leading mobile wagering applications available in the US today.

We believe William Hill US combines the operational strength of the existing management teams with our brand, greater financial strength and extensive product offering, and ensures we are well-placed to capitalise on potential regulatory changes in the US.

Sportingbet

In December 2012, we agreed with GVC Holdings plc and Sportingbet plc the proposed acquisition of Sportingbet's Australian and Spanish online businesses for £460m.

Sportingbet is one of the leading online corporate bookmakers in Australia. Based in Darwin and Sydney with approximately 210 employees, it offers sports betting products online under the 'Sportingbet' and 'Centrebet' brands. Its Spanish business offers regulated sports and gaming products under the long-established 'miapuesta' brand.

This acquisition is in line with our strategy to develop our online business to increase our exposure to attractive markets by taking local licences where we can and to diversify our revenues by geography. It is expected to complete in the first quarter of 2013.

William Hill Online

William Hill Online has consistently delivered strong net revenue growth since it was formed in December 2008. Having been notified of the independent valuation of £424m of Playtech's 29% interest in William Hill Online, the Board concluded that it is in the best interests of our shareholders to exercise our call option to assume full ownership of this attractive, high growth, high performing business.

The Board believes that the most appropriate way of financing the £424m proposed acquisition is through a combination of additional debt with the £375m (net) proceeds of a rights issue.

This will maintain an appropriate capital structure for the Group in the current environment having regard to gearing levels which strike an appropriate balance between increased financial leverage and the maintenance of an acceptable financial risk profile.

OUTLOOK

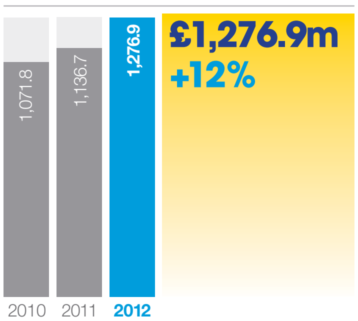
In the Board's view, with our well-recognised William Hill brand, strong management team and multi-channel capability, the Group is well placed to take full advantage of both the organic growth potential of the enlarged business and the new exciting opportunities that are opening up to us.

On behalf of all shareholders, I would like to recognise the contribution of the entire William Hill workforce, in the UK and internationally, for delivering such an outstanding performance in 2012 and look forward to our continued progress in 2013 and beyond.

Gareth Davis
Chairman

[1] Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specific identified intangible assets recognised on acquisitions.
[2] Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 75.

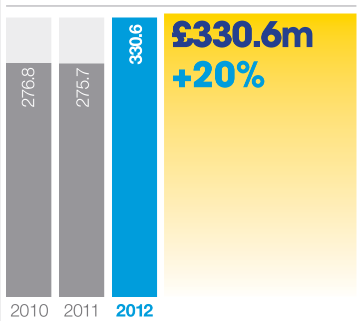
Net revenue[2] £m



Net revenue[2] grew in both the Retail and Online channels, benefitting from an above-average gross win margin as favourable sporting results ran across the year. Retail saw a good performance from both over-the-counter (OTC) betting and gaming machines, with net revenue up 7% and 5%, respectively. Total Retail net revenue was up 6%. William Hill Online saw its third consecutive year of above 20% net revenue growth at +27%, with Sportsbook leading the way with net revenue up 50% and Gaming net revenue increasing 14%.

Group KPI

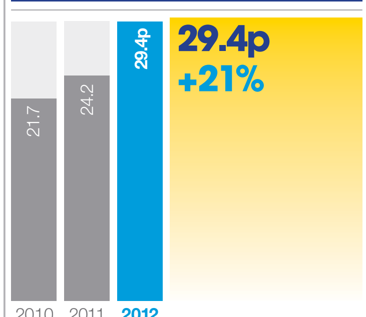
Operating profit[1] £m



Group Operating profit[1] grew by 20% to £330.6m (2011: £275.7m). William Hill Online's outstanding net revenue growth outstripped cost growth to deliver a 36% increase in Operating profit[2] to £145.3m. Good cost control within Retail also translated 6% net revenue growth into higher Operating profit growth at +7% to £211.5m. Telephone delivered a modest Operating profit of £0.5m and William Hill US made an Operating loss of £0.6m, impacted by weak sporting results, particularly the NFL in November.

Group KPI

Earnings per share (EPS) (basic, adjusted) p



The growth in adjusted EPS reflects the strong Operating profit[1] performance and a reduction in the pre-exceptional effective tax rate to 16.5% following changes to the corporation tax rate by the UK Government.

Group KPI

CHIEF EXECUTIVE'S OVERVIEW

DELIVERING OUR STRATEGY

WITH OUR CORE CAPABILITY IN SPORTS BETTING AND CROSS-SALE INTO GAMING, WE FOCUS ON THREE AREAS TO EXPAND OUR BUSINESS:

1 WIDER PRODUCT RANGE
2 GREATER MULTI-CHANNEL USAGE
3 INTERNATIONAL EXPANSION

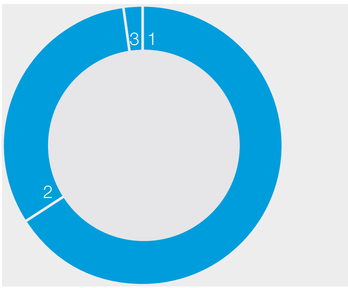
The benefit of these strategies over time is to increase the proportion of the Group's revenues coming from (a) the faster growing online sources, (b) territories outside the UK, reducing the Group's reliance on that one economy and (c) locally licensed territories, providing greater visibility on long-term revenues.

WIDER PRODUCT OFFERING

William Hill provides a range of betting and gaming products to appeal to a wide customer base and to encourage use of more than one product. In 2012, 52% of the Group's revenue was generated from betting activities, 48% from gaming (including gaming machines, casino, poker, bingo, virtual racing and numbers).

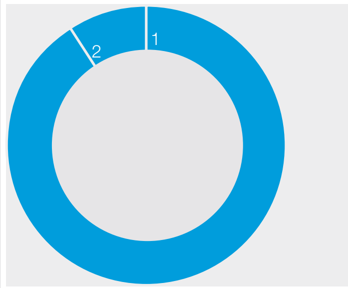
On sports, we price the odds we offer on the most high-profile betting events in a manner which seeks to attract and retain customers. We also continually develop and extend our sports betting offering. In 2012, for instance, we further extended our in-play betting in basketball, tennis and football, as well as launching new in-play models for minority sports such as volleyball and badminton in time for the London Olympics. William Hill Online enhanced its gaming offering by introducing its new Live Casino product.

Breakdown of 2012 revenues %



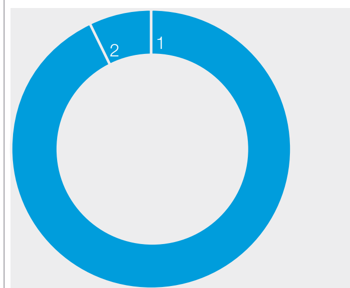
1.	Retail	66%
2.	William Hill Online	32%
3.	Other	2%

Breakdown of 2012 revenues %



1.	UK	91%
2.	Non-UK	9%

Breakdown of 2012 revenues %



1.	Core markets (UK, Spain, Italy, US)	93%
2.	Other markets	7%

GREATER MULTI-CHANNEL USAGE

The Group's goal is to make it easier for customers to access its products wherever and whenever they want to gamble. We believe that a multi-channel operation increases customer loyalty. More than half of online customers are also using LBOs to place bets, and, across the industry, 30% of customers between the ages of 18 to 24 place bets through both retail and online businesses.

We are continuing to expand our range of channels beyond our traditional businesses, particularly via mobile devices. In the last year, we improved our mobile capability with the launch of mobile websites and betting and gaming apps to take advantage of the increased use of mobile devices. Our Sportsbook app has been the highest rated betting app since its launch in the Apple App Store in February 2012 and was downloaded 668,350 times during the first year. Improvements in technology are continuing to transform 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 William Hill's core market, representing 91% of Group revenues in 2012. Although we are the market leader in the UK LBO market, based on the number of LBOs disclosed by the Gambling Commission, and in the UK online betting and gaming market, with an estimated 15% market share by revenues, we see opportunities to continue to increase our market share in the UK whilst also looking to expand selectively outside the UK to reduce our reliance on a single market.

In a number of countries, governments have changed or are changing their regulation of gambling, particularly online gambling. This presents William Hill with the opportunity to provide our products in countries outside the UK, for instance Italy and Spain where William Hill Online has been licensed to provide online gambling.

We seek to enter new jurisdictions in the most effective way open to us, through organic entry or through targeted acquisitions, such as in the US, where we recently acquired land-based betting operations. When entering new markets, we focus on our core capabilities in fixed-odds betting and as a multi-channel betting and gaming operator.

Ralph Topping
Chief Executive

HUNGRY FOR SUCCESS

Best in class
William Hill took home both the 'Bookmaker of the Year' and the 'Chain of the Year' titles at the industry's annual Betview Awards in May. The judging panel awarded the title to William Hill for 'demonstrating all-round excellence as the industry's best of the best'. The Retail business won the top accolade in the category of 20 outlets or more for 'operating with excellence whilst also enhancing the customers' betting experience and making a positive contribution to staff and the industry as a whole'. The Group has been shortlisted in six categories for the 2013 Betview Awards. William Hill Online has also been racking up the accolades. It was named Sports Betting Operator of the Year and Slots Operator of the Year at the EGaming Review 2012 Awards, and was named Mobile Operator of the Year at the 2013 International Gaming Awards.

Winner
Bookmaker of the Year
Betview Awards 2012

Breaking the Mould
In February 2013 William Hill won one of the UK's most prestigious business awards, the Financial Mail on Sunday's Breaking the Mould awards, held in association with the 30% Club. The awards celebrate the companies doing the most to create a pipeline of female leaders of the future. William Hill won the FTSE 250/mid-sized corporate category.

A BIG NIGHT OUT. ANY TIME OF THE DAY…

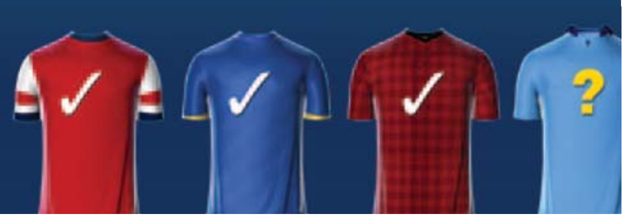
‘The world’s finest online casino’ is how we view our unique new live casino, officially launched in September 2012. It’s a high-end experience that caters for every type of player, for instance with Blackjack tables from £3 to £500 stake limits. With Mayfair-trained table hosts and VIP hosts, we’ve created an environment where everyone is treated as a VIP. It’s the closest thing to a live Mayfair experience online.

OUR BEST ODDS ON THE BIGGEST EVENTS

'Priority Prices' give customers the chance to get stand-out odds on the very biggest events. Each Priority Price has a limited availability so customers who like our Facebook page, follow us on twitter @PriorityPrices or keep an eye on our website are the first to hear about our offers. A cap on the maximum stake ensures the offers are available to as many people as possible.

HEDGING YOUR BETS

'Cash In My Bet' launched in December 2012 and is already proving hugely popular with customers. For a football customer who wants to lock in a win part way through an accumulator bet or a match, this is the answer and William Hill was the first fixed odds bookmaker to bring this to customers. In the first two months, over 51,000 customers cashed out their winnings early, recouping more than £9m.



TURNING THE IPAD INTO THE LAUNCHPAD

Soon, people will be using smartphones and tablets at home more than they use PCs and laptops. We take advantage of technology advancements to bring our customers the product they want when, where and how they want it. We launched our Sportsbook app in the App Store in February 2012 and it rapidly became the highest ranked betting app. We followed it up with mobile and app versions of our Casino Club, Bingo, virtual sports and Vegas games, and rounded off the year by launching the iPad version of the Sportsbook in December.

HIGH TECH ON THE HIGH STREET

We're not just about technology online or on your mobile. We love technology in shops too, giving customers a great viewing and betting experience. Our new shop design, coming to 200 shops in 2013, has video walls, ticker tape-style information panels and price finders. And we've got 650 self-service betting terminals in shops for customers to place their bets, with more to come in 2013.

THE POWER OF THREE

High profile marketing has raised William Hill's brand profile significantly in recent years. Now, our brand is seen at sporting events across the UK, from football to racing, snooker to darts and greyhounds. When William Hill – 'Official Supporter' of the England football team – appeared on perimeter boards for the first time at the England vs Holland friendly in February 2012, downloads of our app increased significantly.

REACHING OUT…

William Hill has arrived in America. All 180 sportsbooks and bars in Nevada have been rebranded since we acquired three land-based sports betting businesses and we've already introduced customers to great in-play betting products. Now, Brits visiting Las Vegas are finding The Home of Betting away from home and locals in Nevada are finding out what makes William Hill one of the world's leading fixed odds bookmakers.

…IN MORE WAYS THAN ONE

And in Kenya, we're learning what it means to give something back. Our new long-term partnership with The Island School in Ol Maisor is improving educational facilities for more than 300 primary school children and their teachers, while our colleagues learn more about themselves, and their contribution to their colleagues, the business as a whole and the wider community.

35 → More on Community

OUR VIEWS ON THE MARKETPLACE

NEW OPPORTUNITIES WITH CHANGES IN REGULATION

THE MARKET TODAY

The gambling industry today comprises, primarily, casinos, bingo halls, betting shops, track-side betting, lotteries and online betting and gaming.

Land-based activities remain the channel of choice for most gambling customers. Online gambling first started in earnest in 1998. The advent of online gambling has made many governmental restrictions on gambling more difficult to enforce. This has led many governments to review their gambling regulations, a trend encouraged by governments seeking to tax the online gambling industry as a new source of tax revenues.

In many countries, gambling is either state-controlled or restricted to a small number of licencees. The key countries where it is possible to take a business-to-consumer approach are the UK, Spain, Italy, Australia and the State of Nevada in the US.

HOW THE MARKET IS CHANGING

Technology

The fastest-growing products today are supported by innovations in technology. In the UK, these include in-play betting and mobile gambling. This requires significant investment in innovation and know-how. Many national incumbent operators lack these capabilities, which provides an opportunity for those with such expertise.

Scale

The importance of having a large-scale operation is also increasing, for instance to make affordable investments in technology, marketing and core capabilities such as sports-betting trading, or to absorb the impact of regulatory changes or new taxation. International expansion further increases the benefits of scale and minimises the risks associated with exposure to any one country.

Regulation

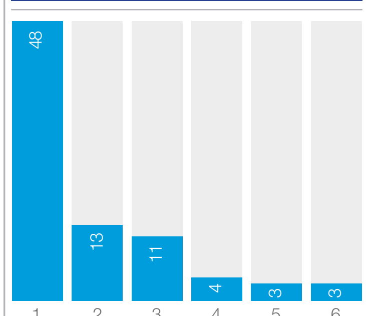
Changing regulation is a key feature of the gambling industry today, with many markets now revising their regulatory regime to cater for the internet. A legal framework typically involves the licensing of companies that are required to comply with a domestic regulatory regime and to pay gambling taxes in return for being allowed to advertise locally. This is a complex area, with each country taking a different approach, but William Hill believes that a competitive and regulated environment, such as the environment in the UK, drives out illegal gambling and delivers better value for customers in a safe and responsible way. While taxation and product restrictions may impact short-term performance, over the medium to long term the Group believes that the ability to advertise in local markets may mitigate this impact.

MULTI-CHANNEL SNAPSHOT

In the UK, William Hill continues to extend its multi-channel leadership position, with around 27% of the UK LBO market and a market-leading 15% of the online market. Our advantage in being multi-channel is only going to grow given how and where customers are betting. Younger customers in particular are increasingly multi-channel, with 30% of gamblers under the age of 25 using both shops and online. In fact, with 80% of the under 25 age group still frequenting shops, it is clear that they have not lost their relevance to the youngest customers.

Source: Kantar Retail Gambling Tracker, 2012.

Classification of regular UK gamblers %



1. National lottery
2. National lottery scratch cards
3. Other lotteries
4. Race betting/gaming machines
5. Private betting
6. Playing with friends

Source: Gambling Commission.

£5.8bn

UK gross gambling yield in Q2 2011 to Q1 2012.

9,000

operational licensed betting offices (LBOs) in the UK.

£1.7bn

Estimated UK gross gambling yield from onlne betting and gaming in 2011.

OVERVIEW OF THE UK GAMBLING INDUSTRY

During the period April 2011 to March 2012, the British gambling industry generated a gross gambling yield of £5.8bn, a rise of £0.2bn from the same period in 2010/11.[1] Licensed betting shops (LBOs), which combine over-the-counter sports-betting and gaming machines, represented 52% of this and are the largest single part of the UK gambling industry. LBOs were first legalised by the UK Government in 1961. There are currently approximately 9,000 LBOs, having peaked at around 14,000 LBOs in the 1980s. Since then, the market has consolidated into a handful of major providers and a number of small chains and independent operators. Consolidation across the UK retail gambling market continues as independent operators close while the major providers continue to open LBOs, benefitting from the scale of their operations. There are now four major businesses accounting for around 80% of all LBOs in the UK. Of these, William Hill has the largest estate in the UK, followed by Ladbrokes, Coral and BetFred.

In the past, the LBOs have seen step-changes driven by fiscal and regulatory change.

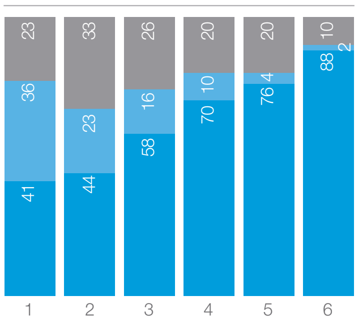
Since the turn of the century, there have been a number of positive changes with the move to a more favourable gross profits-based tax regime, the introduction of gaming machines and, under the 2005 Gambling Act, the legalisation of advertising, including on television. Changing customer habits have resulted in LBOs opening for longer to provide the flexibility customers demand and in bookmakers offering a wider range of betting and gaming products than ever before.

The online gambling sector has been well-established in the UK since about 1998 and has been regulated by the Gambling Commission since 2007. It is estimated to have generated £1.7bn[2] of gross gambling yield in 2011, of which sports-betting is the biggest contributor at £650m (around 38% of the total gross gambling yield), with casino at £547m (around 32%), poker at £260m (around 15%) and bingo at £256m (around 15%)[2].

William Hill Online is the single largest provider of online gambling services in the UK with an estimated 15% market share[2]. Thereafter, the major competitors are Betfair, Bet365, Paddy Power, Ladbrokes and Poker Stars. The majority of companies offering online gambling services to UK customers are located outside the UK, primarily in Gibraltar, the Isle of Man and the Channel Islands.

[1] Gambling Commision Industry Statistics, April 2009 to March 2012.
[2] Gambling Data, European Regulated Online Markets Data Reports 2012.

Retail remains the primary channel even among younger customers %

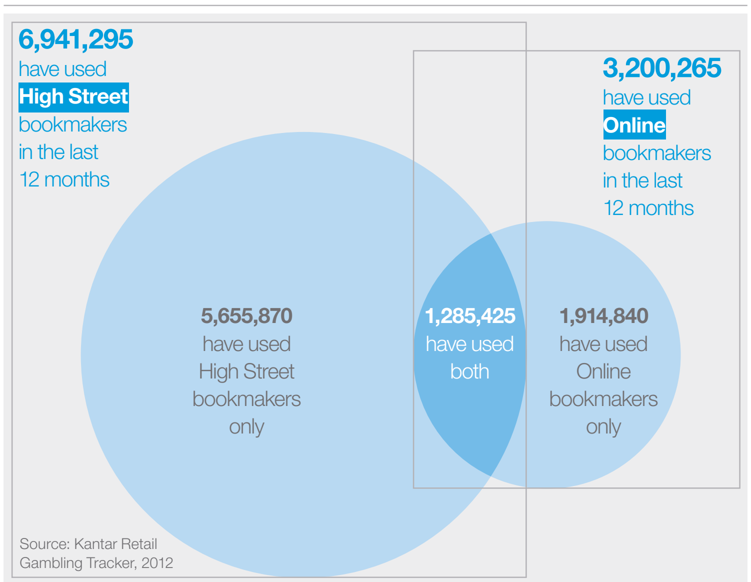


1. 18–24
2. 25–34
3. 35–44
4. 45–54
5. 55–64
6. 65+

Retail only | Retail and Online | Online only

Source: Kantar Retail Gambling Tracker, 2012.

UK market size: 8.9 million people gambled in the UK (Apr 2011 – Mar 2012)



Source: Kantar Retail Gambling Tracker, 2012

A LOOK AT OUR BUSINESS
RETAIL

UK RETAIL

NUMBER ONE ON THE HIGH STREET

WILLIAM HILL IS THE UK'S LARGEST HIGH STREET BOOKMAKER BY NUMBER OF LICENSED BETTING OFFICES (LBOS) WITH APPROXIMATELY 27% OF THE LBOS IN THE UK.

Retail is the largest William Hill division, generating 66% of our revenue in 2012 and employing 15,000 people in the UK. It continues to be a highly cash-generative business as we have substantially evolved its product range, including gaming machines, to better deliver what our customers want. LBOs are still the channel of choice for around two-thirds of the approximately 8.9 million UK customers who gamble[1]. LBOs remain popular with even the youngest generation of gamblers, with 84% of 18–25 year old gamblers using LBOs. As a low-ticket leisure activity, our view is that gambling in the LBOs has proved and is continuing to prove to be relatively resilient during the current difficult economic conditions.

MARKETPLACE AND REGULATORY POSITION

It is more than 50 years since the first betting shops opened in the UK and, today, we continue to develop our LBOs to reflect changing customer preferences and behaviours.

As a result, LBOs continue to represent the single largest proportion of the UK gambling industry outside the National Lottery, offering a wide range of products from betting on sports and other events such as reality TV to gaming, numbers and virtual racing.

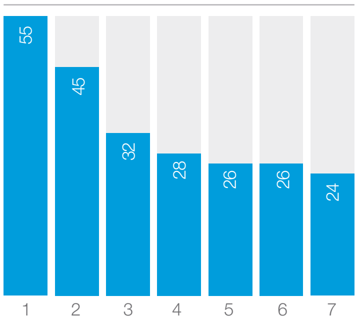
The Group operates in a highly regulated industry requiring specialist trading expertise, which favours large-scale businesses such as ours. This scale also drives cost efficiency and improved brand awareness. The regulatory environment for LBOs has not changed significantly since the 2005 Gambling Act legalised advertising and restricted the number of gaming machines per LBO to four. In February 2013, taxation of the gaming machines changed to Machine Games Duty at 20%, replacing VAT at 20% and Amusement Machine Licence Duty of £2,480 per machine per year.

57%
of our Retail colleagues are women.

15,000
people work in our Retail business.

[1] Kantar Retail Gambling Tracker, 2012.

Why a customer chooses a particular betting shop %



1. Customer service
2. Location
3. Range of bets
4. Shop facilities
5. Easy to bet with
6. Staff knowledge
7. Pricing

Source: Kantar Retail Gambling Tracker, 2011.

MAKING IT HAPPEN

Racing Post Manager of the Year
Barbara Berki (centre, below) from the Nursery Parade LBO in Luton won the prestigious Racing Post Shop Manager of the Year title in November 2012, having been one of two William Hill managers shortlisted in the final of this extensive review process and one of six regional finalists from the Group.

All six have been invited by William Hill with their partners to the Breeder's Cup in Santa Anita, California in November 2013 to celebrate their achievements and cash rewards went to them and their teams. Barbara was rewarded with a new £20,000 car as well.

A LOOK AT OUR BUSINESS
RETAIL

STRATEGIC PRIORITIES

We believe that LBO customers are looking for an entertaining and engaging experience, ranking convenience as their main reason to bet in LBOs per se and customer service as their reason for choosing a particular LBO. We continue to invest in improving the quality of the experience in our LBOs, whether through the use of technology, the product range or customer service, and we are expanding our LBO estate on a net basis by around 1% annually. We believe our Retail business has successfully stayed relevant to today's younger generation of gamblers by evolving our product range over time, particularly in relation to football betting and gaming machines. In this way, Retail has proven to be relatively resilient both to the advent of online and mobile gambling, and to the recent global economic downturn.

Given the current scale of the Retail business, competition rules prevent us from growing through significant acquisitions. We therefore aim to expand Retail organically and to increase our market share through the competitiveness of our product offering and the attractiveness of our in-shop experience, particularly through the development of technology and the quality of customer service.

Wider product offering

Our LBO product range has changed substantially over the last decade. Today, our principal products are machine-based gaming, horseracing, greyhound racing, football and numbers-based betting. We are continuing to adapt and expand our product range to meet changing customer needs. In 2012, for instance, we further developed our football coupon range, bringing to 25 the number of different coupons we are offering during the 2012/13 domestic football season. We are also trialling a new gaming machine cabinet, which capitalises on new technologies such as a touch-pad player panel.

Greater multi-channel usage

It is estimated that more than half of online customers also gamble in LBOs. We are using new technology to create an engaging betting and gaming experience, and encourage customers to use different channels through cross-channel promotions, particularly around gaming launches.

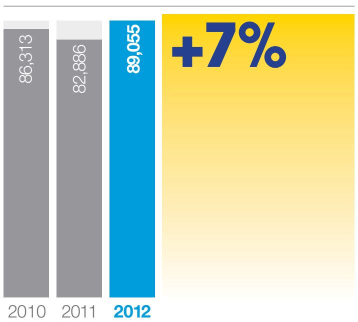
49%

of our shop managers are women and, on average, William Hill shop managers have served 13 years with the business.

33%

of our Retail colleagues are aged 18 to 24 years. William Hill is a big employer of people in this age group, which is currently experiencing a disproportionately high level of unemployment.

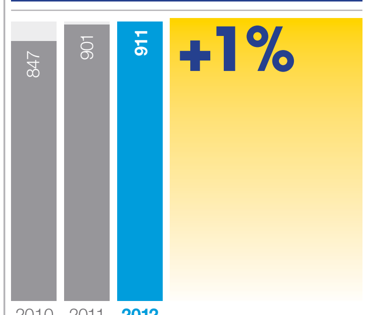
Average profit per LBO £



Retail delivered 6% net revenue growth with OTC net revenue up 7% and machines net revenue up 5%. Through good cost control, this translated into 7% profit growth overall and 7% on a per LBO basis based on an average of 2,375 shops. The estate increased to 2,392 by the year end.

Divisional KPIs

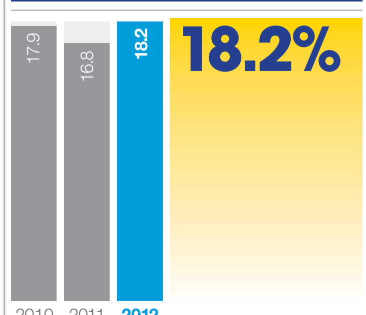
Average gross win per machine per week £



The average gross win per machine per week grew 1% (based on an average of 9,195 machines). Performance was negatively affected by the Olympic and Paralympic period, and by the high gross win margin, affecting recycling of stakes. We are trialling a new gaming machine cabinet in the early part of 2013.

Divisional KPIs

OTC gross win margin %



The strong gross win margin was a feature throughout much of the year as sporting results went in our favour. At 18.2%, the margin was ahead of our normalised 17-18% range, with football results in particular going in our favour. This did, however, affect recycling in both over-the-counter and the gaming machines.

Divisional KPIs

We have added another 350 self-service betting terminals to our existing 300. These give customers access to more betting opportunities than are available over-the-counter (OTC) and are particularly popular for building accumulator bets and for their multi-lingual service. Video walls are now available in 88 shops and will be added to another 180 in 2013.

We will also be rolling our new shop design into c200 shops in 2013. While we have a well-sited and geographically diverse estate, we continue to open new shops in areas where we are under-represented and plan to open a further 40–50 during the coming year. Typically we invest around £40m a year in the estate, with a target average return on expansionary investment of 15%. Around half of the investment is in refurbishments and half in growth opportunities, namely licences and resites. In the last five years, we have opened 264 new licences, increasing our estate by about 6%.

PERFORMANCE

Our highly cash-generative Retail business continued to deliver a positive performance in 2012, with net revenue 6% higher and Operating profit[1] up 7% on a 53-week basis[3].

OTC amounts wagered were 1% lower than in 2011, 3% lower on a 52-week basis[2]. Although staking benefitted from the Euro 2012 tournament, this was more than offset by: weather-related horse race fixture cancellations with 7% fewer horse race fixtures than in 2011 on a 52-week basis; weak trading through the Olympic and Paralympics periods; and reduced recycling levels related to a higher than average gross win margin. The OTC gross win margin of 18.2% was both above the normalised 17–18% range and 1.4 percentage points ahead of the comparator period. Driven by this stronger year-on-year margin performance, OTC net revenue was 7% higher.

Gaming machine net revenue continued to grow, up 5% in the year, with gross win per machine per week of £911 (52-week basis: £914) (2011: £901). We are currently trialling a new gaming machine cabinet, which capitalises on new technologies such as a touch-pad player panel, as well as rolling out marketing and reward functionality to the whole estate.

We continue to invest in expanding and enhancing the estate, and to innovate and improve the customer offering. We increased the Retail estate by a net 21 shops to 2,392 in 2012, opening 32 new licences and closing 11 during the period. A further 25 shops were re-sited. There was an average of 2,375 shops in the period, broadly in line with the prior year. Video wall systems were introduced successfully in a number of shops and we rolled out an additional 350 self-service betting terminals before the year end, bringing the total to 650.

On an underlying 52-week basis, costs increased in line with the Group's expectations at 4%, with total costs increasing 6% including the effect of the 53rd week.

With the benefit of Retail's operating leverage, its top line improvement and good cost control drove a 7% increase in Operating profit[1] to £211.5m (2011: £196.8m).

[1] Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.
[2] The 52-week results have been calculated by subtracting the 53rd week result from the audited results for the full 53-week period. Revenue and cost of sales for the 53rd week are actual figures, operating costs are pro-rata figures based on the December run rate and taxation is based on the effective rate for the year.
[3] The 2012 accounting period relates to the 53 weeks ended 1 January 2013, and compares to 2011 which is based on 52 weeks ended 27 December 2011.

EVERYONE MATTERS

The Retail Academy
We've always been proud of our track record in developing our people. Two of our last three Chief Executives have come from inside the business. Now, we've rolled out The Retail Academy, which offers the best Retail training in our industry. As well as providing comprehensive training for those new to the industry, with six days' off-site training in the first six months as well as intensive on-the-job training, it also offers the development needed for colleagues keen to develop their career into management positions in Retail and beyond.

32 → More on Colleagues

EVERYONE MATTERS

Longstanding service
These days it's rare for people to spend a lifetime with one company but there were 104 colleagues who celebrated either 25 years' or 40 years' service with William Hill at our annual Long Service Awards, held at The Oaks in Epsom in June. Ralph Topping, himself a William Hill lifer, particularly values our long servers and, in 2012, he gave away no fewer than eight Caribbean cruises as well as city breaks and trips to football and racing.

32 → More on Colleagues

OUTSTANDING SERVICE

Customer care
We know how important great service is to our customers but it's not just about making it an enjoyable experience in the shops. It's also about making it a responsible experience. In 2012, under our 'Think 21' programme, colleagues challenged customers to prove their age. We've also encouraged colleagues to record the times when they engage with customers about their betting or gaming patterns if they're concerned about problem gambling and saw a substantial rise in reporting but a much smaller rise in the number of customers electing to 'self-exclude'.

32 → More on Colleagues

A LOOK AT OUR BUSINESS
ONLINE

ONLINE

THE UK'S LEADING ONLINE BETTING AND GAMING BUSINESS

WILLIAM HILL ONLINE IS NOW THE UK'S LEADING ONLINE GAMBLING BUSINESS, INNOVATING IN ITS PRODUCT RANGE AND CONTENT TO PROVIDE A COMPETITIVE SPORTS BETTING AND GAMING OFFERING, WHETHER ONLINE OR BY TELEPHONE, TEXT OR SMARTPHONE.

Over the last five years, William Hill has increasingly focused on developing its online and mobile offering. In December 2008, we combined our Sportsbook-led interactive business with certain gaming assets acquired from Playtech Limited to create the William Hill Online joint venture, owned 71% by William Hill and 29% by Playtech. Under the joint venture agreement, William Hill had two call options to acquire Playtech's shareholding, exercisable in the first quarter of either 2013 or 2015. On 1 March 2013, we announced the proposed aquisition of the 29% not already owned by the Group for £424m. This requires shareholder approval, for which a resolution will be proposed at an Extraordinary General Meeting to be held on 18 March 2013.

The formation of William Hill Online was a catalyst for the transformation of our online performance. In particular, it led to a scaling up of William Hill Online's operations, the recruitment of personnel with specialist expertise from outside the business and an increase in our level of marketing investment. William Hill Online has also substantially improved its product range by combining specialist sports betting expertise with the latest technology developments and adding improved gaming software.

Now, William Hill Online has established itself as the UK's leading online gambling company by revenues[1]. As part of the Group's multi-channel model, William Hill Online now manages our telephone operations as well as internet, mobile and text betting.

MARKETPLACE AND REGULATORY POSITION

Online, including mobile, remains the fastest growing segment of the gambling industry. Online gambling is a highly fragmented market with a large number of high-profile companies but no player with substantial cross-European market share. Low barriers to entry encouraged many start-ups but barriers to success are increasing, such as sports betting expertise and scale and expertise in marketing.

The UK was the first European country to regulate online gambling under the 2005 Gambling Act. The ubiquity of internet access and issues of effective control have led more EU countries to review their regulatory approach, further encouraged by the European Commission.

Italy and France were the first to establish licensing regimes followed by countries such as Spain and Denmark. In the UK, the Government is looking to change the basis of its regulation from point of transaction to point of consumption, and has indicated its intention to start taxing companies offering services to UK customers on that basis at a rate of 15% of gross profits from December 2014.

STRATEGIC PRIORITIES

William Hill Online's strategy focuses on maximising its UK market share through product development and channel innovations, such as mobile betting and gaming. Estimates indicate that William Hill Online has successfully increased its market share to 15%[1] as a result of revenues growing by more than 20% per annum since 2010.

[1] Source: Gambling Data, European Regulated Online Markets Data Report, 2012

HUNGRY FOR SUCCESS

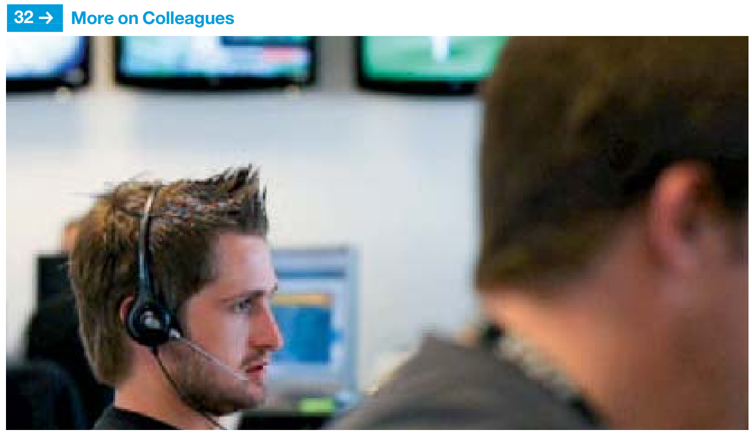
Industry Pride of the Year
Anna Conley, Head of New Channels at William Hill Online, scooped the top gong at the prestigious Women in Gaming Awards in June 2012. She was presented with the 'Industry Pride of the Year' Award, the overall accolade with the winner selected from all the finalists of the evening. Anna had already been named 'Star of the Future' at the 2011 awards. Her 2012 award was for 'one exceptional woman whose vision, innovative approach and success make her an outstanding role model'.

MAKING IT HAPPEN

Preventing underage and illegal activities
Online's approach to preventing underage and illegal activities is as rigorous as Retail's, if not more so. We go through a series of checking procedures, including using external sources, to verify a new customer's age within the initial 72-hour period following the opening of and deposit into an account. Thereafter, we monitor customers for risk and fraud management reasons, and for anti-money laundering purposes.

In 2011, the Gibraltar Regulatory Authority implemented its Anti-Money Laundering Code of Practice. We already had in place the appropriate systems for training, reporting, customer due diligence, monitoring, record keeping and screening of risk customers. In our view, our procedures for monitoring risk customers are second to none, with daily checks of our customer database against databases of Politically Exposed Persons, international sanctions lists and Special Interest Persons.

32 → More on Colleagues



A LOOK AT OUR BUSINESS
ONLINE

William Hill is also taking its online offering in a focused way into a small number of other countries, focusing on markets with a strong gambling culture and a competitive regulatory framework in which it has the ability to offer as many products as possible, with Sportsbook and Casino being William Hill Online's most important products.

Wider product offering

William Hill Online provides all the major products – Sportsbook, Casino, Poker and Bingo – and has licensed market-leading software to support these products. Our strategy centres on Sportsbook, which plays to William Hill's core strength and brand, to facilitate the cross-sell of sports betting customers into gaming and to provide high-quality gaming attractive to pure-play gaming customers. In our view, Sportsbook is the most effective way to attract and retain customers, with a lower cost per acquisition, the longest customer lifespan and the best cross-selling potential. Sportsbook customers also have greater brand loyalty, with, on average, four or five Sportsbook accounts but typically using two most frequently.

Leveraging William Hill's enhanced Trading capability, the Sportsbook product range has been substantially expanded in recent years and continues to be developed. In particular, Online now has the market-leading in-play football and tennis offering and is rolling out its capability across a range of other sports. In 2012, we enhanced our basketball, tennis and football systems to deliver substantial increases in the number of matches covered annually and implemented models for a number of minor sports, such as volleyball, beach volleyball and table tennis, to increase the range of betting opportunities in these sports ahead of the Olympics.

Greater multi-channel usage

With more markets available than ever before, it becomes ever more critical to make it easy for customers to bet when they want on what they want. We continually improve the ways for customers to find new bets and access our systems in different ways at different times.

The use of mobile technology is now an established trend in the sector. While PC and laptop usage is still widespread, it is projected that mobile devices will shortly overtake both as the primary access point for the internet, even at home.

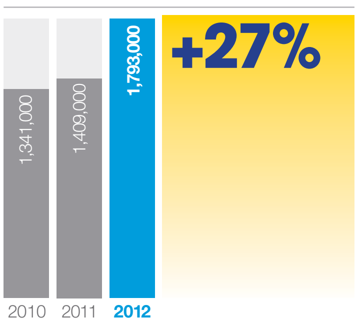
Mobile betting and gaming was a major focus for William Hill Online in 2012 and remains a priority. In February 2012, the Sportsbook app was admitted to the App Store and was downloaded 668,350 times in the first year. We launched an iPad version of the Sportsbook in December. Turnover from mobile devices accounted for 26% of Sportsbook amounts wagered in 2012 as a whole and was as high as one-third in December. Our mobile gaming offering has been significantly expanded during the year.

Increased internationalisation

Approximately 80% of William Hill Online's revenues in 2012 came from the UK, Spain and Italy, with the remaining 20% spread across more than 100 other countries, though with a bias towards major territories in Europe.

Online is focusing on a small number of core territories for its international expansion strategy. In defining a core territory, we focus on markets with a strong gambling culture and a competitive regulatory framework, including: the ability to offer as many products as possible, with Sportsbook and Casino being the most critical to us;

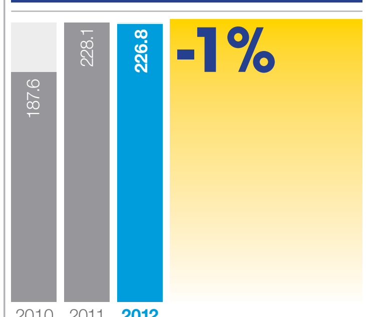
Unique active players No.



Online net revenue was 27% higher in 2012, with strong growth in new accounts up 35% and unique active players up 27% to 1.8 million. Strong growth was seen in the UK Sportsbook, Casino and Bingo products, and Italy and Spain where Online has taken local operating licences. Poker declined as this business continued to be reshaped to improve its profitability.

Divisional KPI

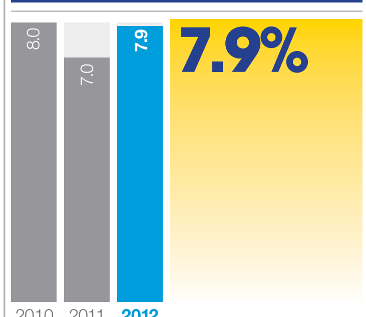
Revenue per unique active player £



Net revenue per unique active player fell 1% overall. Sportsbook and Casino grew 14% and 7% respectively but Bingo and Poker declined 24% and 12%. However, the profitability of all products has improved either through faster revenue growth or through marketing and cost management.

Divisional KPI

Sportsbook gross win margin %



As with Retail OTC, the strong gross win margin was a feature throughout much of 2012. Against a normalised range of around 7%, the Sportsbook gross win margin was 7.9%. This comprised an in-play margin of 4.8%, within the normal 4-5% range, and a pre-match margin above the normal 8-9% range at 10.1%.

Divisional KPI

a reasonable tax rate, preferably a gross profits tax; and the strength of any incumbent operators, particularly in the sports betting field.

In 2012, William Hill Online expanded its Italian website, www.williamhill.it, by adding Sportsbook, Bingo and Slots to the Casino offering launched in 2011. In May 2012, it launched its Spanish website, www.williamhill.es, with Sportsbook and Casino table games.

The perception of Britain's heritage in gambling and in sports betting in particular is proving a strength on which William Hill Online is capitalising in its advertising campaigns.

PERFORMANCE

William Hill Online delivered another outstanding performance in 2012. Net revenue was 27% higher and Operating profit[1] was 36% higher, with 35% growth in new accounts and with unique actives up 27% to 1.8 million.

Sportsbook amounts wagered increased 36%. Favourable sporting results were a feature of much of the year, giving a gross win margin of 7.9% (2011: 7.0%), above the normal expected range of c7%. In-play margin was within the normal range at 4.8% (2011: 4.6%) and pre-match margin was above the normal range at 10.1% (2011: 8.7%). Sportsbook net revenue grew 50% to £166.7m benefitting from the combination of both staking growth and the strong margin.

Gaming net revenue increased 14% in total to £240.0m (2011: £210.2m), with the strongest growth coming from Playtech Casino, up 23%, and Vegas Casino, up 15%. Our exclusive and innovative new Live Casino, which was officially launched in September as part of the Vegas Casino product range, grew 57% in the year. Bingo net revenue was up 7%. Poker net revenue continued to decline, down 11%, although changes made to the management of this product have substantially improved its profitability.

Mobile betting and gaming has been a key focus for management during 2012. Mobile Sportsbook accounted for 26% of all Sportsbook turnover in the year.

The UK accounted for 74% of Online's revenues in 2012. The mix of its non-UK revenues continues to evolve with website and product launches in the locally licensed Spanish and Italian markets during the year set against the closure of operations to customers from certain markets, notably Greece in December 2012. The total adverse impact of the 2012 closures on an annualised basis is expected to be in the range of £7–9m Operating profit[1].

Operating profit[1] was 36% higher at £145.3m (2011: £106.8m). The non-controlling interest for Playtech was £41.2m (2011: £31.3m).

[1] Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

MORE MOBILE IN 2012

Our top-ranked Sportsbook app, supplemented in December by an iPad app, has delivered more than 90,000 new customers. We have also innovated with a series of gaming apps and mobile sites.

FINANCIAL REVIEW

CONTINUED STRONG CASH GENERATION

OPERATING PROFIT[1] GREW BY 20% IN 2012, FROM £275.7M IN 2011 TO £330.6M IN 2012. BASIC ADJUSTED EPS GREW BY 21% FROM 24.2P IN 2011 TO 29.4P IN 2012.

The 2012 financial year featured an additional trading week as compared to 2011 which had 52 trading weeks. The additional week is estimated to have generated £22.0m of net revenue, £2.8m of cost of sales, £15.1m of net operating expenses, £0.1m of income from associates, and £4.2m of Operating profit[1].

With the Group seeing an additional £52.6m of net cash inflow from operating activities (from £241.7m in 2011 to £294.3m in 2012) net debt for covenant purposes fell from £416m at the end of 2011 to £339m at the end of 2012.

PRE-EXCEPTIONAL INCOME STATEMENT

The Group saw net revenue grow by 12% or £140.2m in 2012, from £1,136.7m in 2011 to £1,276.9m in 2012. The main contributors towards this growth were William Hill Online, which saw £85.4m or 27% of additional net revenue and Retail which saw £48.2m or 6% added. The new US operations contributed £8.9m and the remainder fell back by £2.3m.

Cost of sales for the Group was £172.2m, up 5% on the prior year (2011: £163.6m). This line includes taxes, levies and royalties relating to the operation of a betting and gaming company. Online cost of sales grew due to increases in taxes paid in licensed territories and as a result of business growth in Casino, Vegas and mobile Sportsbook. Retail cost of sales grew due to the additional gross profits tax arising as a result of OTC net revenue growth. Telephone benefitted from a £3.4m accrual release which was no longer required, relating to taxes and other cost of sales.

Pre-exceptional net operating expenses, including other operating income, grew 11% from £703.4m in 2011 to £782.8m in 2012. The Online business saw 21% growth in pre-exceptional net operating expenses, driven by a 24% increase in marketing costs and a 19% increase in other operating costs. The major areas of cost growth in this category include IT and associated depreciation, bank charges, content costs and employee cost growth.

Pre-exceptional net operating expenses in Retail grew 6%, of which 2% was driven by the impact of an additional trading week in 2012. Adjusting for this, labour costs grew 2% across the year, and rent grew 5%, with year-over-year progression impacted by an accrual release in 2011. Content costs grew 7%. The Group saw an additional £10m of pre-exceptional net operating expenses following the acquisition of the US businesses in June 2012. In total, the Group saw £5.0m of amortisation in 2012 relating to acquired intangibles, of which £3.6m arose in Online (2011: £3.6m) and £1.4m arose following the US acquisition. Pre-exceptional net corporate expenses rose by £3.7m, largely due to increases in corporate staffing levels and other employee costs including bonuses, as well as due to increases in legal and consultancy expenses. Other operating income was £4.7m (2011: £4.4m).

Following a stronger year, the Group saw £3.7m of contribution from its associate SIS (2011: £2.4m).

Operating profit[1] grew strongly to £330.6m versus £275.7m in 2011. After amortisation, pre-exceptional Group earnings before interest and tax (EBIT) was £325.6m, up 20% on the prior year (2011: £272.1m).

Pre-exceptional net finance costs rose slightly from £32.7m in 2011 to £32.9m in 2012. Pre-exceptional pre-tax profit for the year was £292.7m, up 22% on the comparable number (2011: £239.4m).

EXCEPTIONAL COSTS

The Group recorded £15.0m of pre-tax exceptional costs in 2012 (2011: £52.0m). Of this, £14.5m were operating exceptional expenses and £0.5m were non-operating finance costs.

The non-operating finance costs relate to valuation losses on ineffective interest rate hedges. The underlying hedging instruments that gave rise to this valuation movement have now fully expired.

Of the operating exceptional items, £4.6m relates to a back tax claim settled with the Spanish tax authorities. £5.3m relates to the acquisition by the Group of three Nevada-based businesses and their subsequent integration. Together with £1.7m of exceptional cost expensed in 2011, this totals £7.0m. Finally, the Group has incurred £4.6m of cost relating to the potential purchase of Sportingbet plc. Additional costs relating to this potential acquisition will be incurred in 2013.

TAXATION

Pre-exceptional tax on profit was £48.2m (2011: £41.5m) at an effective tax rate of 16.5% (2011: 17.3%).

This benefitted from a deferred tax credit arising as a result of the drop in enacted UK corporation tax rates to 23%. There will be a further deferred tax credit in 2013 arising as a result of scheduled reductions in the UK corporation tax rate.

There was also a £2.2m benefit arising from the release of prior year provisions no longer deemed necessary and a £1.7m deferred tax credit relating to prior years. Tax on exceptional items was a £1.5m credit (2011: £0.6m credit), making the total tax for the Group for 2012 £46.7m (2011: £40.9m).

Looking ahead and prior to taking into account the effect of the proposed acquisitions, the Group expects that the pre-exceptional effective tax rate on profit for 2013 will be around 15% and the cash tax effective rate will be around 20%.

EARNINGS PER SHARE

Pre-exceptional profit for the year was £244.5m, up 24% on the prior year comparable (2011: £197.9m). Profit for the period grew by 58% to £231.0m (2011: £146.5m), which included £41.2m (2011: £31.3m) relating to the non-controlling interest in William Hill Online. This larger growth movement largely reflects the fact that 2011 saw a substantial non-cash goodwill write-down in exceptional costs.

Basic adjusted earnings per share grew by 21% from 24.2p in 2011 to 29.4p in 2012. This reflects the strength of growth in profit for the period and benefits from the reduction in the effective tax rate. The adjustments made relate to exceptional items and to the amortisation of acquired intangible assets: adjustments which reflect the key business metric of Operating profit[1] and give a better sense of underlying business progress. Basic earnings per share were 27.0p (2011: 16.5p).

CASH FLOW AND BALANCE SHEET

The Group had drawn borrowings of £410m at the end of the year, from total active facilities of £855m. Additionally to this, the Group has £325m of short-term bridge facilities in place but not utilised, relating to the pending acquisition of Sportingbet assets as well as the potential acquisition of the William Hill Online non-controlling interest. Net debt for covenant purposes, which takes into account available and unrestricted cash, was £339m, lower by £77m than the equivalent year-end position in 2011.

This benefitted from the generation of £294.3m of net cash inflow from operating activities, up £52.6m on the prior year equivalent. The growth in Operating profit[1] contributed materially to this improvement. Working capital movements showed a favourable £26m benefit, of which around £10m related to the phasing out of Amusement Machine Licence Duty ahead of the introduction of Machine Games Duty in early 2013.

Of the Group's net cash inflow from operations, £82m was spent on investing activities and £175m on financing activities, leaving £37m of additional net cash and cash equivalents. Of the investing activities, capital expenditure of £66m made up the majority together with the net cash consideration payable for our US acquisitions made during the year. In 2013, the Group expects to spend between £80m and £90m on capital expenditure. Of our financing outflows, around £71m related to dividend payments, £39m to payments made in relation to non-controlling interests and £68m related to repayment of debt.

The Group's accounting pension deficit benefitted from ongoing contributions made payable by the Company as a result of a funding plan agreed between the Group and the pension trustees. The deficit also benefitted from favourable returns in the scheme assets. These positive factors contributed to the pension deficit falling from £34.1m to £21.1m over the year.

Neil Cooper
Group Finance Director

[1] Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

MANAGING OUR RISKS

RISK MANAGEMENT PROCESS

The Board routinely monitors risks that could materially and adversely affect William Hill's ability to achieve strategic goals, financial condition and results of operations, supported by executive management and the Internal Audit team. Risks are identified and monitored through a series of risk workshops and risk registers, both at the Group level and within the key divisions. Where we identify risks that are not acceptable, we develop action plans to mitigate them with clear allocation of responsibilities. Progress is monitored at the executive level and reported upon to the Board's Audit and Risk Committee.

A more extensive list of risks is provided in the investor relations section of our corporate website at www.williamhillplc.com. The summary below is of key risks identified in our corporate risk register, which are assessed on the basis of impact, likelihood and control effectiveness.

AREA OF RISK	What's the issue?	What are we doing to address the issue?
UK and overseas taxation and duties	In the current economic climate, governments may seek to tax the gambling industry more to increase their revenues. In addition, many governments are introducing new taxation regimes as they change regulations to take account of online gambling. In particular, there are ongoing moves to change the UK online licensing regime to a 'point of consumption' model, which could result in taxation of UK online revenues.	– Senior management are responsible for regulatory issues and work with an internal team and various industry bodies to build relationships with political decision-makers and to make representations to government. – The Group actively engages in relevant government consultations. For instance, we supported reports by Deloitte and Gambling Compliance to help inform HM Treasury about the implications of different online taxation models. – As a Group, we are seeking to reduce our exposure to the UK, which accounted for 91% of 2012 revenues, by investing selectively in other territories.
UK and overseas regulation	The regulatory position in online gambling is changing rapidly, particularly in Europe where several countries are implementing tax and regulatory regimes. Around 20% of Online's revenues came from territories which do not recognise the licences it holds, which could be at risk if regulatory change leads to taking custom from a particular existing market becoming unattractive, either in terms of the tax regime or if the appropriate products are not regulated. In addition, regulation of gaming machines in the UK continues to have a high profile in the media and among politicians, with related consultations ongoing.	– We continually monitor the changing legal landscape and adapt our international strategy on a country-by-country basis. William Hill Online is targeting a small number of core countries in which to operate locally licensed websites, ensuring focused investment of marketing spend in priority markets and, over time, increasing visibility on long-term revenues. – Senior management are responsible for regulatory issues and work with an internal team and various industry bodies to build relationships with political decision-makers and to make representations to government. The Group actively engages in relevant government consultations, such as the stakes and prizes review being undertaken in spring 2013.
Key supplier relationships	The Group is dependent on a number of key suppliers for operations, software, systems, marketing and customer services in both Retail and Online. Contractual, operational or financial failures could cause significant damage to the business and multiple supplier failure would be a catastrophic issue for the business.	– We have strong, active working relationships with key strategic and software partners, with identified owners of key relationships. – All significant contracts and service level agreements go through a robust procurement process to ensure terms and service levels provide effective protection for the business. – We monitor key supplier performance and processes are under review to strengthen this further.
Business continuity and disaster recovery preparedness	The Group's continuity of operation could be hampered or stopped by any number of incidents, from a technology failure to a terrorist attack. In particular, the Group is reliant on extensive IT systems and, if our primary systems failed and back-up systems were ineffective, our ability to offer products and pricing to customers could be seriously curtailed or shut down altogether. This is exacerbated by the rapid growth of Online.	– Business continuity planning and disaster recovery are regularly reviewed by executive management and the Board. – Plans have been or are being put in place for all key operations including, where appropriate, the provision of alternative sites that could be accessed at short notice. – Back-up IT systems have been put in place for business critical systems, generally in different geographic locations from the main system. However, this is not intended to be a full duplication of the operational systems as this would not be cost effective so some day-to-day activities could be curtailed should an incident occur.

AREA OF RISK	What's the issue?	What are we doing to address the issue?
UK and international growth opportunities	The UK accounted for 91% of Group revenues in 2012. While increasing our UK market share is a key growth driver in our short- and medium-term strategy, diversification of the Group's revenue sources by expanding into new territories is a key goal. Globally, a number of governments are changing or considering changing their regulation of gambling, which could present opportunities for William Hill to expand.	– We perform extensive analysis of different markets and closely monitor regulatory changes in different countries to identify expansion opportunities. The Corporate Development Office manages lead identification and M&A support, such as the US acquisitions and the Sportingbet Australia acquisition. – Online is targeting its international expansion on a small number of territories (primarily where we can take a local licence), ensuring focused investment of marketing spend in priority markets. – The acquisitions in Nevada and, potentially, Australia are intended to give the Group a foothold in new markets and to reduce our dependence on the UK.
The economic climate	The economic climate remains challenging and uncertain. Whilst business performance has been relatively resilient to this so far, this may not continue to be the case as areas of discretionary spending, such as gambling, could come under further pressure. Inflation could also increase our cost base which, in a business with a high level of fixed costs, would be difficult to mitigate.	– Business performance is carefully monitored against plans and forecasts, with frequent reviews. In this way, the business will become aware quickly should economic changes begin to impact performance. In this event, there would be cost-cutting opportunities dependent on the Board's view of the nature and timing of the slowdown. – We are also expanding into new international markets and aim to reduce our dependence on one territory, the UK.
Data protection and technology risk	The risk of cyber attacks, distributed denial of service (DDoS) or unauthorised access is a key issue for the industry and the wider online world. In addition, failure to comply with regulations regarding the use of personal customer data could risk litigation or damage to our corporate reputation.	– The Group's Retail, Telephone and Online divisions are compliant with the Payment Card Industry Data Security Standard and we regularly test the effectiveness of these systems. – Online undertakes regular external security scans and has controls in place to mitigate the effects of DDoS attacks against our systems.
Regulatory compliance	We have to ensure we have robust processes for meeting the UK Gambling Commission's three licensing objectives and for complying with all the regulatory requirements of the jurisdictions we operate in. Continuing changes in regulation, particularly of online gambling, could result in a regulatory breach and sanctions if not identified in a timely manner. Technology solutions put in place to block access to customers from certain jurisdictions may fail. Failure to detect money laundering or fraudulent activities could adversely affect our financial condition.	– A Group-wide review has been carried out to determine the design and operating effectiveness of the compliance operations and reporting. – A specific review has also been undertaken, with third party validation, to assess the risks in our Online operation and to ensure that preventative controls for William Hill US are effective. – We adhere to the Proceeds of Crime Act 2002 in the UK and online gaming is a regulated sector for money laundering. We have in place a number of processes to detect and report suspicious activity, and to handle requests for assistance from law enforcement agencies and regulators, all of which is overseen by the Group's Money Laundering Reporting officer.

CORPORATE RESPONSIBILITY

BEING A RESPONSIBLE BUSINESS

OUR AIM IS TO BE A RESPONSIBLE BUSINESS, PROUD OF OUR PLACE IN SOCIETY – A BUSINESS THAT TREATS ITS COLLEAGUES, CUSTOMERS AND LOCAL COMMUNITY WITH RESPECT. WE RECOGNISE THAT, FOR US TO CONTINUE TO GROW AND BE SUCCESSFUL, WE NEED TO TAKE A LONG-TERM VIEW OF OUR RELATIONSHIPS WITH THOSE WHOSE LIVES ARE TOUCHED BY WILLIAM HILL.

To this end, during 2012 we reviewed the framework for the Group's Corporate Responsibility activities and agreed The William Hill Commitment. This outlines how we intend to behave towards our colleagues, our customers and members of the communities in which we operate.

We have also improved our reporting of these important areas, to show the kinds of activity we are undertaking to live up to the Commitment. For the first time, we have published a separate report, which is available online and as a hard copy.

Ashley Highfield
Chairman, Corporate Responsibility Committee

READ OUR CR REPORT

You can download our CR report from **www.williamhillplc.com** or request a copy by sending your name and address to ir@williamhill.co.uk. Alternatively, please call the Investor Relations team on +44 (0) 20 8918 3600.

OUR HOME PRINCIPLES

HOME was established in 2010 in response to the results of our employee engagement survey that year. The four principles are based on feedback from colleague focus groups on what William Hill means to them. They define our values and way of working at William Hill. These principles, grouped under the acronym HOME, link into the Group's brand as The Home of Betting.

HUNGRY FOR SUCCESS

Always looking to do better than before, thinking of new ways of doing things and taking the best from our heritage to drive the future of betting and gaming.

OUTSTANDING SERVICE

Putting our customers first at all times, always looking to exceed their expectations.

MAKING IT HAPPEN

Embracing change and innovation, trying new things, new ideas, being empowered to make decisions and to implement change.

EVERYONE MATTERS

Celebrating what people do to support each other, the customers and the business, considering everyone, recognising skills, expertise and others' contribution.

THE WILLIAM HILL COMMITMENT

COLLEAGUES

We know that committed and engaged employees give the best service, encourage customer loyalty to William Hill and are the most effective team members. We believe every colleague matters, that they should work in a safe and stimulating environment and have the opportunity for development and career progression on merit, without barriers.

CUSTOMERS

William Hill stands for outstanding service and our reputation is built on our customers trusting that we will behave openly and fairly towards them. We aim to treat our customers in the way that we would, ourselves, like to be treated. We are strongly committed to achieving the goals of the regulations under which we operate, including protecting the vulnerable and keeping crime and disorder out of our business.

COMMUNITY

We recognise the sustainability of our business depends not only on year-to-year financial performance but also on support from a wide group of stakeholders, including the local communities in which we do business, and other businesses and industries affected by ours. We also recognise our responsibility to communicate clearly, regularly and on a timely basis with our shareholders. In 2012, William Hill was ranked as having the best investor relations in the European leisure and hotels sector in the Institutional Investor 2012 All-Europe Executive Team Survey.

CORPORATE RESPONSIBILITY

COLLEAGUES

Throughout 2012, we continued to embed our HOME principles across the Group and held our first ever HOME Awards in May 2012. These recognised a range of achievements in areas such as customer service, innovation and inspiration, and celebrated our Community Champions and HOME Heroes for their contribution to the community and for best exemplifying the HOME principles.

DEVELOPING OUR COLLEAGUES

A comprehensive talent review process, which started in 2011, was updated in 2012 to assess our top 200 managers from across the Group, individually and collectively, and to identify their development needs and succession potential. A number of high potential individuals identified by the first review have undergone a 14-month programme to develop both their commercial and leadership skills.

We also rolled out The Retail Academy, which offers the best Retail training in the industry. As well as providing comprehensive training for those new to the industry, it offers the development needed for colleagues to develop their career into management positions in Retail and beyond.

Our Different Perspectives initiative, which initially focused on developing women managers of the future, moved on in 2012 to encouraging managers to develop the balance in their lives between working, playing, giving and learning. An initial group of 50 managers are giving their time to a variety of charities, most with a personal or local connection to William Hill colleagues. The vision is to extend this initiative further to ensure more colleagues are developing themselves through charitable giving.

The William Hill Foundation, established in 2011, continued to support colleagues and their families in times of hardship. We achieved charitable status for the Foundation in 2012 and have since brought Project Africa, our Kenya-based community project, within the remit of the Foundation (see 'Community'). A donation of £15,000 to the Island School in Ol Maisor kick-started the project, for which colleagues have since raised more than £15,000.

HEALTH, SAFETY AND SECURITY

Westminster City Council (Westminster CC) now acts as Primary Authority over health and safety in our Retail business. During 2012, we jointly reviewed our health and safety management system and security issues, and Westminster CC representatives visited LBOs and our head office, and attended training sessions for Retail colleagues. The health and safety objectives for 2013 have been shared with Westminster CC.

Since September 2012, we have been recording violence in the workplace using a simpler and more accurate measuring system. This includes incidents of verbal abuse as well as physical assault to give us a clearer picture of the issues faced by Retail colleagues.

A programme to install 'StaffSafe' in all higher risk shops is now largely complete. This multi-function security system offers protection to colleagues from anti-social behaviour, provides immediate support after an incident and has been successful in combating burglary. There are currently around 300 LBOs fitted with the system. Safe havens have also been fitted in a total of 835 LBOs.

CELEBRATING OUR COLLEAGUES ACHIEVEMENTS

HOME achievements are recognised annually at the HOME Awards and those colleagues who have achieved 25 or 40 years' service are celebrated at the annual Long Service Awards. Both are highlights of the William Hill calendar.

Casino VIP team in Manila won the Outstanding Service category at the 2012 HOME Awards.

CORPORATE RESPONSIBILITY

CUSTOMERS

PROTECTING THE VULNERABLE – AGE VERIFICATION AND PROBLEM GAMBLING

Customers in LBOs must be over the age of 18 and we apply a 'Think 21' approach to ensure this. Our age verification testing methodology was changed in 2012 to measure colleagues' effectiveness in challenging those who appear to be under the age of 21 at different stages of engagement. Across the Retail estate, our overall challenge rate has consistently been between 70% and 75%, with improvements in those 'challenged upon entry'. Under-performance is tackled directly by operational management.

During the year, we reviewed our policy and procedures in Retail for colleagues' interaction with customers about responsible gambling. In particular, we have encouraged shop teams to provide written reports describing conversations they have had with those customers they suspect may have issues with their levels of gambling. We have also focused on: combining trends from centrally held customer logs with specific local knowledge; ensuring that shop teams escalate their concerns even if they do not feel able to have a conversation about responsible gambling with a customer themselves; and having a small number of experts who can lead and advise in more difficult cases. These improvements led to a 450% increase in written accounts of interactions but, in the same period, self-exclusion numbers rose only 18%, with much of that increase likely to be linked to our move from a maximum five-year exclusion period to a fixed one-year term in April 2011.

CUSTOMER SERVICES

We continue to focus on constant improvement in our customer service. Responsibility for a co-ordinated approach to customer service has, for the first time, been brought under one role, the Group Director of Customer Service. Ahead of this, the Retail Customer Relations team was restructured with some aspects outsourced, the mystery shopper programme in Retail was improved to make it more qualitative and stringent, and William Hill Online started a new external benchmarking programme.

PREVENTING MONEY LAUNDERING

As part of an ongoing commitment to prevent our business being a source of crime and disorder, preventing money laundering has been a focus in 2012. In Retail, we have conducted awareness sessions across the business, which resulted in an increase in the number of internal suspicious activity reports. We also implemented an ongoing monitoring system for shop customers identified as possible high risk for anti-money laundering purposes. In Online, we have well-established systems for training, reporting, customer due diligence, monitoring of customer activity, record keeping and screening of risk customers.

COMMUNITY

ENVIRONMENT

In June 2012, DEFRA announced that all companies listed on the main market of the London Stock Exchange would be required to report their levels of greenhouse gas emissions (GHGs), which would apply to William Hill's 2014 Annual Report. We have calculated our material GHG emissions in 'CO2 equivalent' (CO2e).

PROJECT AFRICA

In the last year, we have started a long-term relationship with The Island School in Ol Maisor, which educates just over 300 primary school children in a remote area of Kenya. This project is a unique blend of personal development and corporate responsibility, and our vision is to get every single person at William Hill involved in Project Africa in some way, by helping with the projects, by donating things to the school or by raising money. In October, our first team helped build a library and refurbish the existing classrooms, and our second team, visiting in February 2013, continued this work and built accommodation for the headmaster and his family. For more information, visit our website at www.williamhillprojectafrica.org.

CHARITABLE DONATIONS

In 2012, we made charitable donations of £1,045,739, the largest proportion of which was £821,766 paid to the Responsible Gambling Trust to support its work in problem gambling-related research, education and treatment. We made donations totalling £108,189 in support of employees' fundraising activities, an increase of 45% compared to 2011.

INDUSTRY RELATIONSHIPS

We continue to support the horseracing industry through the statutory levy of 10.75% on gross win from British horseracing activities, providing £16.6m in 2012. We also support other sports through donations and sponsorship, including £2.3m to the British Greyhound Racing Fund. We have significantly extended our sponsorship activities in recent times and support sports as diverse as football, darts and snooker.

FTSE4GOOD INDEX

William Hill has again been included in the FTSE4Good Index, which has been designed to measure objectively the performance of companies against globally recognised CR standards. William Hill has been a member since 2005.

CO2 EQUIVALENT EMISSIONS

51,557

We have, for the first time, collated an emissions figure (tonnes of CO2 equivalent) for the Group, covering 'Scope 1' (direct, e.g., vehicles, refrigerant gases,) and 'Scope 2' emissions (indirect energy, e.g., electricity and gas). It excludes CFC refrigerant gases such as R22, travel figures relating to fuel used in company vehicles and Scope 3 emissions as these are not required under the current draft regulations.

MESSAGE FROM THE CHAIRMAN
CORPORATE GOVERNANCE

A MILESTONE YEAR FOR WILLIAM HILL

GOOD STRATEGIC PROGRESS

In many ways, 2012 has been a milestone year for William Hill, both for the very strong financial performance and also for the significant progress made in the strategy to expand internationally.

Corporate development has been a high priority on the Board's agenda. The Group established a footprint in the US in June 2012, having been licensed in Nevada. At the time of printing this report, the proposed acquisitions of Sportingbet's Australian and Spanish businesses and of Playtech's 29% in William Hill Online are both ongoing and expected to conclude in March and April 2013, respectively.

The Corporate Development Office, established by the Chief Executive to focus on strategic developments and innovation, has led the efforts in this area and the Group has successfully positioned a good mix of talented and experienced individuals as part of this team. It was also from this team that the new Managing Director of William Hill Online, Andrew Lee, was drawn.

CONTINUING PEOPLE DEVELOPMENT

People development has been a key focus and was flagged through the Board evaluation process as one of the areas to continue to prioritise. Succession planning remains a high priority for the Board, including for the Chief Executive role and other critical positions. Our preference is always to look internally first for candidates and we are developing a cadre of talented senior management, with focused development programmes ongoing for certain individuals. At the same time, we continue to scan the external market to ensure we have the widest range of options open to us at the appropriate time. Recruitment and development of talent has always been one of our priorities and the Group has made good progress, including evaluating its talent pool through two years of the talent review process (discussed on page 33), rolling out the Retail Academy and completing a programme for high potential individuals. Project Africa is also proving an interesting development opportunity for senior managers, encouraging them through their engagement with the primary school project in Kenya to challenge their ways of thinking and engaging with those inside and outside the business.

COMMUNICATION WITH STAKEHOLDERS

As a Board, we remain committed to high standards of corporate governance and corporate responsibility in the furtherance of shareholders' and other stakeholders' interests, and continue to make good progress in these areas. We have further enhanced our reporting this year, including providing a detailed summary of the 2012 Board evaluation process and its conclusions. In addition, recognising both the demand for more information and the volume of good work we are doing in this area, we have published a separate Corporate Responsibility report for the first time (see page 30 for details).

ENGAGEMENT WITH SHAREHOLDERS

Ensuring we understand shareholders' views is very important to the Board. Our executive directors, Ralph Topping and Neil Cooper, regularly meet with shareholders, particularly around results announcements. We have also been proactive in reaching out to a wider shareholder base, both in our home market in the UK and also in the US and Europe.

In addition, the Senior Independent Non-executive Director, David Edmonds, and I twice met with corporate governance representatives of the major shareholders to discuss governance, remuneration and succession issues. The first meetings took place ahead of the Annual General Meeting (AGM) and, recognising the concerns voiced by shareholders through the substantial vote against our Remuneration Report at the 2012 AGM, we followed these with a second set of meetings in December. On both occasions, we have also engaged with those who represent shareholders, such as the ABI and ISS, to discuss these concerns.

We are encouraged by the level of share ownership among the workforce and have been pleased to see more colleagues taking up this option, both in the UK and internationally, in the past year. We strongly encourage colleagues to share in the success of the business through the Save As You Earn scheme.

ANNUAL GENERAL MEETING

The AGM remains a valued way for the Board to meet with shareholders, particularly those who may not otherwise have the opportunity to engage with the Board and senior managers. Our 2013 AGM is scheduled for 11.00 a.m. on 9 May 2013 at The Cavendish Conference Centre in London. We look forward to seeing you there.

Gareth Davis
Chairman

BOARD OF DIRECTORS

As at 1 January 2013, and for the whole of 2012, the Board comprised six Independent Non-executive Directors (including the Chairman) and two Executive Directors who are collectively responsible for the long-term success of the Company. The roles of Chairman (as fulfilled by Gareth Davis) and Chief Executive (as fulfilled by Ralph Topping) are separated, clearly defined and were reviewed during 2012 and approved by the Board. David Edmonds is the Senior Independent Non-executive Director.

During the period, the Company satisfied the UK Corporate Governance Code (the Code) requirements that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent.

The proportion of women members of the Board currently stands at 25%. The Company regards each of David Edmonds, Ashley Highfield, David Lowden, Georgina Harvey and Imelda Walsh as Independent Non-executive Directors. It regards Gareth Davis as independent when appointed Chairman.

Board balance

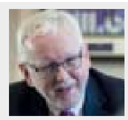
The Board comprises individuals with wide business experience gained in various sectors of industry and in the public sector.

The directors' aim is to ensure that the balance of the Board reflects the changing needs of the Group's business.

Each director has access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed and is also the Company's General Counsel) and, as required, external advice at the expense of the Group.

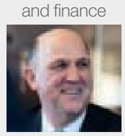
The report which follows explains how we have applied the principles of good corporate governance advocated by the UK Corporate Governance Code published by the Financial Reporting Council in June 2010. It is the view of the Board that the Company has been compliant with the principles of the Code during the whole of 2012.

Board balance

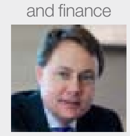


Ralph Topping
Bookmaking and gaming

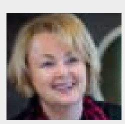
David Lowden
International business and finance



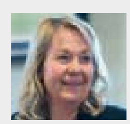
Neil Cooper
Leisure, international business and finance



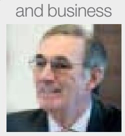
Imelda Walsh
Retail and HR



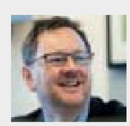
Georgina Harvey
Media and publishing



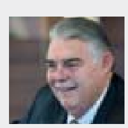
David Edmonds
Regulatory, public sector and business



Ashley Highfield
Media and technology



Gareth Davis
International regulated business



BOARD OF DIRECTORS

GARETH DAVIS
Chairman

Responsibilities:
Chairman of the Board
Responsibility for best practice corporate governance

Board committees:
Nomination Committee (Chairman)
Corporate Responsibility Committee
Remuneration Committee

Current directorships:
Wolseley plc (Chairman)
DS Smith PLC (Chairman)

Former roles:
Chief Executive, Imperial Tobacco Group PLC

Year of appointment:
2010

RALPH TOPPING
Chief Executive

Responsibilities:
The Group's overall strategic direction, the day-to-day management and profitability of the Group's operations

Board committees:
Corporate Responsibility Committee

Current directorships:
Scottish Premier League (Non-executive Chairman)
Scottish Football Association (Director)

Former roles:
Various roles within William Hill PLC

Year of appointment:
2007. Appointed Chief Executive in February 2008

NEIL COOPER
Group Finance Director

Responsibilities:
Finance, strategic planning and investor relations.

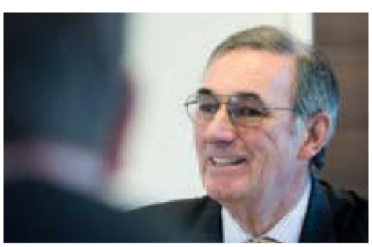
Current directorships:
SIS Holdings (Non-executive Director)

Former roles:
Finance Director, Bovis Homes Group PLC
Group Finance Controller, Whitbread PLC
Commercial Finance Director, Whitbread Hotels & Restaurants division
Other finance and divisional roles, Whitbread PLC
Consultant, PricewaterhouseCoopers
Finance and project management roles, Reckitt & Colman PLC

Qualifications:
Management Accountant (FCMA)

Year of appointment:
2010

DAVID EDMONDS, CBE
Senior Independent Non-executive Director



Board committees:
Corporate Responsibility Committee
Remuneration Committee
(Chairman untill 31 Dec 2012)
Audit and Risk Management Committee
Nomination Committee

Current directorships:
Barchester Healthcare Ltd. (Board Member)
Swanton Care & Community Ltd. (Chairman)

Other organisations:
Chairman, NHS Shared Business Services
Chairman, Legal Services Board
Board Member, London Legacy Development Corporation
Governor, Kingston University

Former roles:
Chairman, Wincanton plc
Chairman, NHS Direct Health
Trust Director General of Telecommunications at Oftel Legal Services Commissioner Trustee, Social Market Foundation
Board Member, Keele University Science & Business Park Ltd
Board Member, Office of Communications
Board Member, English Partnerships

Year of appointment:
2005

ASHLEY HIGHFIELD
Independent Non-executive Director

Board committees:
Audit and Risk Management Committee
Corporate Responsibility Committee (Chairman)
Nomination Committee

Current directorships:
Johnston Press PLC (Chief Executive)
BAFTA (Member)
British Film Institute (Governor)

Former roles:
Managing Director and Vice President, Microsoft UK
CEO, Project Kangaroo
Director, New Media & Technology
Member of executive board and management board, BBC
Managing Director, Flextech Interactive Limited

Qualifications:
Chartered Information Engineer (CEng)
Fellow of Royal Society of Arts (FRSA)

Year of appointment:
2008

DAVID LOWDEN

Independent Non-executive Director

Board committees:
Audit and Risk Management Committee (Chairman)
Remuneration Committee
Nomination Committee

Current directorships:
Berendsen plc (Non-executive Director)
Michael Page International plc (Non-executive Director)
Rice2 Limited (Chairman)

Former roles:
Non-executive Director, Cable & Wireless Worldwide plc
Chief Executive, Taylor Nelson Sofres PLC
Chief Operating Officer, Taylor Nelson Sofres PLC
Group Finance Director, Taylor Nelson Sofres PLC
Group Finance Director, Asprey Plc
Chief Financial Officer, A.C. Nielsen Corporation
Various senior finance roles in Norcros Plc, Federal Express Corporation and KPMG

Qualifications:
Chartered Accountant

Year of appointment:
2011

GEORGINA HARVEY

Independent Non-executive Director

Board committees:
Remuneration Committee
Corporate Responsibility Committee
Nomination Committee

Former roles:
Managing Director of Regionals, Trinity Mirror plc
Managing Director of Wallpaper Group, IPC Media
Managing Director of IPC Advertising, IPC Media
Sales Director, IPC Magazines
Various sales and advertisement roles, Express Newspapers

Year of appointment:
2011

IMELDA WALSH

Independent Non-executive Director

Board committees:
Remuneration Committee (Chairman from Jan 2013)
Audit and Risk Committee
Corporate Responsibility Committee
Nomination Committee

Current directorships:
Comic Relief (Trustee)
Institute of Employment Studies (Board member)
Now Pensions Ltd. (Trustee)
Mentoring Foundation (Non-executive Director)

Former roles:
Human Resources Director, J Sainsbury Plc
Human Resource Director, Barclays Bank Plc
Commercial Human Resources Director, Coca-Cola & Schweppes Beverages Ltd
Human Resources Diageo Plc
Commissioner, Workplace Retirement Income Commission

Year of appointment:
2011

THOMAS MURPHY

General Counsel and Company Secretary

Responsibilities:
Legal, Regulatory, Internal Audit, Security and Business Systems

Former roles:
General Counsel & Company Secretary, RHM Plc
General Counsel, The Automobile Association

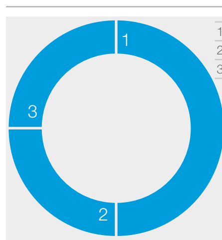
Qualifications:
Solicitor

Year of appointment:
2007

BOARD COMPOSITION AND APPROACH

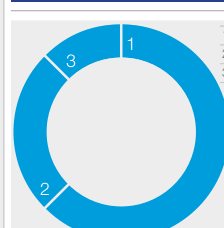
The Board of William Hill remains committed to high standards of corporate governance, which we consider to be central to the effective management of the business and to maintaining the confidence of investors. The Corporate Governance section of the Annual Report describes how we achieve these standards and comply with the UK Corporate Governance Code 2010.

Composition of the Board



1. Male non-exec	4
2. Female non-exec	2
3. Executive	2

Length of service of Board members



1. 0–3 years	5
2. 3–6 years	2
3. 6–9 years	1

STATEMENT ON CORPORATE GOVERNANCE

ROLE OF CHAIRMAN, CHIEF EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR

Throughout 2012, the Chairman, Gareth Davis, was responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. The Chief Executive, Ralph Topping, is the executive responsible for the running of the business. The Senior Independent Non-executive Director's main role is to satisfy the function outlined in the Code of being available to shareholders if there are concerns which normal contact has failed to resolve, to lead the process for evaluating the Chairman's performance and to chair the Nomination Committee when it is considering succession to the role of Chairman. No one individual has unfettered powers of decision making.

The role specifications of Chairman, Chief Executive and Senior Independent Non-executive Director were reviewed and updated, where appropriate, during 2012. These reviews were undertaken in response to the guidance notes issued by the Financial Reporting Council (FRC) entitled 'Guidance on Board Effectiveness'. The Chairman's role now includes taking the lead on issues of Director development and encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience and knowledge. The role of the Senior Independent Director has now been updated to provide the rest of the Board with a clear understanding of when he/she might intervene to maintain Board and Company stability.

Gareth Davis satisfied the independence criteria detailed in provision A.3.1 of the Code upon his appointment as Chairman on 1 September 2010. Details of the Chairman's other significant commitments are set out on page 38 (which includes acting as the non-executive Chairman of a FTSE 100 company).

Matters reserved

The Board considers that its primary role is to provide leadership to the Group, to set the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices.

The Board operates within a formal Schedule of Matters Reserved to it. This schedule is reviewed and updated on a regular basis. Other powers are delegated to the various Board Committees and senior management. Details of the roles and responsibilities of the Board Committees are set out within this report. Papers for Board and Committee meetings are circulated in advance of the relevant meeting and where a director is unable to attend he or she continues to be provided with a full copy of the papers and has the opportunity to comment on the matters to be discussed.

Matters reserved to the Board include, amongst other matters:

- setting the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the Chief Executive;
- reviewing Group performance;
- reviewing the arrangements in place relating to regulatory and industry issues;
- approving the appointment and removal of any Board member and the Company Secretary;
- reviewing and approving the terms of reference of the various Board Committees and receiving reports from Committee Chairmen on a regular basis;
- approving changes to the Group's capital structure, any significant acquisitions and disposals, capital investment projects and material contracts;
- approval of the Group's annual plan, Annual Report and Accounts and Interim Statement, and setting the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide corporate responsibility policies;
- undertaking reviews of Board, Committee and individual director performance at least annually; and
- succession planning for senior management and the Board (on the recommendation of the Nomination Committee).

The authority delegated to senior management provides a practical framework to executive management, which seeks to achieve the dual objectives of maintaining effective financial and operational controls whilst providing sufficient flexibility to manage the business. Examples of areas of such delegated authority include: the release of capital expenditure against approved budgets; treasury activity within approved limits; payroll processing; property transactions; LBO development activities; the setting of bet acceptance limits; and routine transaction processing.

How the Board operates

The Chairman, along with the executive directors and Company Secretary, has established Board processes designed to maximise its performance. Key aspects of these are shown below.

– Board meetings are timetabled to ensure adequate time for discussion of each agenda item.
– Board discussions are held in a collaborative atmosphere of mutual respect allowing for questions, scrutiny and constructive challenge, where appropriate.
– Full debates allow decisions to be taken by consensus (although any dissenting views would be minuted accordingly).
– The development of strategy is led by the executives with input, challenge, examination and ongoing testing from the Non-executive Directors.
– Group strategy is reviewed by the Board, most particularly at the Board's annual strategy meeting, with strategic matters being reviewed as appropriate at each main meeting.
– Good working relationships exist between Non-executive Directors and non-Board members of the senior management team, which are encouraged by the executive directors.
– Members of the senior management team draw on the collective experience of the Board, including its Non-executive Directors.
– Comprehensive reporting packs are provided to the Board, which are designed to be clear, accurate and analytical, whilst avoiding excessive and unnecessary information.
– Reporting packs are normally distributed at least four working days in advance of Board meetings, enabling them to be as up-to-date as possible whilst allowing sufficient time for their review and consideration in advance of the meeting.
– Management accounts with commentary are distributed to the Board on a regular basis. The Board regularly reviews risk management and challenges this where appropriate.
– The Board systematically visits the Group's business locations both to review its operations and to meet with local management.

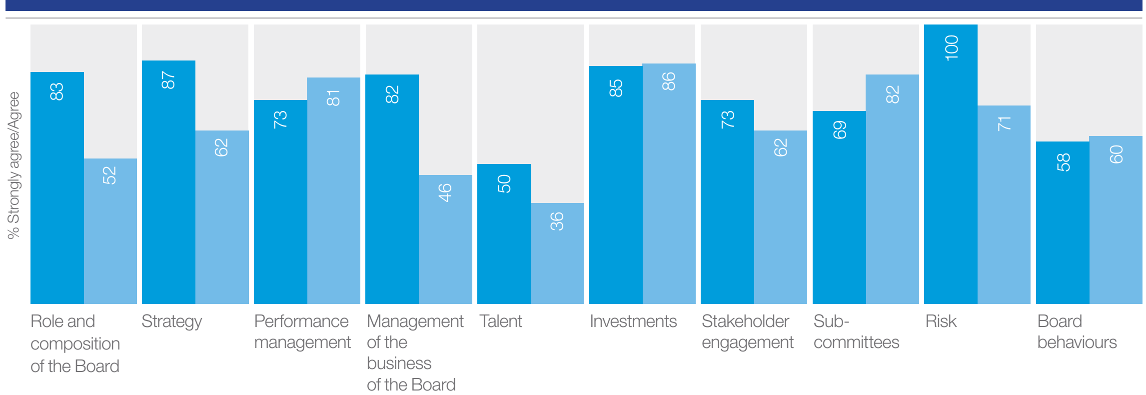
Information and professional development

The Board receives reports from management on the performance of the Group at Board meetings and other information. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and directors are encouraged to attend external seminars on areas of relevance to their role.

An induction programme covering a range of general, industry, and Group specific information is provided and this is supplemented by an ongoing series of meetings with external advisers and employees. Induction programmes are in place for appointment to the Board Committees. Ongoing familiarisation is also encouraged and monitored.

All directors have access to the advice and services of the Company Secretary who is also the Group's General Counsel. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

Ratings of Board members against best practice, 2012 vs. 2009



As part of the Board evaluation process the tables above summarises the views and opinions of all Board members about the effectiveness of the Board. This is based on the ten areas of Board performance identified in the questionnaire, and the interviews which probed on these views and on the evidence supporting them.

In the interviews Board members were asked to support their ideas and opinions with evidence, examples and where possible data. In a few cases the ratings were amended in light of these discussions, with the agreement of the Board member concerned.

The questionnaire ensured that the discussions were systematic and covered all aspects of the Board's performance. The interviews then enabled Board members to express their own particular point of view on these topics.

■ 2012 (N=10) ■ 2009 (N=7)

STATEMENT ON CORPORATE GOVERNANCE

Attendance at Board and Board Committee Meetings

Details of Board and Committee attendance during 2012 are set out in the table below.

	Board		Audit and Risk Management Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee
	Scheduled	Ad hoc				
Number of meetings held	9[1]	2	5	4	2	5
Meetings attended						
Gareth Davis	9	2	N/A	4	2	5
Neil Cooper	9	2	N/A	N/A	N/A	N/A
David Edmonds	9	1	5	4	2	5
Georgina Harvey	9	2	5	4	2	5
Ashley Highfield	7	2	4	4	2	4
David Lowden	9	1	5	4	2	5
Ralph Topping	9	2	N/A	4	N/A	N/A
Imelda Walsh	9	2	5	4	2	5

[1] The Board held 9 scheduled meetings (including an off site Strategy Day with senior managers) and 2 ad hoc meetings held to consider specific issues during 2012. The Directors listed above were all appointed for the whole of 2012. Ashley Highfield missed two scheduled Board meetings and David Edmonds and David Lowden both missed one ad hoc meeting. The figures shown in the table include both attendances in person and by telephone.

Summary of Board activity during the year

Each scheduled Board meeting reviews individual reports received from the Chief Executive, the Group Finance Director and the General Counsel.

Other discussions at the 2012 Board meetings included:

- Nevada
- William Hill Online joint venture
- Overseas expansion
- Board evaluation and governance
- Budget 2013

Presentations made to the Board included:

- Business systems
- Risk management
- Corporate development
- Marketing
- Investor relations
- Talent management and succession planning
- Overseas business developments

Board performance evaluation

A review of the effectiveness of the Board was undertaken by SCT Consultants between August and November 2012. This work was led by Margaret Exley who had conducted the previous Board evaluation in 2009 to provide continuity and enable a fair comparison between the 2012 results and those for 2009. This work was started by conducting a series of interviews with all Board members based on a questionnaire which had previously been completed by each director. The purpose of the interviews was to clarify their views, further probe for evidence and examples, and to ensure that all aspects of Board performance were covered. In addition, each of the committees and the main Board were observed in action, and a variety of routine Board documents were examined which would throw light on the effectiveness of the Board on a day-to-day basis. In presenting the findings of these investigations, the evaluation also took into account the work that has been done on external best practice in corporate governance as recommended by the Financial Reporting Council and contained within the UK Corporate Governance Code.

The Board evaluation confirmed that an area that has been much strengthened over the past three years was strategy and execution. It reported that under the Chief Executive and with the strong leadership and engagement of the Chairman, the Board has developed a clear strategy of becoming more international and more mobile, based on a very strong online business. The strategy has been debated thoroughly within the Board and this has put the Group in a stronger position. The executive team led by the Chief Executive is now taking the lead on the execution of the strategy and the Board is engaged in all significant decisions.

In relation to the management of the business of the Board, the Board evaluation recorded that the Board meetings are chaired extremely effectively and that the current Chairman has had a big impact on the effective management of the Board. Board members see the Chairman as having very good interpersonal skills, being challenging but also supportive, straightforward and clear in what he wants from Board members. The meetings are chaired in a manner that allows all participants the opportunity to express a view or ask questions which get the Board to a decision.

Conclusions

As a result of the follow-up interviews with the Directors, the strongest ratings were found to be in risk management, strategy formulation and execution, and the role and composition of the Board.

In comparison with the review in 2009, there were found to be some very significant improvements in the composition of the Board, the strategy development process, the chairmanship of the Board, stakeholder engagement and risk management. Less improvement was seen in the effective operations of the committees and in talent and performance management.

Recommendations

The principal recommendations following the Board evaluation were as follows.

The Board should continue to strengthen and develop its membership to reflect the increasing scale and complexity of the business and to prepare for possible Chairman and planned Chief Executive succession.

The strategy formulation and development process should be developed to ensure that non-executive members are given a full opportunity to help identify strategic themes and shape the strategic direction of the business.

In its regular reporting cycle, the Board should look more widely at business performance in the round, including more people, customer and comparative market measures, alongside the financial measures.

Committee membership should be streamlined and the timing of meetings adjusted to improve their effectiveness.

More work needs to be done on building a strong pipeline of talent, including regular Board reviews of the talent development strategy to reflect future leadership and business strategy.

The Chairman and Chief Executive should continue to develop a climate where challenge is welcomed and differences respected.

Board Committees

The Remuneration Committee, the Nomination Committee, the Audit and Risk Management Committee and the Corporate Responsibility Committee are standing committees of the Board.

The terms of reference of the Committees, including their objectives and the authority delegated to them by the Board, are available upon request or via the Group's corporate website (www.williamhillplc.com) and are regularly reviewed by the relevant committee and the Board. All committees have access to independent expert advice as necessary. Appointments to Board committees are for three-year terms extendable by no more than two additional three-year terms.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association, as approved by shareholders at the Company's 2009 Annual General Meeting, include provisions reflecting recommended practice concerning conflicts of interest. The Board has in place procedures for directors to report any potential or actual conflicts to the other members of the Board for their authorisation where appropriate. In deciding whether to authorise a conflict or potential conflict of interest only non-interested directors (i.e., those who have no interest in the matter under consideration) will be able to take the relevant decision; in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the directors may impose conditions or limitations when giving authorisation if they think this is appropriate.

Relations with shareholders

The Board remains committed to maintaining good relationships with both institutional and private shareholders. There is a regular dialogue with institutional shareholders, although care is exercised to ensure that any price sensitive information is released at the same time to all shareholders, in accordance with the requirements of the UK Listing Authority.

Presentations provided to institutional shareholders and analysts following the publication of the Group's quarterly financial results are made available on the Group's corporate website, www.williamhillplc.com, and a recording of the results presentations and trading update can be accessed via telephone for a period following the meeting.

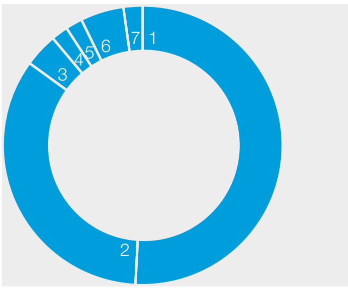
The Chairman is available to discuss strategy and governance issues with shareholders and David Edmonds, as the Senior Independent Non-executive Director, is available to shareholders if they have concerns that have not, or cannot, be addressed through the Chairman or Group Finance Director. Meetings between the Chairman, Chief Executive and/or the Group Finance Director and shareholders have been held on request to discuss governance and corporate responsibility issues generally.

Summary of meetings with shareholders during the year

The Group obtains feedback from its brokers, Citigroup and Investec, on the views of institutional investors on a non attributable basis and the Chief Executive and/or Group Finance Director communicate the issues and concerns of major shareholders to the Board. In 2011, the Board commissioned an independent audit of shareholders' views and an audit of the Investor Relations programme of activities. As a matter of routine, the Board receives regular reports from its advisers on issues relating to recent share price performance, trading activity and institutional investor sentiment. The Board also receives copies of relevant analysts' reports on an ad hoc basis and has the support of an in-house Investor Relations team. This team was proud to receive the Best IR (European Travel and Hotels) award in the Institutional Investor magazine 2012 European Survey.

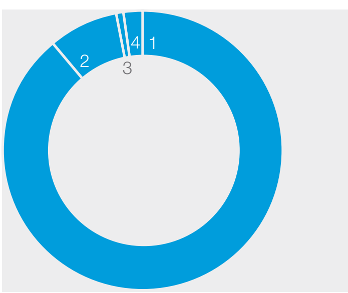
STATEMENT ON CORPORATE GOVERNANCE

Geographical split of shareholders %



1.	UK	51
2.	US	34
3.	Germany	4
4.	Norway	2
5.	Japan	2
6.	Rest of Europe	5
7.	Rest of World	2

Total shareholder composition %



1.	Institutional	89
2.	Non-institutional	8
3.	Retail	1
4.	Other	2

AGM

The Board regards the AGM as an important opportunity to communicate directly with all shareholders. Board members, including the chairmen of the Remuneration, Nomination, Audit and Risk Management, and Corporate Responsibility Committees, attended the 2012 meeting and intend to attend the forthcoming meeting in 2013 and to be available to answer questions. In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the AGM held in 2012 are announced at the relevant general meeting and are made available on the Group's website following the meeting. The website also contains copies of the Notice of Meeting and explanatory notes. A separate resolution is proposed on each substantially separate issue. It is intended to continue with these practices for 2013 and future shareholder meetings. It is planned to post the Notice of the 2013 AGM to shareholders with the Annual Report and Accounts at least 20 working days prior to the date of the meeting.

Re-election of directors

The Articles of Association of the Company require that any newly appointed directors will be subject to election at the following AGM and also that directors will submit themselves for re-election at least once every three years.

In accordance with the provisions of the Governance Code, the Board has agreed that all directors should be subject to annual re-election by shareholders.

Internal control

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. Executive directors and senior management are responsible for the implementation and maintenance of the internal control systems, which are subject to yearly review that is documented. The Internal Audit department maintains an assurance framework recording the key internal controls in every division and department throughout the Group.

The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with both the Turnbull Guidance on Internal Control, and the revised guidance issued by the Financial Reporting Council in June 2010, and has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

Each year the Board assesses the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems) on the basis of:

- established procedures, including those already described, which are in place to manage perceived risks;
- regular reports by management to the Audit and Risk Management Committee on the adequacy and effectiveness of internal control systems and significant control issues;
- the continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives;
- reports to the Audit and Risk Management Committee on the results of internal audit reviews and work undertaken by other departments; and
- management's controls self-assessment.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

The Board regularly reviews the actual and forecast performance of the business compared with the annual plan, as well as other key performance indicators.

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit and Risk Management Committee receives reports on a regular basis on compliance with the Group's policies and procedures.

No significant failings or weaknesses were identified as a result of the review of the effectiveness of the Group's system of internal control.

Assessment of risk

A corporate risk register is maintained and is regularly updated following detailed review by Internal Audit and senior management during the year. The register is approved annually by the Audit and Risk Management Committee and the Board. The register records the key risks facing the business, the assessment of the likelihood of the risks crystallising and their potential materiality, and the Group's response to each risk. Responsibility for management of the risks is attributed to senior management.

The Board uses the control and risk management processes to identify and manage any significant risks arising from social, environmental and ethical issues. Further details of the Group's corporate responsibility practices are described on pages 48 and 49 and in the separate Corporate Responsibility Report.

Internal Audit

The Internal Audit department reviews the extent to which systems of internal control are effective; are adequate to manage the Group's significant risks; safeguard the Group's assets; and, in conjunction with the Company Secretary (who is also the Company's General Counsel), ensure compliance with legal and regulatory requirements. It provides independent and objective assurance on risks and controls to the Board and senior management.

Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a structured risk assessment process involving executive directors and senior management. The output from this process is summarised in an annual audit plan, which is approved by the Audit and Risk Management Committee. The Acting Head of Internal Audit reports regularly to the Audit and Risk Management Committee.

The role of the Internal Audit department and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

Going concern

The directors have prepared the financial statements on a going concern basis consistent with their view, formed after making appropriate enquiries, that the Group is operationally and financially robust. More details of the Group's going concern can be found in the Accounts section of this report on page 76.

Remuneration

The Directors' Remuneration Report is set out on pages 51 to 63.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee oversees the effectiveness of the Group's financial reporting, internal control and risk management. It also monitors the integrity of the Group's financial statements and the effectiveness of the Internal Audit function.

MEMBERSHIP, MEETINGS AND REMUNERATION

Set out below is the membership of the Audit and Risk Management Committee together with the year in which membership commenced and for 2012. During the year, all the members of the Committee were Independent Non-executive Directors.

Director	Year of appointment
David Lowden, Chairman	2011
David Edmonds	2005
Georgina Harvey	2011
Ashley Highfield	2009
Imelda Walsh	2011

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chairman and during the year the external auditor Chairman, Chief Executive, Group Finance Director, Director of Corporate Risk, Head of Internal Audit and the Group Financial Controller would usually attend all or some of the meetings to report to the Committee and provide clarification and explanations where appropriate. The Committee also meets with the external auditors without executive management present on a regular basis. The Committee met on five occasions during the year and details of attendance at committee meetings is set out on page 42.

The Chairman of the Committee, David Lowden, has recent and relevant financial experience. He is a chartered accountant and has previously held senior financial positions within other international companies. David Edmonds and Ashley Highfield are both financially literate and have significant general business experience of executive roles in both private and public organisations and details of each director's significant current and prior appointments are set out on pages 38 and 39.

Role of the Audit and Risk Management Committee

The Committee's principal responsibilities are to:

- review and advise the Board on the Group's interim and annual financial statements, its accounting policies and to monitor the integrity of the financial statements and announcements relating to financial performance;
- review the major risks affecting the Group and assist the Board with reviewing the effectiveness of the controls operating over the Group's financial and non-financial risks;
- review the nature and scope of the work to be performed by the external and internal auditors, the result of that work and management's response, and their effectiveness;
- oversee the relationship with the external auditor, including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group;
- meet with the executive directors and management, as well as privately with both the external and internal auditors; and
- report to shareholders annually on its role and responsibilities.

The Chairman of the Audit and Risk Management Committee reports to the Board on the outcome of meetings.

A formalised whistle-blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters is in place and has been operating during the year. It is the responsibility of the Committee to monitor its effectiveness and any notifications made.

The Committee has access to the services of the Internal Audit and Company Secretarial departments and is authorised to obtain independent professional advice if it considers it necessary.

MAIN ACTIVITIES DURING 2012

The Committee has discharged its responsibilities during the year by performing the following activities.

Financial statements

During the year, the Committee reviewed and discussed the financial disclosures made in the preliminary results announcement, Annual Report and Accounts, interim statement and the other trading statements made by the Group together with any related management letters, letters of representation and reports from the external auditor. Significant financial reporting issues and judgements were considered together with any significant accounting policies and changes proposed to them.

Internal control and risk management

The Committee has reviewed the Group's internal control and risk management systems and has received reports from a number of departments, and, where appropriate, presentations from senior management, on the major risks faced by the Group and the procedures established to identify, assess, manage, monitor and report on these risks. The Committee has reviewed and approved the statements on internal controls on pages 44 and 45.

External auditor

The Committee has responsibility for overseeing the relationship with the external auditor and approves the external auditor engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external auditor attends each committee meeting and at least annually meets with the Committee without executive management.

The Chairman of the Committee also meets privately with the external auditor. Letters of representation are reviewed prior to signature by executive management.

During the year, the Committee received regular reports from the external auditor including a formal written report dealing with the audit objectives; the auditor's qualifications, expertise and resources; effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board.

The external auditor management letter is reviewed, as is management's response to issues raised. The Committee monitors the ethical guidance regarding rotation of audit partners and a change in audit partner was made during 2009 when the audit partner was rotated off the audit in accordance with the latest guidance. The current audit partner was appointed following interviews with the Committee Chairman and the Group Finance Director and subsequent approval by the Committee.

The Committee regularly reviews the Group's written policy regarding the employment by the Group of former employees of the external auditor and the policy on non-audit services provided by the external auditor. The Committee approves any non-audit work to be undertaken by the external auditor involving fees in excess of £25,000. Where no committee meeting is scheduled within an appropriate time frame, approval is sought from the Committee Chairman and subsequently ratified at the next meeting. All non-audit services provided by the external auditor are reported to the Committee at its next scheduled meeting. The external auditor is excluded from performing any day-to-day accountancy work for the Group. The policy also sets out the criteria to be followed when considering whether the external auditor should be engaged to undertake non-audit services with the aim of safeguarding the external auditor's objectivity and independence.

The Committee is satisfied with the performance of the external auditor during the year, and the policies and procedures in place to maintain their objectivity and independence, and has recommended that they be re-appointed at the forthcoming AGM.

Internal Audit

The Committee approves the annual audit plan and internal audit methodology for the Internal Audit department and monitors progress against the plan during the year. Audit reports are circulated to the Committee members after each audit and the Committee monitors progress against actions identified in these reports and the external auditor's management letter.

The Internal Audit department acts under agreed terms of reference and the Committee has established a number of procedures to monitor and review the Internal Audit department's effectiveness using guidance from a self-assessment questionnaire prepared by Internal Audit, feedback from senior management and a review of the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. The Committee also assesses annually the resources the department has to complete its remit. The Committee reviews the effectiveness of the Internal Audit department on an annual basis. The Internal Audit department has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. The Head of Internal Audit has direct access to the Board and Committee Chairmen and is accountable to the Committee. The Head of Internal Audit meets regularly with the Committee Chairman without executive management.

Other activities

During the year other significant activities addressed by the Committee were as follows:

- PCI DSS compliance
- Debt covenant compliance
- Online marketing reporting & analysis
- Group-wide games fairness
- Retail card machines and Cash Direct
- Retail trading client management
- Tax SAO compliance
- IS asset management
- Web operations
- Purchase to pay processes
- Retail management information
- Greyhound stadia operations
- UK marketing compliance
- Trading on-course operations
- Online customer credit accounts
- IT change and release management
- Nevada – post-acquisition licence compliance
- Mobile performance and capacity management
- Online IP management and data security
- Retail systems security
- Online customer services follow up
- Online desktop security

Regular updates are provided to the Committee on developments in financial reporting and risk management and related legal and corporate governance matters.

David Lowden
Chairman, Audit and Risk Management Committee

REPORT OF THE CR COMMITTEE

William Hill operates in highly regulated environments which shape much of our corporate responsibility approach towards our colleagues and customers. Our HOME principles, however, lead us to a unique and tailored approach on how we interact with our key stakeholders.

The Corporate Responsibility (CR) Committee sets the Group's CR policies, ensures the business operates in a sustainable way and advises the Board on environmental, social and ethical matters. As part of the risk management process overseen by the Audit and Risk Management Committee, the Board and executive management monitor CR risks that could potentially impact achievement of business strategy and annual objectives, and take appropriate mitigation steps where necessary. During the year, it was agreed that regulatory issues would now be devolved to the whole Board rather than the CR Committee, given their importance to the business.

Ashley Highfield was appointed chairman of the committee in June 2011. Ralph Topping is the executive director responsible for CR. The members of the CR Committee during 2012:

Director	Year of appointment
Ashley Highfield, Chairman	2008
David Edmonds	2005
David Lowden	2011
Gareth Davis	2010
Georgina Harvey	2011
Imelda Walsh	2011
Ralph Topping	2007
Thomas Murphy	2007

The CR Committee's meetings are now regularly attended by relevant members of the executive committee and management team, and presentations are made by individuals responsible for key areas such as HR, Health & Safety, security and regulation.

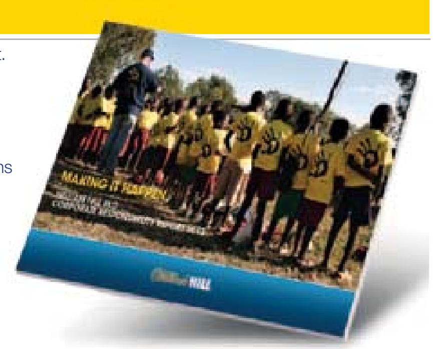
2012 ACTIVITIES

In 2011, a CR Working Group assessed existing activities and undertook a benchmarking exercise against both the peer group and best practice. The outcome of this review was a new scorecard approach and a set of non-financial performance indicators to track the business's performance. Following up on this, in 2012 the Committee reviewed and revised these indicators to enable it to monitor ongoing activities more effectively. The Committee also agreed The William Hill Commitment and monitored priority activities in each of the three areas.

Ashley Highfield
Chairman, Corporate Responsibility Committee

VIEW OUR CR REPORT

See more on pages 26–29 of our CR report. You can download our CR report from **www.williamhillplc.com** or request a copy by sending your name and address to ir@williamhill.co.uk. Alternatively, please call the Investor Relations team on +44 (0) 20 8918 3600.



OUR PERFORMANCE

Performance		How we are doing 2012	2011	Comments
Colleagues				
Protection	RIDDOR reportable accidents – Colleagues	**35**	67	We aim to reduce the number of accidents by providing regular Health & Safety training.
	Incidents of violence in the workplace	**166**	n/a	We take a hard line on violence in our shops. In 2012, we issued c530 barring notices to unruly customers.
	Number of robberies	**102**	113	40% of the 102 robberies in 2012 were failed attempts.
	Number of burglaries	**62**	59	31% of burglaries were failed attempts. A number of burglaries have been combatted through 'StaffSafe'.
	Number of cash-in-transit incidents	**18**	37	38% of cash-in-transit incidents were failed attempts, up from 14% in 2011.
	Average cash loss from OTC robberies (£)	**335**	349	Average cash loss has continued to reduce through improved security measures, down from £493 five years ago.
Training and development	Total number of training days Value of training investment (£)	**32,995** **1.03m**	n/a n/a	Continued development of our colleagues is very important to us and we make substantial investments in time and money in their training.
Engagement	Employee Engagement index – participation	**72%**	67%	Our employees are encouraged to give feedback on key areas of their relationship with William Hill in an annual survey. Participation rates continued to rise in 2012.
Support	William Hill Foundation grants (£)	**26,454**	28,758	The Foundation supports colleagues who, through no fault of their own, find themselves in need of financial aid.
Customers				
Customer protection	Number of self-exclusions – Retail	**5,853**	4,957	Self-exclusion is a key tool for customers concerned about their gambling behaviour. We continue to develop and improve the measures we make available to customers and encourage engagement between colleagues and customers.
	Number of self-exclusions – Online and Telephone	**11,383**	6,077	
	RIDDOR reportable accidents – customers	**112**	121	We aim to reduce the number of accidents by providing regular Health & Safety training.
Customer satisfaction	Retail Net Promoter Score	**37%**	54%	New, tougher customer service measures were introduced in 2012.
	Disputes referred to IBAS IBAS disputes found in customer's favour	**457** **0.7%**	321 1.0%	Customers can use an independent arbitration service to resolve bet disputes. In most cases, our original decisions are upheld as being consistent with our terms and conditions.
Community				
Environment	Total CO2 equivalent (tonnes)	**51,557**	n/a	We have measured our greenhouse gas emissions for the first time, including travel (except the car fleet). This will be our baseline year for the new reporting requirements.
	Average miles per fleet vehicle per annum ('000 miles)	**24.7**	24.8	We encourage colleagues to avoid business travel if possible. However, in order to support the growth of our businesses, we expect more travel is likely to be required.
Industry relationships	UK horseracing levy (£m) Sports sponsorship (£m)	**16.6** **7.6**	16.2 5.5	We continue to support UK horseracing through the statutory levy as well as paying for pictures from the tracks. We have substantially increased our sponsorship of sports, including a £2.3m voluntary donation to the Greyhound Racing Fund.
Community engagement	Employee charity matching scheme (£'000)	**108.7**	74.2	When colleagues want to raise funds for charity, we're there to support them, matching what they are able to raise.
	Responsible Gambling Trust donation (£'000)	**821.8**	703.1	We are one of the biggest supporters of the Trust, helping to fund the industry's annual £5m towards problem gambling research, education and treatment.

REPORT OF THE NOMINATION COMMITTEE

We need to ensure that we have the right blend of skills, experience and knowledge within William Hill in order to maximise the opportunities for the success of the Company in the longer term.

MEMBERSHIP AND MEETINGS

The membership of the Nomination Committee during 2012 is shown below:

Director	Year of appointment
Gareth Davis, Chairman	2010
David Edmonds	2005
Georgina Harvey	2011
Ashley Highfield	2009
David Lowden	2011
Imelda Walsh	2011

All members of the Committee are Independent Non-executive Directors and the Committee is chaired by the Board Chairman.

The Company Secretary, or one of the committee members, acts as secretary to the Committee.

The Committee meets as necessary and, if possible, before or after regular meetings of the Board. The Committee met formally on two occasions during 2012.

Role of the Nomination Committee

The Nomination Committee is responsible for Board succession planning and makes recommendations to the Board on the appointment and reappointment of all directors. It also keeps under review succession planning for senior managers below Board level. The Chairman of the Nomination Committee reports to the Board on the outcome of meetings.

The terms and conditions of appointment of non-executive and service contracts of executive directors are available to shareholders for inspection at the Company's registered office during normal business hours and at the AGM.

On joining the Board, Non-executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. Any potential director is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for executive or Non-executive Directors.

The terms of reference of the nomination committee have recently been reviewed and approved by the Board in January 2013 and are available on the Company's website or upon request from the Company Secretary.

MAIN ACTIVITIES DURING 2012

During the year, the Nomination Committee and the Board reviewed the structure, size and composition of the Board (together with an evaluation of the Board's balance of skills, knowledge and experience), the membership of the various board committees and the expected time commitment and policy for multiple board appointments for both executive and Non-executive Directors.

During 2012, the Committee also:

- discussed the possible appointment of a Chief Operating Officer of the Company;
- reviewed retention and succession plans for the Chief Executive;
- conducted an external board evaluation during the year and reviewed the performance effectiveness of the Board;
- reviewed the role descriptions of the Chairman, Chief Executive and Senior Independent Non-executive Director;
- reviewed the current level of time commitment of the Non-executive Directors to the Company; and
- recommended the appointment of Imelda Walsh as Chairman of the Remuneration Committee.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The selection process for the appointment of new Non-executive Directors is as follows:

- a brief is drawn up and circulated to one or more executive search consultants;
- suitable candidates are identified and recommended to the Nomination Committee;
- a shortlist of the preferred candidates is agreed by the Nomination Committee and invited for interview;
- the successful applicant is interviewed by the executive directors with a view as to whether they would be a good fit for the Company; and
- once appointed the new director undergoes a tailored induction and familiarisation programme implemented by the Company Secretary and Director of HR with input from the Chairman and Chief Executive.

BOARD DIVERSITY

The Board supports diversity, recognising the benefits that diverse viewpoints can contribute in decision-making. It is the intention of the Board always to keep the benefits that derive from a diverse Board in mind when making appointments. We do not believe that setting a quota is the most appropriate method for achieving a balanced Board and all our appointments are made on merit. We pursue diversity, including gender diversity, throughout the business and will continue to follow a policy of appointing talented people at every level to deliver high performance. We will ensure our development in this area is consistent with our own strategic objectives and is enhancing in terms of Board effectiveness.

Gareth Davis
Chairman, Nomination Committee

DIRECTORS' REMUNERATION REPORT

DEAR SHAREHOLDER,

I am pleased to present the Directors' Remuneration Report for 2012.

William Hill has delivered a first class set of results against our financial and non-financial targets and the Group's transformation into an international multi-channel business has significantly progressed. William Hill became the first UK bookmaker to be licensed in the US and an online licence was awarded in Spain and Italy. We announced details of the Sportingbet acquisition in Australia and have started the process to acquire the 29% of William Hill Online that we don't already own. There has been steady growth in our high street operations and continuing strong growth in William Hill Online.

In order to stay ahead of our competitors across different channels and markets, it is vital that we attract, reward and retain the leaders of today and tomorrow. The skills and experience that we need are in short supply, and the pool from which we can draw is invariably limited.

The Board believes that we have the best senior management team in the industry. As I said in my letter last year, this Board does not pay for failure and has been prepared to put in place remuneration arrangements to enable retention and to motivate high performance. Our results this year indicate that we have taken some good decisions in this area.

However, the Board understands the view expressed by some of our shareholders and accepts that the vote last year at our AGM on the arrangements that we put in place in 2011 needed a full and open response. The Chairman of the Board, Gareth Davis and I have, therefore, held a series of meetings with the main institutions and our major shareholders who wished to see us to update them on the Company's business activities, and to discuss further our approach to remuneration.

We have given an assurance that the special circumstances necessitating the Chief Executive's retention arrangements will not be repeated and explained in some detail the Company's approach to remuneration. The Board is firmly committed to its long-standing policy of 'pay for performance' and this key principle drives every element of our remuneration strategy and practice. William Hill continues to position the on-target pay of senior management at competitive market norms. A substantial proportion of their remuneration is variable and performance related to the achievement of Company and personal objectives. It is also the Company's policy to ensure that a high proportion of the potential remuneration package is paid in shares.

We believe in explaining the rationale and context for remuneration decisions which we consider to be in the best interests of the Company and our shareholders, and are always ready to talk to shareholders on these issues should they have any concerns.

Equally important, the Board continues to work to ensure that an effective succession plan is in place for key roles for when it is needed, and that we develop a senior management cadre of the highest quality.

William Hill will continue to employ a competitive and appropriate approach to remuneration for our key employees across the broad spectrum of channels and locations in which we now operate.

The report shows that, in respect of 2012, key employees were rewarded for their part in the outstanding results delivered by the Company, and an over 84% increase in the share price during the year.

A consistent approach to 'pay for performance' is applied right across the Company and 2012 bonus pools will be shared amongst all employees in our shops teams, businesses and locations in March 2013, to recognise their contributions to the Company's success.

The Board is not planning to make any material changes to our remuneration policy in 2013. We have noted, however, shareholder comments about a fundamental review of policies with simplicity and longevity as the key themes. Given the continuing evolution of our business, the Committee will be considering these points, along with the latest corporate governance and best practice, as we review William Hill's remuneration strategy, policies and practices in the longer term.

The Committee has updated the format of the Remuneration Report this year with the aim of providing greater transparency and improved clarity. This includes splitting the report into two sections: a Remuneration Policy Report and an Implementation Report.

The activities of the Committee during the year are summarised on page 58.

From 1 January 2013, Imelda Walsh replaced me as Chairman of the Remuneration Committee. For continuity, I will, however, continue to serve on the Remuneration Committee.

If you have any comments or questions on any element of this report, please e-mail me at dedmonds@williamhill.co.uk or Imelda Walsh at iwalsh@williamhill.co.uk.

David Edmonds
Chairman, Remuneration Committee

DIRECTORS' REMUNERATION REPORT

This Directors' Remuneration Report covers the remuneration of the executive and Non-executive Directors of William Hill PLC. In line with the proposals on Directors' remuneration being developed by the Department for Business, Innovation & Skills (BIS) the report is now split into two sections: a Remuneration Policy Report and an Implementation Report.

In addition to adopting a number of the proposals from BIS on disclosure, the report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium sized Companies and Groups (Accounts & Reports) 2008 Regulations which set out the current requirements for the disclosure of Directors' remuneration, and also in accordance with the requirements of the Listing Rules of the Financial Services Authority.

The Remuneration Committee has also considered the latest guidelines from the Association of British Insurers, National Association of Pension Funds and RREV.

The current legislation requires the auditor to report to the Company's members on the 'auditable parts' of the Directors' Remuneration Report and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation. The parts of this report which have been audited have been highlighted.

The Directors' Remuneration Report will be subject to a shareholder vote at the AGM on 9 May 2013.

POLICY REPORT

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company with effect from 1 January 2013.

How the Remuneration Committee operates to set the remuneration policy

The Company's Remuneration Committee (the Committee) is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee is a committee of the Board which determines the Company's policy on the remuneration of the executive directors, Chairman and other relevant senior management. It works within defined terms of reference which are available on the Company's corporate website: www.williamhillplc.com.

The Committee's key objectives are to:

– set and agree with the Board a competitive and transparent remuneration framework which is aligned to the Company strategy and is in the interests of both the Company and its shareholders; and

– determine the specific remuneration packages for each of the executive directors and other senior management, including basic salary, incentives, other benefits and any compensation payments.

Remuneration policy

The remuneration policy for executive directors and senior management is designed to support the business needs of the Company, to ensure that the Company has the ability to attract and retain senior leaders of a high calibre, and to align the long-term interests of executive directors and senior management with those of our shareholders.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Company and an individual level. There must also be scope to reward for exceptional effort and achievement that delivers value both for the Company and the shareholders. Likewise, failure to achieve individually or at Company level will not be rewarded.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the overall Company and for our shareholders. When setting the levels of short-term and long-term variable remuneration and the balance of equity and cash within the package, consideration is given to obtaining the appropriate balance so as not to encourage unnecessary risk-taking, whilst requiring that performance hurdles are suitably challenging. As well as financial risk, the Committee also ensures that there is an appropriate focus on Environment, Safety and Governance (ESG) issues.

The remuneration package is reviewed periodically taking into account all elements of remuneration, i.e., not looking at any single element in isolation. The Company's long-standing policy is to position on-target total remuneration of the executive directors and senior management by reference to market norms to ensure they remain competitive, with a substantial proportion of their pay being performance-related. Total pay benchmarks, which are taken from time to time for comparison purposes, are based on samples of comparable posts in relevant companies. In selecting appropriate peer groups, the Committee considers a number of factors, particularly given the small number of direct comparators to William Hill. As a result, the Committee considers pay data from companies of a similar size and scope to William Hill by reference to factors such as revenues, gross win, market capitalisation and business sector. The Committee believes that this is the most appropriate policy for pay benchmarking purposes.

The determination of individual remuneration packages for executive directors and senior management is undertaken annually by the Committee. Whilst pay benchmarking provides context for setting pay levels, it is not considered in isolation. The Committee takes into account Company and individual performance, internal relativities, the business criticality and nature of the role, and the experience, skills and competencies of the job holder, as well as applying a level of judgement, when determining each individual's pay for the year.

The total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short term and longer term. It is also the Company's policy to ensure that a high proportion of the potential remuneration package is paid in equity, which is designed to ensure that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

The Remuneration Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the remuneration policy, the Remuneration Committee Chairman will inform major shareholders of these in advance, and will offer a meeting to discuss details as required. During December 2012 the Chairman, Gareth Davis and the Chairman of the Remuneration Committee, David Edmonds also met the main institutions and our major shareholders to discuss with them the latest issues of corporate governance and remuneration.

The table below summarises each element of the remuneration policy for the executive directors and senior management, explaining how each element operates and how each part links to the corporate strategy.

Key elements of remuneration

Element of remuneration package	Basic salary
Purpose and link to strategy	Help recruit and retain key employees.
	Reflect the individual's experience, role and performance within the Company.
Operation	Paid monthly in cash.
	Normally reviewed by the Committee annually and fixed for the 12 months commencing 1 January.
	Decision influenced by:
	– role, experience and performance;
	– average change in broader workforce salary;
	– periodic benchmarking for each role against UK listed companies of similar size and scope in terms of business sector, revenues, gross win and market capitalisation.
Pay levels	To pay around the mid-market of the relevant benchmark range taking into account the business criticality of the role, and the skills experience and performance of the individual.
	In the case of the current CEO, however, given his unique individual experience and profile within the sector and strong leadership skills which are required to provide stability and vision during a critical period of growth across all locations, markets and channels, the policy is to aim to move his salary to around the upper quartile over time.
	Salary increases are normally linked to salary rises elsewhere in the Company. For promotions/role changes or where an individual is appointed at a below market salary and subsequently gains experience and demonstrates strong performance, salary increases may, however, be higher.
Performance metrics	Executive directors participate in the Company's annual performance management process. Individual and Company performance is taken into account, when determining appropriate salary review increases.
Policy changes for 2013	No salary increases for the executive directors are proposed for 2013.
	CEO annual basic salary remains at £650,000.
	Group FD annual basic salary remains at £380,000.

DIRECTORS' REMUNERATION REPORT

Element of remuneration package	**Benefits**
Purpose and link to strategy	Operate competitive, cost-effective benefits to help recruit and retain executive directors and senior management.
	As with employee benefits for the wider workforce, certain benefits (e.g. private medical cover) are provided to minimise disruption (e.g, from illness) to the day-to-day operation of the business.
Operation	Benefits include private medical cover, a fully expensed car or car allowance, and permanent health insurance.
	Cash alternatives may be provided for any or all of these benefits, depending on individual circumstances.
	The Group FD participates in the Company's flexible benefits scheme.
Pay levels	Fully expensed company car.
	Private medical insurance covering the executive, spouse and dependant family.
	Permanent health insurance covering 75% of salary.
	The CEO and Group FD both receive life assurance benefits capped at £1.8m.
Performance metrics	None
Policy changes for 2013	None

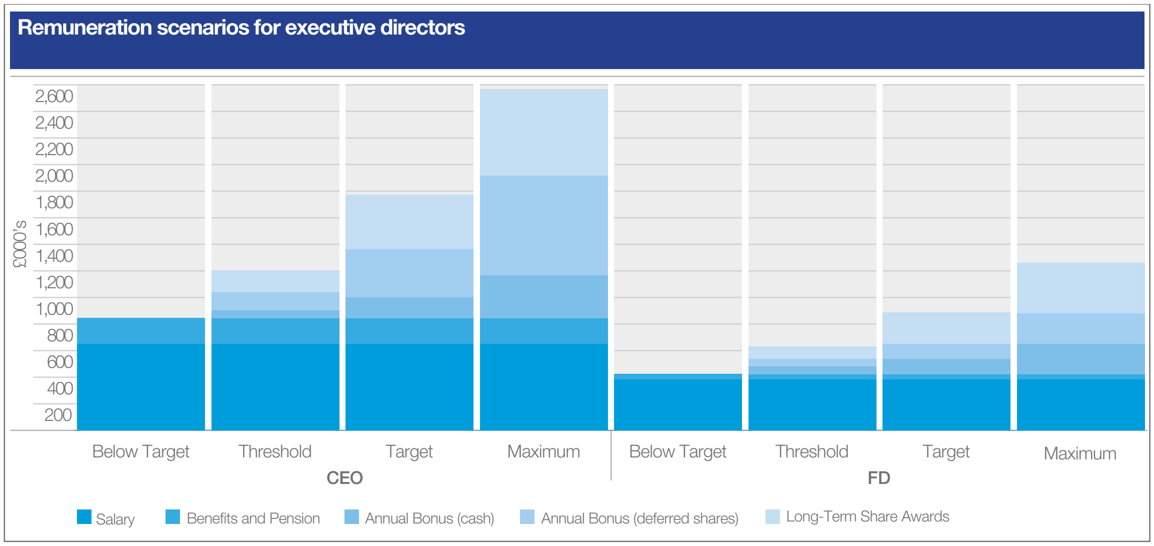
Element of remuneration package	**Annual bonus**
Purpose and link to strategy	Incentivise executive directors and senior management to achieve specific, pre-determined goals during a one-year period.
	Rewards ongoing delivery and contribution to strategic initiatives.
	Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interest with shareholders.
Operation	Targets are reviewed annually and relate to stretching profit targets in the business plan, strategic targets and individual objectives.
	Bonus payment is determined by the Committee after the year end, based on performance against the targets set.
	30% of the bonus is payable in cash with the remaining 70% deferred into shares for three years for the CEO. For the Group FD these proportions change to 50% cash, 50% deferred shares.
	The Committee remains comfortable that this balance is appropriate, in spite of the level of deferral for the CEO being significantly higher than market norms.
	The deferred element may be subject to forfeiture in the event of voluntary departure prior to vesting.
	Since the PSP was introduced in 2010, no matching shares (to deferred bonus), under the EBMS scheme, are offered to the CEO or Group FD.
Pay levels	Maximum of 165% of salary for the CEO, 30% of salary at threshold and 90% of salary at target. For 2012 and 2013, the target bonus for the CEO has been reduced to 80% to take account of the grant of a Retention Award in June 2011 (see below for further details).
	Maximum of 120% of salary for the Group FD, 30% of salary at threshold 60% of salary at target.
	Maximum of 100% for other senior management, 10% of salary at threshold and 50% of salary at target.
Performance metrics	The performance metrics for 2013 and the balance between them will be the same as applied in 2012 and will be:
	– 75% of the bonus is payable for predetermined Company profit on ordinary activities before exceptional items, interest and tax (PBIT) targets as set by the Remuneration Committee
	– PBIT is chosen as it measures the underlying profits generated by the business and whether management is converting growth into profits effectively.
	– A further 25% is payable for achieving individual objectives which are set by the Board for the CEO, and by the CEO for the Group FD.
	– Individual objectives measure whether management is delivering against stated key business and personal targets which are linked to the corporate strategy
	– The precise targets are commercially sensitive and will be disclosed when the bonus outcome is determined and reported in the Implementation Section of the 2013 Directors' Remuneration Report.
Policy changes for 2013	None

Element of remuneration package	Long-term incentives: Performance Share Plan
Purpose and link to strategy	To drive performance and retention and align interests of executives and shareholders through building a shareholding.
	Incentivises participants to achieve superior long-term shareholder returns.
	Retains key executives over the performance period – usually three years.
Operation	Awards of nil-cost options are granted annually with vesting dependent on the achievement of stretching performance conditions normally measured over a period of three years.
	Quantum reviewed annually (subject to plan limit) taking into account overall remuneration, the performance of the Company and of the executive being made the award.
	The appropriateness of the performance conditions and the targets to be set are reviewed annually. The Remuneration Committee has discretion to set different conditions for future awards provided that the new targets are not materially less challenging, given the prevailing circumstances than those attached to previous awards.
Pay levels	The rules of the PSP state that PSP awards will not normally exceed 225% of base salary. This limit may be increased to 300% of base salary in circumstances considered by the Committee to be exceptional, such as for recruitment or retention.
	The normal policy maximum, however, is 150% of salary, but (for 2012 and 2013) awards to the CEO have been reduced to 100% of salary to take account of the grant of a Retention Award in June 2011. For 2013, the Group FD will also receive awards of 100% of salary.
Performance metrics	Awards vest at the end of the three-year performance period. For 2013 awards, as was the case in 2012, this will be half based on relative TSR and half based on aggregate EPS with the two conditions measured independently.
	The Relative TSR performance condition measures the Company's TSR performance against a comparator group of gaming and leisure companies as constructed at the grant date and measured over the three-year performance period. For a ranking below median, none of this element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above upper quartile.
	The EPS range for the 2013 award will be based on the aggregate adjusted EPS over the three-year performance period. The threshold vesting requirement will be set to be consistent with external analyst expectations at the time of the award, The aggregate EPS range corresponding with the sliding scale for threshold to maximum vesting will be set in the first quarter of 2013. 25% of the award will again vest for the threshold level of performance and 100% will vest at the maximum level, with straight line vesting in between.
Policy changes for 2013	None

Element of remuneration package	Pension
Purpose and link to strategy	Market competitive, cost-effective retirement benefits are provided to act as a retention mechanism and to recognise long service.
Operation	From April 2008, the CEO has been drawing his pension and is therefore accruing no further pension benefits. He is paid an annual cash supplement in lieu of pension contributions.
	The Group FD is a member of the Company's Pension Savings Plan, a money purchase scheme, to which the company makes contributions up to the pensions earnings cap (currently £135,900).
Pay levels	The CEO receives an annual supplement of 25% of basic salary.
	The Group FD receives a Company contribution rate of 20% of the earnings cap into the Pension Savings Plan.
Performance metrics	None
Policy changes for 2013	None

Element of remuneration package	Shareholding Guidelines
Purpose and link to strategy	To align interests of management and shareholders and promote a long-term approach to performance and risk management.
Operation	Executive directors and members of senior management whose remuneration is determined by the Committee are required to hold a minimum shareholding of one year's basic salary within four years of appointment to the role. Shares that count towards the guideline include those held outright, and also unvested deferred bonus shares.
Pay levels	N/A
Performance metrics	N/A
Policy changes for 2013	None

DIRECTORS' REMUNERATION REPORT



Chief Executive retention award

The retention package for Ralph Topping secures his services until at least the end of December 2013. As has been previously disclosed, a key part of the retention package was an award of restricted shares equivalent to 200% of his salary at the time (equivalent to £1.2m) which totalled 552,995 shares. The award will vest on 31 December 2013 subject to continued employment plus a roll up of any dividend equivalents over the period. The Committee has confirmed that there will be no more non-performance awards for the Chief Executive.

In the event of ill health (and subject to the satisfaction of the Committee), disability, death or change in control, awards will vest in full with no pro-rating.

In recognition of this special retention award, Ralph Topping's on-target bonus opportunity was reduced from 90% to 80% salary and maximum awards under the Performance Share Plan reduced from 150% to 100% of salary (for 2012 and 2013).

Remuneration scenarios for executive directors

The charts above show how the composition of each of the Executive Directors' remuneration packages varies at different levels of performance achievement:

- **Annual bonus** – threshold, target and maximum are 30% salary, 80% salary and 165% salary for the Chief Executive and 30%, 60% and 120% for the Group Finance Director.
- **LTIP awards** – threshold, target and maximum PSP vesting of 25%, 62.5% and 100% of salary for both Executive Directors. Note: we exclude share price growth and dividend equivalents on LTIP awards.

Executive directors' service contracts

The Remuneration Committee reviews the contractual terms for new executive directors to ensure that these reflect best practice. It is the Company's current policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice.

In the event of early termination, the policy on executive director's contracts provides for compensation up to a maximum of 12 month's basic salary, employer pension contributions and other benefits. Executive directors may also receive a pro-rated annual bonus in respect of the period worked in the financial year up to departure, subject to performance.

The Committee will also consider mitigation to reduce compensation to a departing executive director where appropriate to do so.

The service contracts of Ralph Topping (effective 21 February 2008) and Neil Cooper (effective 23 November 2009) are in line with this policy, also containing the following provisions:

- the Company may, at its discretion, elect to terminate the contract by making a payment in lieu of notice equal to the salary that would have been received during the notice period, a pro-rated amount in respect of bonus for the year in which the employment terminates and the annual cost to the Company of providing pension and all other benefits to which they are entitled under the contract;
- at the Company's discretion, this payment may be made either as a lump sum or in 12 equal monthly instalments. If the Company elects to pay in instalments and the individual commences alternative employment or provides services pursuant to a consultancy arrangement while the monthly payments are being made then they shall be reduced by 80% of one-twelfth of the basic annual salary or fee; and
- there is a contractual obligation to secure alternative employment as soon as reasonably practicable.

Policy on external appointments for executive directors

Executive directors are required to obtain the Board's prior written consent to accept external appointments. Ralph Topping was appointed non-executive Chairman of the Scottish Premier League on 15 October 2009. It was announced on 2 November 2012 that Ralph Topping will step down from this role once his successor has been appointed. He did not receive any fees in 2012 in relation to this appointment. Neil Cooper is a director of SIS Holdings Limited.

Remuneration policy across the Company

The remuneration policy for the executive directors and senior management is designed with regard to the policy for employees across the Company as a whole. The Committee is kept updated through the year on general employment conditions, basic salary increase budgets, the level of bonus pools and payouts, and participation in share plans. The Committee is therefore aware of how total remuneration at the executive director level compares to the total remuneration of the general population of employees. Common approaches to remuneration policy which apply across the Company include:

- a consistent approach to 'pay for performance' is applied throughout the Company, with annual bonus schemes being offered to all employees;
- offering pension, medical and life assurance benefits for all employees;
- ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the Company, as well as Company and individual performance;
- encouraging broad-based share ownership through the use of all-employee share plans.

Employee share plans

The Company operates SAYE schemes for eligible employees under which options are granted with an exercise price up to 20% below the prevailing share price. All employees, including senior management, are eligible to participate; the CEO, Ralph Topping and Group FD, Neil Cooper participate in the UK SAYE scheme.

Relative importance of spend on pay

The following chart sets out the percentage change in profit, dividends and overall spend on pay in 2012 compared to 2011. It can be seen that profit and dividend increases are well above remuneration cost increases:

	2012 £m	2011 £m	% change
Profit after tax	**231.0**	146.5	57.7
Dividends	**71.1**	60.9	16.7
Employee remuneration costs	**312.9**	299.5	4.5

Chairman and Non-executive Directors

The Chairman's fee is reviewed annually by the Remuneration Committee (without the Chairman present). He receives a single fee of £250,000 to cover all his Board duties. The Chairman's fee has not been increased since Gareth Davis' appointment in 2010.

The remuneration policy for the Non-executive Directors, other than the Chairman, is determined by a sub-committee of the Board comprising the Chairman and the executive directors, within the limits set by the Articles of Association and based on independent surveys of fees paid to Non-executive Directors of similarly sized companies to William Hill, remuneration is set taking account of the commitment and responsibilities of the relevant role.

Non-executive Directors receive a fee for carrying out their duties, together with additional fees for those Non-executive Directors who chair the primary Board committees and the senior independent director. Non-executive Directors' fees were last reviewed in 2008. The current fee levels, of which there were no changes from 2011, are set out in the table below:

Basic fee paid to all non-executive directors	**£50,000**
Supplementary fees:	
Senior independent director	**£5,000**
Audit Committee Chairman	**£18,000**
Remuneration Committee Chairman	**£13,000**
Corporate Responsibility Committee Chairman	**£13,000**

Non-executive Directors do not have service contracts. They are engaged by letters of appointment which are terminable by either party with no notice period and no compensation in the event of such termination. Non-executive Directors cannot participate in any of the Company's incentive schemes and are not eligible to join the Company's pension scheme.

Non-executive Directors are appointed for an initial term of three years and, under normal circumstances would be expected to serve for an additional three-year term, subject to satisfactory performance and annual re-election at the AGM. Non-executive directors may then be requested to serve for a further three-year term subject to rigorous review at the relevant time and agreement with the Director.

DIRECTORS' REMUNERATION REPORT

IMPLEMENTATION REPORT

Membership of the Remuneration Committee

The members of the Committee during 2012 are listed in the table below. All members of the Committee are Independent non-executive Directors. No director plays a part in any discussion directly relating to their own remuneration.

No changes were made to the composition of the Committee during 2012. The members of the Committee and their attendance at the meetings of the Committee were:

Name	Year of appointment
David Edmonds, Chairman (until 31 December 2012)	2005
Ashley Highfield	2008
Gareth Davis	2010
David Lowden	2011
Georgina Harvey	2011
Imelda Walsh (Chairman from 1 January 2013)	2011

The Group Director of HR acts as Secretary to the Remuneration Committee.

Remuneration Committee activity during the year

The following table sets out what the Remuneration Committee covered at each meeting over the course of the year:

January 2012
Consider senior management remuneration
Approve 2012 Bonus targets
Consider 2012 PSP awards
2012 Sharesave proposal
February 2012
Approve 2011 bonus payments and 2012 EBMS awards
Approve William Hill Online 2011 bonus payments
Release of 2009 EBMS awards and approval of any matching shares
2012 PSP proposal on EPS targets and authorisation of awards
Approve 2011 Directors' Remuneration Report
May 2012
Approve EPS targets for 2012 PSP awards
July 2012
Market practice and governance update
Follow up actions from 2012 AGM
Approval of remuneration package for new senior management recruit
September 2012
Approve approach to senior executive benchmarking
Consider refinements to PSP for 2013
Approval of remuneration package for new senior management recruit
Approval of exit arrangements for members of senior management
December 2012
Consider feedback from consultation with investors
Discuss incentive proposals for WH Australia
Consider senior executive benchmarking data
Approval 2013 Bonus targets
Review share ownership requirements and current holdings
Consider BIS proposals on pay disclosure

During 2012 the Committee consulted Towers Watson and New Bridge Street to provide advice on the structure of remuneration packages for the executive directors and senior management. The Committee also consulted Ralph Topping, Chief Executive and David Russell, Group Director, Human Resources about its proposals relating to individuals other than themselves. Legal advice was also taken as appropriate from Thomas Murphy, General Counsel and external legal advisers. Appropriate Company employees and external advisers may attend Committee Meetings at the invitation of the Chairman.

External advisors

The Remuneration Committee was advised by Towers Watson until July 2012 and after that, following a review, by New Bridge Street ('NBS'), a trading name of Aon Plc. Towers Watson does not provide any other services to the Company. Aon Plc, NBS's parent company, is also the worldwide insurance broker for William Hill.

Towers Watson provided advice in relation to annual and long-term incentives, review of EPS performance conditions and TSR performance monitoring updates.

NBS provided advice in respect of long-term incentive performance conditions, senior executive benchmark data, non-executive chairman fee benchmark data, TSR performance monitoring updates, and adoption of BIS proposals.

Fees incurred for 2012 were as follows: Towers Watson £66,832, NBS £60,330 (both excluding VAT).

Towers Watson and NBS are members of the Remuneration Consultants Group and are both signatories to its Code of Conduct. The Committee monitors the relationship with external advisers on a regular basis and remains confident that no conflicts of interest exist.

Statement of shareholder voting at 2012 AGM

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	Remuneration Report	
	Total number of votes	% of votes cast
For	261,059,706	48.47
Against	259,951,884	48.26
Abstentions	17,593,989	3.27
Total		**100%**

Whilst our Remuneration Policy was approved by shareholders last year, we received 48% votes against the resolution. Although this amounted to a narrow margin in favour of the report, the Board has taken very seriously the concerns of investors. As part of a continued emphasis on listening to the views of shareholders and those who advise them, the Chairman, Gareth Davis and the Remuneration Committee Chairman, David Edmonds met with major shareholders, the ABI and RREV to discuss their concerns and to explain the background and rationale for recent remuneration decisions. The feedback from these meetings was valuable to the Committee and has been factored into the ongoing policy set out in the previous section. The Committee wishes to maintain an open and constructive dialogue with our shareholders.

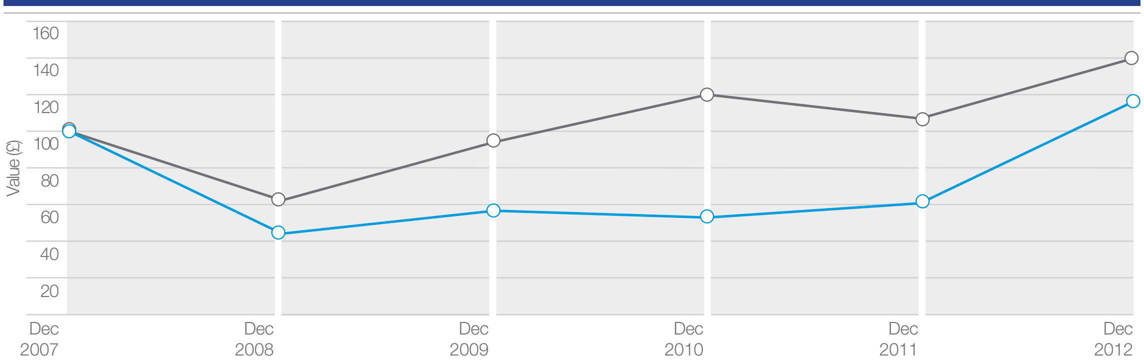
Total shareholder return chart

The chart below shows the Company's TSR performance compared with that of the performance of the FTSE 250 (excluding investment trusts) Index. The Company is a member of the FTSE 250 Index.

The graph consists of points representing the change in the value of a nominal investment of £100 made on 31 December 2007 in the Company and the FTSE 250 (excluding investment trusts) Index, respectively. The change in value of the index holding reflects changes in the value of the constituent companies over the period. The closing values at 31 December 2012 represent the value of each nominal holding at that date and reflect the change in the share price and the value of dividend income re-invested over the period.

During 2012 William Hill's TSR index performance increased by just over 90%; the corresponding increase for the FTSE 250 (excluding investment trusts) Index was just over 30%.

Total shareholder return



This graph shows the value by 31 December 2012 of £100 invested in William Hill PLC on 1 January 2008 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts). The other points plotted are the values at intervening financial year-ends.

William Hill
FTSE 250 Index

DIRECTORS' REMUNERATION REPORT

AUDITED INFORMATION

Aggregate directors' remuneration

	2012 Total	2011 Total
Emoluments	£3,313,100	£3,000,541
Gains on exercise of share options	£1,513,219	£154,701
Pension contributions	£26,865	£24,075

Directors' emoluments

Name of director	Fees/basic salary £	Benefits in kind £	Annual bonuses £	In lieu of pension[1] £	2012 Total £	2011 Total £
Executive directors						
Ralph Topping	650,000	28,926	1,072,500	162,500	1,913,926	1,712,384
Neil Cooper	380,000	14,174	456,000	–	850,174	813,067
Non-executive Directors						
Gareth Davis	250,000	–	–	–	250,000	250,000
David Edmonds	68,000	–	–	–	68,000	72,989
Ashley Highfield	63,000	–	–	–	63,000	57,583
Georgina Harvey	50,000	–	–	–	50,000	8,333
David Lowden	68,000	–	–	–	68,000	51,000
Imelda Walsh	50,000	–	–	–	50,000	8,333
David Allvey	–	–	–	–	–	26,852

[1] Included in lieu of pension for Ralph Topping was £162,500 paid as supplement in lieu of pension contributions to the Company Scheme.

2012 basic salary

As stated in last year's report the salaries for the Executive Directors were set for 2012 as:

Ralph Topping	£650,000
Neil Cooper	£380,000

Only basic salary is pensionable.

2012 annual bonus

The 2012 Annual Bonus Plan for the Chief Executive and Group Finance Director was primarily based upon the annual profit before interest and taxes (PBIT) performance of the Company measured against annual budgeted PBIT of the Company as approved by the Board of Directors of William Hill PLC.

75% of the potential bonus award was based on this Company measure and the scales of payment are summarised in the table below:

Performance	Proportion of PBIT to budget	Bonus payable as % salary: Chief Executive	Bonus payable as % salary: Company Finance Director
Threshold	95%	30%	30%
Target	100%	80%	60%
Maximum	105%	165%	120%

In 2012, Group PBIT performance targets were set, as they are annually, taking into account business objectives for the year and relevant external factors. The Committee believes that the 2012 PBIT Threshold and Target were set at a 'stretching' level, with Threshold being set above 2011 actual PBIT and above the Target PBIT used for last year's bonus plan.

25% of the potential bonus award was based on individual performance against individual key business objectives. No bonus would have been payable if PBIT was below the Threshold level.

Ralph Topping's individual objectives related to international expansion in key markets such as the US, Australia, Spain and Italy; significant progress in developing a multi channel proposition, in particular in the mobile and tablet channels; and continuing to strengthen the cadre of the senior management team.

Neil Cooper's individual objectives related to mergers & acquisition activity including completion of the US deal; a range of corporate finance, planning, financial systems and tax projects; and the support of organisational development.

- William Hill's PBIT for 2012 was £325.6m which was above the Maximum PBIT performance level.
- The Remuneration Committee determined that both Ralph Topping's and Neil Cooper's performance against their individual key business objectives warranted payment of the full 25% of their individual bonus opportunity.
- Both PLC executive directors have therefore been awarded their Maximum bonus in respect of 2012:

	Chief Executive bonus	Group Finance Director bonus
Bonus paid in cash*	£321,750	£228,000
Bonus paid in shares*	£750,750	£228,000
Total bonus	£1,072,500	£456,000

* 30% of Ralph Topping's bonus is in cash. The remaining 70% is awarded as Deferred Shares which vest on the third anniversary of the award; 50% of Neil Cooper's bonus is in cash. The remaining 50% is awarded as Deferred Shares which vest on the third anniversary of the award.

Directors' exercised share options and awards

Aggregate emoluments disclosed above do not include any amounts for the value of share options to acquire, or awards over, ordinary shares in the Company granted to or held by the directors. Details of the options exercised during the period are as follows:

Name of director	Scheme	Number of options	Exercise price	Market value at exercise date	Gain on exercise in 2012	Gain on exercise in 2011
Ralph Topping	EBMS 2008	–	–	–	**–**	£154,701
Ralph Topping	EBMS 2009 Deferred	406,053	–	249.076p	**£1,011,380**	–
Ralph Topping	EBMS 2009 Matching	196,935	–	249.076p	**£490,518**	–
Ralph Topping	SAYE 2009	6,582	139p	311p	**£11,321**	–

Executive Bonus Matching Scheme 'EBMS'

Under the Executive Bonus Matching Scheme (EBMS), participants receive an element of their pre tax bonus in the Company's shares on a deferred basis.

The Chief Executive received 70% of his annual bonus on this basis, the Group Finance Director received 50% on this basis and other senior executives who participated in the EBMS received 40%–50% of their annual bonus on this basis.

For the 2009 Award under this plan, 406,053 deferred shares, inclusive of dividends, vested to Ralph Topping, on 23 March 2012.

At the same time as granting the deferred shares, the Committee granted a matching award to the executive directors on a ratio of not more than one for one. If the executive directors remained in service for three years, they would be entitled, in addition, to the deferred shares, to a number of the matching shares calculated by reference to two performance conditions measured over the three-year performance period. One half of the matching shares would be dependent on the Company's EPS performance (the EPS Tranche) and the other half would be related to the Company's relative total shareholder return (the TSR Tranche).

Under the EPS Tranche, threshold performance required growth of 3% per annum in excess of the Consumer Price Index at which point 50% of the relevant matching shares would vest. For maximum performance (CPI plus 9% per annum), 100% of the relevant matching shares would vest. No shares under the EPS Tranche would vest if EPS growth was less than CPI plus 3% per annum.

The number of matching shares that a participant would receive under the TSR tranche depended on the Company's TSR performance relative to a comparator Company of 28 companies from the retail and leisure sector. No shares would vest if the Company's TSR ranking was below the 50th percentile, 25% of the relevant matching award would vest at the 50th percentile and at the 75th percentile the TSR tranche would vest in full.

In respect of both measures, matching shares would vest on a straight line basis between target and maximum performance.

No matching shares vested under the EPS Tranche as the EPS performance hurdle was not met.

Under the TSR Tranche, the Company's TSR performance was just below 75th percentile which meant that 97% of this portion of the award vested. The Chief Executive was thus awarded an additional 196,935 matching shares, inclusive of dividends, under this plan.

Since 2010 no participant in the PSP has been eligible for EBMS matching awards.

DIRECTORS' REMUNERATION REPORT

PSP, EBMS and other share awards

Name of director	Scheme	Number of shares at 27 December 2011	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 1 January 2013	Date from which exercisable	Expiry date
Ralph Topping	PSP 2010	545,280	–	–	–	545,280	May 2014	May 2020
	PSP 2011	332,226	–	–	–	332,226	Apr 2014	Apr 2021
	PSP 2012	–	292,267	–	–	292,267	Mar 2015	Mar 2022
	EBMS 2009	741,330	–	138,342	602,988	–	Mar 2012	Apr 2012
	EBMS 2010	149,699	–	–	–	149,699	Mar 2013	Apr 2013
	EBMS 2011	350,984	–	–	–	350,984	Mar 2014	Apr 2014
	EBMS 2012	–	292,716	–	–	292,716	Mar 2015	Apr 2015
	Retention	552,995	–	–	–	552,995	Dec 2013	Jun 2014
	SAYE 2009	6,582	–	–	6,582	–	Aug 2012	Jan 2013
	SAYE 2012	–	5,056	–	–	5,056	Aug 2015	Feb 2016
Neil Cooper	PSP 2010	357,142	–	–	–	357,142	May 2014	May 2020
	PSP 2011	193,798	–	–	–	193,798	Apr 2014	Apr 2021
	PSP 2012	–	170,864	–	–	170,864	Mar 2015	Mar 2022
	EBMS 2011	78,784	–	–	–	78,784	Mar 2014	Apr 2014
	EBMS 2012	–	96,367	–	–	96,367	Mar 2015	Apr 2015
	SAYE 2011	5,976	–	–	–	5,976	Aug 2014	Feb 2015

[1] PSP awards are subject to two performance conditions, with half the award subject to a relative TSR measure and the remaining half subject to an aggregate adjusted EPS measure, both measured over three financial years.
[2] EBMS awards are deferred bonus shares which will vest after three years, subject to continued service only.
[3] Matching shares are subject to two performance conditions, with half the award subject to a relative TSR measure and the remaining half subject to an EPS growth measure both measured over three financial years. No matching awards have been granted to Ralph Topping and Neil Cooper since 2010.
[4] The CEO retention award is subject to continued service only.

Options granted under the SAYE scheme are not subject to performance criteria. There has been no variation to the terms and conditions or performance criteria for any share options during the financial year. The market price of the ordinary shares at 1 January 2012 was 348.1p and the range during the period from 27 December 2011 to 31 December 2012 was 187.8p to 360.5p.

PSP and EBMS awards granted in 2012

	Scheme	Basis of award granted	Face value of award	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting period
Ralph Topping	PSP 2012	100% of salary	£650,000	100%	25% under TSR element, 25% under EPS element	Performance measured over the three financial years ending 31 December 2014. Awards will vest to participants on the third anniversary of grant, subject to continued employment
Neil Cooper	PSP 2012	100% of salary	£380,000	100%		
Ralph Topping	EBMS 2012	70% of 2011 annual bonus	£651,000	100%	Deferred bonus, subject to continued employment	Awards will vest to participants on the third anniversary of grant
Neil Cooper	EBMS 2012	50% of 2011 annual bonus	£214,320	100%		

The PSP award is subject to two equally weighted performance conditions, relative TSR and EPS growth.

The relative TSR performance condition measures the Company's TSR performance against a comparator group of gaming and leisure companies as constructed at the grant date and measured over a three-year performance period. For a ranking below median, none of this element of the award will vest. For a median ranking 25% of this element of the award will vest, rising on a straight-line basis to full vesting of this element for a ranking at or above upper quartile.

The EPS range for the 2012 award is based on the aggregate adjusted EPS over a three financial year period. The threshold vesting requirement was set to be consistent with external analyst expectations at the time of award. The aggregate EPS range corresponding with the sliding scale for threshold to maximum vesting for 2012 awards is 77.3p to 93.2p respectively.

SAYE

The Company also operates SAYE schemes for eligible employees under which options are granted with an exercise price up to 20% below the prevailing share price. Senior management are eligible to participate and both Ralph Topping and Neil Cooper participate in the SAYE scheme.

Table of directors' share interests

	Legally owned		PSP awards		EBMS awards*		Retention award		SAYE		Total	Multiple of salary held under Shareholding Guideline**
	27.12.11	01.01.13	Unvested	Vested	Unvested	Vested	Unvested	Vested	Unvested	Vested	01.01.13	x salary
Executive directors												
Ralph Topping	106,594	395,399	1,169,773	–	793,399	–	552,995	–	5,056	–	**2,916,622**	6.4x
Neil Cooper	2,345	2,345	721,804	–	175,151	–	–	–	5,976	–	**905,276**	1.6x
Non-executive Directors												
Gareth Davis	94,000	94,000	–	–	–	–	–	–	–	–	**94,000**	–
David Edmonds	24,000	24,000	–	–	–	–	–	–	–	–	**24,000**	–
David Lowden	10,000	10,000	–	–	–	–	–	–	–	–	**10,000**	–
Ashley Highfield	5,848	5,848	–	–	–	–	–	–	–	–	**5,848**	–
Georgina Harvey	10,000	10,000	–	–	–	–	–	–	–	–	**10,000**	–
Imelda Walsh	10,000	10,000	–	–	–	–	–	–	–	–	**10,000**	–

* All EBMS Awards are deferred shares.
** Calculated as legally owned shares on 01.01.13 plus gross value of unvested EBMS Awards, at 1 January 2012 share price of 348.1p.

Approval

This report was approved by the Board of Directors on 1 March 2013 and signed on its behalf by:

David Edmonds
Chairman, Remuneration Committee

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 1 January 2013. The Corporate Governance Statement set out on pages 40 to 45 forms part of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year continue to be the operation of licensed betting offices and the provision of telephone and internet betting and online casino and poker services. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group are listed in note 14 to the Group financial statements.

BUSINESS REVIEW

The Chairman's Statement, the Chief Executive's Statement, the Divisional Overview and Financial Review, Managing Our Risks and the Corporate Responsibility Report together provide a fair review of the Group's business during the period, a description of the principal risks and uncertainties it faces, and the position of the Group at the end of the period.

RESULTS AND DIVIDENDS

The Group's profit on ordinary activities after taxation and exceptional items for the period was £231.0m (52 weeks ended 27 December 2011 – £146.5m). The directors recommend a final dividend of 7.8p per share to be paid on 7 June 2013 to ordinary shareholders on the Register of Members on 15 March 2013 which, if approved, together with the interim dividend of 3.4p per share paid on 7 December 2012, makes a total of 11.2p per share for the year.

DIRECTORS

The following served as directors during the period ended 1 January 2013:.

Gareth Davis	Non-executive Chairman
Ralph Topping	Chief Executive
Neil Cooper	Group Finance Director
David Edmonds	Senior Independent Non-executive Director
Georgina Harvey	Independent Non-executive Director
Ashley Highfield	Independent Non-executive Director
David Lowden	Independent Non-executive Director
Imelda Walsh	Independent Non-executive Director

Details of committee membership are set out on pages 38 to 39.

Details of the directors' interests are set out in Note 1 to the Parent Company financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act, the directors and officers of the Company shall be indemnified out of the assets of the Company, against liability in defending proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.
In addition the Group has purchased and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

SHARE CAPITAL

As at 1 March 2013, the Company had an allotted and fully paid up share capital of 705,923,552 ordinary shares of 10 pence each with an aggregate nominal value of £70,592,355.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations. This will include insider trading laws and market requirements relating to close periods. Also included will be the requirements of the Listing Rules whereby directors and certain employees of the Company require the necessary approval to deal in the Company's securities.

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the General Counsel and Company Secretary. Changes to the Articles of Association must be approved by special resolution of the Company.

The holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights, and to receive a dividend, as and when declared.

SUBSTANTIAL SHAREHOLDINGS

On 1 March 2013, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the notifiable interests in the ordinary share capital of the Company set out in the table below.

Name of holder	Percentage shareholding
Schroder Investment Management	9.99
Capital Research Global Investors	9.09
BlackRock Advisors (UK) Limited	5.02
MFS Investment Management	4.90
Norges Bank Investment Management	3.00

NEVADA REGULATION

Shareholders of William Hill are subject to regulation by the Nevada State Gaming Control Board and the Nevada Gaming Commission as a result of the Company's ownership of licensed subsidiaries in Nevada and the Company's registration as a publicly traded company in Nevada. Information regarding Nevada gaming regulatory requirements can be assessed by shareholders at www.williamhillplc.com.

EMPLOYEE POLICIES

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the Group magazine 'Will2win'. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company operates a SAYE Share Option Scheme which is open to all eligible employees based on a three, five or seven year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the prevailing share price. The maximum permissible monthly savings under the scheme is £250.

William Hill is committed to equal opportunities in the workplace. In all aspects of employment including recruitment, promotion, training and development and terms and conditions of employment, all employees and applicants for employment are given equal opportunities regardless of gender, marital or family status, race, nationality, ethnic origin, religion, age, disability and sexual orientation. William Hill endeavours to ensure that all employees are made aware of the provisions of the policy and of their responsibility to uphold and promote it. William Hill will not tolerate harassment, discrimination or victimisation in the workplace in any form.

Applications for employment by disabled persons are always fully and fairly considered, bearing in mind the aptitude and ability of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It continues to be the policy of the Group that the training, career development and promotion of disabled persons should as far as is feasible be identical to that of other employees.

DIRECTORS' REPORT

SUPPLIER PAYMENTS POLICY

The Group does not have a formal code on payment practice but it is the Group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Trade creditors of the Group at 1 January 2013 were equivalent to 12 days' purchases (27 December 2011 – 15 days' purchases), based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL DONATIONS

During the period the Group made charitable donations of £1,045,739 (52 weeks ended 27 December 2011 – £985,650) principally to industry related charities serving the communities in which the Group operates. There were no political donations made during the period (2011: nil).

AUTHORITY TO PURCHASE OWN SHARES

The Company did not purchase any of its own shares during the year.

The authority for the Company to purchase its own shares remains valid until the forthcoming Annual General Meeting, when it is intended that a resolution will be put forward to shareholders to review.

ISSUE OF NEW ORDINARY SHARES

During the financial period ended 1 January 2013, 3,655,792 new ordinary shares of the Company were issued under the employee Sharesave Scheme at prices between 139p and 349p and the Employee Bonus Matching Scheme.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 9 May 2013 at Cavendish Conference Centre, 22 Duchess Mews, London W1G 9DT. The notice of the AGM and an explanation of the items of non routine business are set out in the explanatory circular that accompanies this Annual Report.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors in office at the date when this report was approved confirms that:

– so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

– the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution to re appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

By Order of the Board

Thomas Murphy
General Counsel & Company Secretary
1 March 2013

Registered Office:
Greenside House,
50 Station Road,
Wood Green,
London N22 7TP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgments and accounting estimates that are reasonable and prudent;

– state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

– make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the management report, 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 that they face.

By the order of the Board

R J Topping
1 March 2013

N Cooper
1 March 2013

GROUP INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WILLIAM HILL PLC

We have audited the Group financial statements of William Hill PLC for the 53 weeks ended 1 January 2013, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Statement of Group Accounting Policies and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 1 January 2013 and of its profit for the 53 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

SEPARATE OPINION IN RELATION TO IFRSS AS ISSUED BY THE IASB

As explained in Statement of Group Accounting Policies, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit; or

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us.

Under the Listing Rules we are required to review:

– the directors' statement contained within the Directors' Report in relation to going concern; and

– the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

– certain elements of the report to shareholders by the Board on directors' remuneration.

OTHER MATTER

We have reported separately on the Parent Company financial statements of William Hill PLC for the period ended 1 January 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Robert Matthews
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditor
London, United Kingdom
1 March 2013

CONSOLIDATED INCOME STATEMENT

for the 53 weeks ended 1 January 2013

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	53 weeks ended 1 January 2013 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 27 December 2011 Total £m
Continuing Operations							
Amounts wagered	2	**18,879.1**	**–**	**18,879.1**	17,911.4	–	17,911.4
Revenue	1,2	**1,276.9**	**–**	**1,276.9**	1,136.7	–	1,136.7
Cost of sales	2	**(172.2)**	**–**	**(172.2)**	(163.6)	–	(163.6)
Gross profit	2	**1,104.7**	**–**	**1,104.7**	973.1	–	973.1
Other operating income	1	**4.7**	**–**	**4.7**	4.4	–	4.4
Other operating expenses	3	**(787.5)**	**(14.5)**	**(802.0)**	(707.8)	(50.2)	(758.0)
Share of results of associates	4	**3.7**	**–**	**3.7**	2.4	–	2.4
Profit before interest and tax	2,5	**325.6**	**(14.5)**	**311.1**	272.1	(50.2)	221.9
Investment income	7	**13.5**	**–**	**13.5**	15.0	–	15.0
Finance costs	3,8	**(46.4)**	**(0.5)**	**(46.9)**	(47.7)	(1.8)	(49.5)
Profit before tax	2,3	**292.7**	**(15.0)**	**277.7**	239.4	(52.0)	187.4
Tax	3,9	**(48.2)**	**1.5**	**(46.7)**	(41.5)	0.6	(40.9)
Profit for the period		**244.5**	**(13.5)**	**231.0**	197.9	(51.4)	146.5
Attributable to:							
Equity holders of the parent		**202.0**	**(12.2)**	**189.8**	166.6	(51.4)	115.2
Non-controlling interest		**42.5**	**(1.3)**	**41.2**	31.3	–	31.3
		244.5	**(13.5)**	**231.0**	197.9	(51.4)	146.5

Earnings per share (pence)							
Basic	11			**27.0**			16.5
Diluted	11			**26.6**			16.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 53 weeks ended 1 January 2013

	Notes	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Profit for the period		**231.0**	146.5
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedges		**0.4**	–
Actuarial gain/(loss) on defined benefit pension scheme	31	**5.6**	(10.1)
Exchange differences on translation of foreign operations		**(1.7)**	0.1
Tax on items of other comprehensive income	24	**(3.0)**	0.9
Other comprehensive income/(loss) for the period		**1.3**	(9.1)
Total comprehensive income for the period		**232.3**	137.4
Attributable to:			
Equity holders of the parent		**191.0**	106.1
Non-controlling interest		**41.3**	31.3
		232.3	137.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 53 weeks ended 1 January 2013

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 28 December 2011	70.3	318.3	6.8	(26.1)	(11.7)	0.6	529.6	887.8	11.8	899.6
Retained profit for the financial period	–	–	–	–	–	–	189.8	189.8	41.2	231.0
Other comprehensive income for the period	–	–	–	–	–	(1.3)	2.5	1.2	0.1	1.3
Total comprehensive income for the period	–	**–**	**–**	**–**	**–**	**(1.3)**	**192.3**	**191.0**	**41.3**	**232.3**
Transfer of own shares to recipients (note 26)	–	–	–	–	9.0	–	(9.0)	–	–	–
Shares issued during the period	0.3	3.1	–	–	–	–	(0.2)	3.2	–	3.2
Credit recognised in respect of share remuneration	–	–	–	–	–	–	10.6	10.6	–	10.6
Tax credit in respect of share remuneration	–	–	–	–	–	–	0.9	0.9	–	0.9
Dividends paid (note 10)	–	–	–	–	–	–	(71.1)	(71.1)	–	(71.1)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(38.5)	(38.5)
At 1 January 2013	**70.6**	**321.4**	**6.8**	**(26.1)**	**(2.7)**	**(0.7)**	**653.1**	**1,022.4**	**14.6**	**1,037.0**

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interest £m	Total equity £m
At 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 10)	–	–	–	–	–	–	(60.9)	(60.9)	–	(60.9)
Acquisition of non-controlling interest (note 27)	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 1 January 2013

	Notes	1 January 2013 £m	27 December 2011 £m
Non-current assets			
Intangible assets	12	**1,433.4**	1,398.4
Property, plant and equipment	13	**227.7**	215.2
Interest in associate	15	**12.6**	10.9
Investments	16	**–**	4.1
Deferred tax asset	24	**11.5**	15.1
		1,685.2	1,643.7
Current assets			
Inventories	17	**0.2**	0.2
Trade and other receivables	18	**37.7**	50.1
Cash and cash equivalents	18	**151.7**	114.3
Derivative financial instruments	23	**0.4**	–
		190.0	164.6
Total assets		**1,875.2**	1,808.3
Current liabilities			
Trade and other payables	19	**(200.3)**	(185.4)
Current tax liabilities		**(65.9)**	(56.3)
Borrowings	20	**(0.1)**	(0.1)
Derivative financial instruments	23	**(7.0)**	(16.0)
		(273.3)	(257.8)
Non-current liabilities			
Borrowings	20	**(402.6)**	(460.5)
Retirement benefit obligations	31	**(21.1)**	(34.1)
Amounts owed to non-controlling interest	27	**(8.7)**	(7.8)
Derivative financial instruments	23	**–**	(1.7)
Deferred tax liabilities	24	**(132.5)**	(146.8)
		(564.9)	(650.9)
Total liabilities		**(838.2)**	(908.7)
Net assets		**1,037.0**	899.6
Equity			
Called-up share capital	25	**70.6**	70.3
Share premium account		**321.4**	318.3
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	26	**(2.7)**	(11.7)
Hedging and translation reserves		**(0.7)**	0.6
Retained earnings		**653.1**	529.6
Equity attributable to equity holders of the parent		**1,022.4**	887.8
Non-controlling interest		**14.6**	11.8
Total equity		**1,037.0**	899.6

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of Directors and authorised for issue on 1 March 2013 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

CONSOLIDATED CASH FLOW STATEMENT

for the 53 weeks ended 1 January 2013

	Notes	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Net cash from operating activities	28	**294.3**	241.7
Investing activities			
Dividend from associate	15	**2.0**	1.4
Interest received	1,7	**0.6**	0.5
Proceeds on disposal of property, plant and equipment		**1.3**	1.6
Loans treated as investments	16	**–**	(4.1)
Acquisitions (net of cash acquired)	16	**(19.4)**	–
Purchases of property, plant and equipment		**(45.8)**	(40.9)
Expenditure on computer software		**(20.5)**	(14.6)
Net cash used in investing activities		**(81.8)**	(56.1)
Financing activities			
SAYE share option redemptions		**–**	0.1
Dividends paid	10	**(71.1)**	(60.9)
Distributions to non-controlling interests		**(38.5)**	(31.0)
Repayments of borrowings		**(67.5)**	(90.0)
New debt facility issue costs		**(1.2)**	–
Proceeds on issue of shares		**3.2**	1.1
Net cash used in financing activities		**(175.1)**	(180.7)
Net increase in cash and cash equivalents in the period		**37.4**	4.9
Cash and cash equivalents at start of period		**114.3**	109.4
Cash and cash equivalents at end of period		**151.7**	114.3

STATEMENT OF GROUP ACCOUNTING POLICIES

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 on page 64 and note 2.

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

BASIS OF ACCOUNTING

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

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

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.

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

KEY ACCOUNTING POLICIES

REVENUE RECOGNITION

Amounts wagered does not represent the Group's statutory revenue and comprises the gross takings receivable from customers in respect of individual bets placed in the period for LBO (including machines), Telephone, US and Online sports businesses and net revenue for the period for online casino, poker and bingo products.

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Group is in business to provide, net of discounts, marketing inducements, VAT and other sales related taxes, as set out below.

In the case of the LBO (including gaming machines), telephone, US, online sportsbook and online casino operations (including games on the online arcade and other numbers bets), revenue represents gains and losses from betting activity in the period. Open positions are carried at fair value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed. Revenue from the online poker business reflects the net income ('rake') earned from poker games completed by the period end.

In the case of the greyhound stadia, revenue represents income arising from the operation of the greyhound stadia in the period, including sales of refreshments and tote income.

Other operating income mostly represents rents receivable on properties let by the Group, bookmaking software sales and hotel revenues and is recognised on an accruals basis.

INTANGIBLE ASSETS – LICENCES

Betting licences are recorded at cost or if arising in an acquisition at their fair value. They are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

STATEMENT OF GROUP ACCOUNTING POLICIES

GOING CONCERN

As highlighted in notes 20 and 21 to the financial statements, 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 existing 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.

On 20 December 2012 the Group announced a recommended offer in conjunction with GVC Holdings plc whereby William Hill will acquire the Sportingbet Australian business and certain other assets from the Sportingbet Group and be granted a call option over the Sportingbet Spanish business for a cash consideration of £460m. The cash consideration payable in relation to the proposed acquisition will be partially funded by the Group's existing Revolving Credit Facility and the balance from the first tranche of the new Term Loan Facility. Details of both facilities are set out in note 20 to the accounts.

On 1 March 2013 the Group announced its intention to exercise its call option to acquire the non-controlling stake in William Hill Online owned by Playtech for a consideration of £424m. The acquisition will be funded with approximately £375m of proceeds from a fully underwritten rights issue and approximately £50m from the second tranche of the new Term Loan (details of which are set out in note 20). Pursuant to the call option, Playtech has the right to elect for a portion of the consideration for the proposed acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and, as such, the documentation required to complete the call option will reflect consideration payable wholly in cash.

The directors have a reasonable expectation of being able to re-finance the new Term Loan Facility utilised in funding these acquisitions from alternative sources of finance – principally the bond markets.

After making enquiries and in consideration of the Group's existing operations, the proposed acquisitions described above and the facilities that will be used to fund them, 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.

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.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The estimates and assumptions which have a significant risk of causing a material adjustment to amounts recognised in the financial statements within the next financial period are discussed below.

Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill or intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions and sensitivities used in these financial statements. Actual outcomes could vary.

Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 31 provides information on the assumptions used in these financial statements.

Valuation of antepost bet liabilities

In assessing the fair value of open bet positions, the directors use their judgement in selecting appropriate valuation techniques and inputs, based upon actual experience and the profile of the bets placed. The outcomes of bets are inherently uncertain; consequently, any difference will be reflected in subsequent accounting periods.

OTHER ACCOUNTING POLICIES

A complete list of our accounting policies can be found on our website at
http://www.williamhillplc.com/wmh/investors/financial_analysis/financial_data/accounting_policies_2012/

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. REVENUE

An analysis of the Group's revenue is as follows:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Rendering of services and revenue as disclosed in the Consolidated Income Statement	**1,276.9**	1,136.7
Other operating income	**4.7**	4.4
Interest on bank deposits (note 7)	**0.6**	0.5
Total revenue as defined in IAS 18	**1,282.2**	1,141.6

2. SEGMENT INFORMATION

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

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

Segment information for the 53 weeks ended 1 January 2013 is as follows:

	Retail £m	Online £m	Telephone £m	US £m	Other £m	Corporate £m	Group £m
Amounts wagered	15,945.8	2,498.5	279.2	132.2	23.4	–	18,879.1
Payout	(15,107.9)	(2,091.8)	(263.2)	(123.3)	(16.0)	–	(17,602.2)
Revenue	**837.9**	**406.7**	**16.0**	**8.9**	**7.4**	**–**	**1,276.9**
GPT, duty, levies and other costs of sales	(137.1)	(35.6)	2.3	(0.9)	(0.9)	–	(172.2)
Gross profit	700.8	371.1	18.3	8.0	6.5	–	1,104.7
Depreciation	(24.8)	(0.8)	–	(0.2)	(0.2)	(3.3)	(29.3)
Amortisation	(2.6)	(11.5)	(0.3)	–	–	–	(14.4)
Other administrative expenses	(461.9)	(213.5)	(17.5)	(8.4)	(5.8)	(27.0)	(734.1)
Share of result of associates	–	–	–	–	–	3.7	3.7
Operating profit/(loss)[1]	**211.5**	**145.3**	**0.5**	**(0.6)**	**0.5**	**(26.6)**	**330.6**
Amortisation of acquired intangibles	–	(3.6)	–	(1.4)	–	–	(5.0)
Exceptional operating items	–	(4.6)	–	(5.3)	–	(4.6)	(14.5)
Profit/(loss) before interest and tax[2]	**211.5**	**137.1**	**0.5**	**(7.3)**	**0.5**	**(31.2)**	**311.1**
Non-operating exceptional items						(0.5)	(0.5)
Investment income						13.5	13.5
Finance costs						(46.4)	(46.4)
Profit before tax							**277.7**

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

2. SEGMENT INFORMATION

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

Segment information for the 52 weeks ended 27 December 2011:

	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 costs 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	(1.6)	(8.7)	(0.3)	–	–	(10.6)
Other administrative expenses	(435.5)	(176.8)	(19.3)	(5.7)	(24.7)	(662.0)
Share of result of associates	–	–	–	–	2.4	2.4
Operating profit/(loss)[1]	**196.8**	**106.8**	**(4.3)**	**0.6**	**(24.2)**	**275.7**
Amortisation of acquired intangibles	–	(3.6)	–	–	–	(3.6)
Exceptional operating items	(1.9)	–	(46.6)	–	(1.7)	(50.2)
Profit/(loss) before interest and tax[2]	**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						**187.4**

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

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

	Retail £m	Online £m	Telephone £m	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)
Included within total assets:						
Goodwill	681.0	183.9	–	7.1	–	872.0
Other intangibles with indefinite lives	484.6	–	–	–	–	484.6
Investment in associates	–	–	–	–	10.9	10.9
Capital additions	41.2	19.7	–	–	–	60.9

2. SEGMENT INFORMATION

Net assets/(liabilities) have been allocated by segment based on the information reviewed by the Group's chief operating decision maker. Corporate net assets include 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	
	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m	**1 January 2013 £m**	27 December 2011 £m
United Kingdom	**1,164.1**	1,051.4	**1,596.0**	1,593.5
Rest of the World	**112.8**	85.3	**89.2**	50.2
	1,276.9	1,136.7	**1,685.2**	1,643.7

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).

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

	Assets		Liabilities	
	1 January 2013 £m	27 December 2011 £m	**1 January 2013 £m**	27 December 2011 £m
Total segment assets/(liabilities)	**1,863.7**	1,793.2	**(667.0)**	(731.9)
Corporation tax liabilities	**–**	–	**(38.7)**	(30.0)
Deferred tax assets/(liabilities)	**11.5**	15.1	**(132.5)**	(146.8)
Total assets/(liabilities)	**1,875.2**	1,808.3	**(838.2)**	(908.7)

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:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Operating		
Spanish back taxes[1]	**(4.6)**	–
Potential acquisition[2]	**(4.6)**	–
US acquisition costs[3]	**(5.3)**	(1.7)
Telephone business asset impairments[4]	**–**	(46.6)
Disposal of trade in Republic of Ireland[5]	**–**	(1.9)
	(14.5)	(50.2)
Non-Operating		
Fair value loss on hedging arrangements[6]	**(0.5)**	(1.8)
	(0.5)	(1.8)
Total exceptional items	**(15.0)**	(52.0)

NOTES TO THE GROUP FINANCIAL STATEMENTS

3. EXCEPTIONAL ITEMS

The tax impact of exceptional items is as follows:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Tax credit in respect of Spanish back taxes[1]	**0.1**	–
Tax credit in respect of US acquisition costs[3]	**1.3**	–
Tax credit in respect of fair value loss on hedging arrangements[6]	**0.1**	0.6
	1.5	0.6

[1] During the period, the Group applied for and was granted a gaming licence in Spain. As part of that process the Group agreed to settle a back gaming taxes claim with the Spanish tax authorities which, including penalties and interest, totalled £4.6m.

[2] During the period, the Group made an offer to purchase Sportingbet plc, jointly with GVC Holdings plc. As described in note 34 to the accounts, all due diligence and other costs incurred that are not contingent on the completion of the acquisition have been expensed as exceptional costs in the current period.

[3] During the 52 weeks to 27 December 2011, the Group signed binding agreements to acquire three USA-based businesses and the acquisitions were completed on 27 June 2012 as described in note 16. Costs relating to those acquisitions and to the integration of the businesses into a single operation have been expensed as exceptional items.

[4] During the 52 weeks to 27 December 2011, following the continued decline in operating performance, a review of the carrying value of goodwill in line with the requirements of IAS 36 led the directors to write off the carrying value of goodwill and other fixed assets in the telephone division, with a combined value of £46.6m.

[5] During the 52 weeks to 27 December 2011, 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, was expensed as an exceptional item.

[6] In 2012, the Group incurred £0.5m of valuation losses on ineffective interest rate derivatives.

4. SHARE OF RESULTS OF ASSOCIATES

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Share of profit after taxation in associated undertakings	**3.7**	2.4

The above represents the Group's share of the profit of Satellite Information Services (Holdings) Limited (SIS), further details of which are given in note 15.

5. PROFIT BEFORE INTEREST AND TAX

Profit before interest and tax has been arrived at after charging/(crediting):

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Net foreign exchange losses	1.8	1.0
Gain on disposal of fixed assets	(1.0)	(0.3)
Staff costs (note 6)	312.9	299.5
Impairment of property, plant and equipment (note 13)	–	0.9
Depreciation of property, plant and equipment (note 13)	29.3	27.2
Amortisation of software (note 12)	14.4	10.6
Amortisation of intangibles arising on acquisitions (note 12)	5.0	3.6

Amortisation charges were presented as a single figure in previous years, but now are shown in two separate categories.

In accordance with Statutory Instrument 2005 No.2417, fees payable to Deloitte LLP and their associates are shown below:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.2
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	0.1	0.1
Tax advisory services	0.4	0.2
Corporate finance services	–	0.1
Audit-related assurance services	0.1	–
Total fees payable to Deloitte LLP	0.9	0.6

Deloitte LLP does not provide services for the Group's pension schemes.

The audit fees payable to Deloitte LLP are reviewed by the Audit and Risk Management Committee ('the Committee') to ensure such fees are competitive. The Committee sets the policy for awarding non-audit work to the auditor and reviews the nature and extent of such work and related fees in order to ensure that independence is maintained. The fees disclosed above consolidate all payments made to Deloitte LLP by the Company and its subsidiaries.

NOTES TO THE GROUP FINANCIAL STATEMENTS

6. STAFF COSTS

The average monthly number of persons employed, including directors, during the period was 16,883 (52 weeks ended 27 December 2011: 15,937) all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia. Their aggregate remuneration comprised:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Wages and salaries	**271.8**	267.2
Social security costs	**20.8**	19.3
Share-based remuneration (inclusive of NIC provisions)	**13.3**	6.0
Other pension net costs	**7.0**	7.0
	312.9	299.5
Actuarial (gain)/loss (note 31)	**(5.6)**	10.1
Total staff costs	**307.3**	309.6

The £5.6m relating to actuarial gains (52 weeks ended 27 December 2011: £10.1m loss) has been credited to other comprehensive income.

7. INVESTMENT INCOME

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Interest on bank deposits	**0.6**	0.5
Expected return on pension scheme assets (note 31)	**12.9**	14.5
	13.5	15.0

8. FINANCE COSTS

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	**29.0**	29.6
Amortisation of finance costs	**2.2**	2.2
Net interest payable	**31.2**	31.8
Loss on revaluation of amounts due to non-controlling interest (note 27)	**0.9**	–
Interest on pension scheme liabilities (note 31)	**14.3**	15.9
	46.4	47.7

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Current tax:		
UK corporation tax	**60.9**	50.6
Overseas tax	**2.2**	1.3
Adjustment in respect of prior periods	**(2.2)**	(2.3)
Total current tax charge	**60.9**	49.6
Deferred tax:		
Origination and reversal of temporary differences	**0.1**	3.3
Impact from changes in statutory tax rates	**(12.6)**	(12.2)
Adjustment in respect of prior periods	**(1.7)**	0.2
Total deferred credit	**(14.2)**	(8.7)
Total tax on profit on ordinary activities	**46.7**	40.9

The effective tax rate in respect of ordinary activities before exceptional items is 16.5% (52 weeks ended 27 December 2011: 17.3%). The effective tax rate in respect of ordinary activities after exceptional items was 16.8% (52 weeks ended 27 December 2011: 21.8%). The current period's charge excluding exceptional items is lower than the UK statutory rate of 24.5% mainly due to a lower effective tax rate on the income of William Hill Online (defined on page 125), a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 23% 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:

	53 weeks ended 1 January 2013		52 weeks ended 27 December 2011	
	£m	%	£m	%
Profit before tax	**277.7**		187.4	
Tax on Group profit at standard UK corporation tax rate of 24.5% (2011: 26.5%)	**68.0**	**24.5**	49.7	26.5
Impact of changes in statutory tax rates	**(12.6)**	**(4.5)**	(12.2)	(6.5)
Lower effective tax rate of William Hill Online	**(8.6)**	**(3.1)**	(9.4)	(5.0)
Tax on share of results of associates	**(0.9)**	**(0.3)**	(0.6)	(0.3)
Adjustment in respect of prior periods	**(3.9)**	**(1.4)**	(2.1)	(1.1)
Permanent differences – non deductible expenditure	**4.7**	**1.6**	15.5	8.2
Total tax charge	**46.7**	**16.8**	40.9	21.8

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

The UK government has announced future decreases in the UK corporation tax rate to 21.0% 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 £121.0m to £110.4m if the UK timing differences were all to reverse at 21.0%.

NOTES TO THE GROUP FINANCIAL STATEMENTS

10. DIVIDENDS PROPOSED AND PAID

	53 weeks ended 1 January 2013 Per share	52 weeks ended 27 December 2011 Per share	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Equity shares:				
– current period interim dividend paid	3.4p	2.9p	24.0	20.3
– prior period final dividend paid	6.7p	5.8p	47.1	40.6
	10.1p	8.7p	71.1	60.9
Proposed dividend	7.8p	6.7p	55.0	47.1

The proposed final dividend of 7.8p will, subject to shareholder approval, be paid on 7 June 2013 to all shareholders on the register on 15 March 2013. 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 26. The Company estimates that 705.4m shares will qualify for the final dividend.

11. EARNINGS PER SHARE

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

	53 weeks ended 1 January 2013			52 weeks ended 27 December 2011		
	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	189.8	–	189.8	115.2	–	115.2
Exceptional items (note 3) £m	13.7	–	13.7	52.0	–	52.0
Exceptional items – tax charge (note 3) £m	(1.5)	–	(1.5)	(0.6)	–	(0.6)
Amortisation of intangibles £m	4.5	–	4.5	2.6	–	2.6
Adjusted profit after tax for the financial period £m	206.5	–	206.5	169.2	–	169.2
Weighted average number of shares (million)	703.1	10.8	713.9	699.0	8.5	707.5
Earnings per share (pence)	27.0	(0.4)	26.6	16.5	(0.2)	16.3
Amortisation adjustment (pence)	0.6	–	0.6	0.4	–	0.4
Exceptional adjustment (pence)	1.8	(0.1)	1.7	7.3	(0.1)	7.2
Earnings per share – adjusted (pence)	29.4	(0.5)	28.9	24.2	(0.3)	23.9

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

The basic weighted average number of shares excludes shares held by The William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury. The effect of this was to reduce the average number of shares by 0.9m in the 53 weeks ended 1 January 2013 (52 weeks ended 27 December 2011: 3.2m).

12. INTANGIBLE ASSETS

	Goodwill £m	Licence value £m	Intangibles arising on acquisitions £m	Computer software £m	Total £m
Cost:					
At 28 December 2011	913.6	484.6	19.9	83.8	1,501.9
Acquisitions	19.2	–	16.1	–	35.3
Additions	–	–	–	20.5	20.5
Exchange rate movements	(0.8)	–	(0.6)	–	(1.4)
At 1 January 2013	932.0	484.6	35.4	104.3	1,556.3
Accumulated amortisation:					
At 28 December 2011	41.6	–	12.7	49.2	103.5
Charge for the period	–	–	5.0	14.4	19.4
At 1 January 2013	41.6	–	17.7	63.6	122.9
Net book value:					
At 1 January 2013	**890.4**	**484.6**	**17.7**	**40.7**	**1,433.4**
At 27 December 2011	872.0	484.6	7.2	34.6	1,398.4

The amortisation period for the Group's computer software is between three and ten years. The use of a ten-year life in respect of some of the software is supported by warranties written into the relevant software supply contract.

Licences are judged to have an indefinite life and are accordingly not amortised but are subject to annual impairment reviews. The directors consider that the Group's licences have an indefinite life due to: the fact that the Group is a significant operator in a well established market; the proven and sustained demand for bookmaking services; and the Group's track record of successfully renewing its betting permits and licences.

Intangible assets arising on acquisitions relates to separately identifiable assets recognised on acquisition in accordance with IFRS3 'Business Combinations'. This category includes £19.9m of intangible asset cost arising from the 2009 acquisition of assets, businesses and contracts from Playtech; of these amounts £3.6m of net book value remains. These assets related specifically to trade names, affiliate relationships and non-competition agreements. In 2012, the Group acquired three US businesses as set out in note 16. Other than goodwill, intangible assets of £16.1m were identified; specifically, they related to mobile and sportsbook software, contracts with host locations at sportsbooks and brand names and have useful economic lives of between 3 and 10 years. Of these amounts, £14.1m of net book value remains at 1 January 2013.

The Group performs an annual impairment review for goodwill and other intangible assets with indefinite lives, by comparing the carrying amount of these assets with their recoverable amount. Testing is carried out by allocating the carrying value of these assets to groups of cash generating units (CGUs), which are defined on the same basis as the segments disclosed in note 2. The recoverable amounts of the CGUs are determined by value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares risk-adjusted cash flow forecasts derived from the following period's budget to EBIT for each CGU. The budgets used have been approved by management. Cash flows for the subsequent four years are derived from the Group's five year internal plan.

The discount rate applied in 2012 to the future cash flows of each CGU was 10.3% (2011: 11.4%) and cash flows beyond the 5 year plan period are extrapolated using a growth rate of 2.4% (2011: 2.4%). The growth rate is estimated on the basis of GDP growth in the UK over the last 60 years.

The Group has not used a separate discount rate for each CGU because, with the exception of William Hill Online, the Group operates segments in regulated markets which have similar risk profiles. In the William Hill Online segment, the Group has run an additional scenario for impairment testing purposes which strips out the impact on cash flows of revenues from jurisdictions where we do not hold a local licence. In this additional scenario, the Group has concluded that there would be no impairment of goodwill in the online segment, including under the two sensitivity scenarios set out below.

NOTES TO THE GROUP FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS

A summary of impairment losses by cash generating unit is provided below.

Cash generating unit	Reportable segment	**Impairment losses 2012 £m**	Impairment losses 2011 £m
Retail	Retail	**–**	–
Online	Online	**–**	–
Telephone	Telephone	**–**	46.6
US	US	**–**	–
Stadia	Other	**–**	–
		–	46.6

A summary of the excess of carrying value over the estimated recoverable amounts, using the assumptions described above, is set out below.

Cash generating unit	Reportable segment	Segment Tangible & Intangible Assets £m	Excess of estimated recoverable amount over carrying value £m
Retail	Retail	1,354.4	395.4
Online	Online	346.2	867.9
Telephone	Telephone	–	–
US	US	50.2	11.7
Stadia	Other	11.6	2.7

Sensitivity Analysis

A 20% fall in projected profit across all CGUs (with all other assumptions remaining constant) would result in a write-down of approximately £0.7m in the US CGU. All other CGUs would be unaffected.

A 1% increase in the discount rate across all CGUs (with all other assumptions remaining constant) would not result in any impairment losses.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost:			
At 28 December 2011	330.2	151.6	481.8
Acquisitions	0.5	0.8	1.3
Additions	27.2	13.6	40.8
Disposals	(10.4)	(58.2)	(68.6)
At 1 January 2013	347.5	107.8	455.3
Accumulated depreciation:			
At 28 December 2011	144.6	122.0	266.6
Charge for the period	21.8	7.5	29.3
Disposals	(10.1)	(58.2)	(68.3)
At 1 January 2013	156.3	71.3	227.6
Net book value:			
At 1 January 2013	**191.2**	**36.5**	**227.7**
At 27 December 2011	185.6	29.6	215.2

The net book value of land and buildings comprises:

	1 January 2013 £m	27 December 2011 £m
Freehold	**41.1**	39.8
Long leasehold	**6.4**	7.5
Short leasehold	**143.7**	138.3
	191.2	185.6

Of the total net book value of land and buildings, £3.6m (27 December 2011: £2.6m) relates to administrative buildings and the remainder represents licensed betting offices and hotel premises. The cost of assets on which depreciation is not provided amounts to £6.0m representing freehold land (27 December 2011: £5.7m).

The carrying amount of the Group's fixtures, fittings and equipment includes an amount of £0.2m (27 December 2011: £0.3m) in respect of assets held under finance leases.

At 1 January 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.4m (27 December 2011: £5.2m).

NOTES TO THE GROUP FINANCIAL STATEMENTS

14. SUBSIDIARIES

The principal subsidiaries of the Company, their country of incorporation, ownership of their share capital and the nature of their trade are listed below:

	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
Directly owned:			
William Hill Holdings Limited	Great Britain	100%	Holding company
Held through intermediate companies:			
William Hill Investments Limited	Great Britain	100%	Holding company
Will Hill Limited	Great Britain	100%	Holding company
William Hill Organization Limited	Great Britain	100%	Retail betting and gaming machines
Willstan Limited	Northern Ireland	100%	Retail betting and gaming machines
BJ O'Connor Limited	Jersey	100%	Retail betting and gaming machines
Willstan (IOM) Limited	Isle Of Man	100%	Retail betting and gaming machines
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
American Wagering, Inc.	USA	100%	Holding Company
Leroy's Horse & Sports Place	USA	100%	Retail and mobile betting
Brandywine Bookmaking, LLC	USA	100%	Retail betting
CN Acquisition Subco, Inc.	USA	100%	Retail betting
Computerized Bookmaking Systems, Inc.	USA	100%	Bookmaking software sales
WHG Trading Limited	Gibraltar	71%	Online betting and gaming
WHG (International) Limited	Gibraltar	71%	Online betting and gaming
WHG Spain PLC	Gibraltar	71%	Online betting and gaming
William Hill (Malta) Limited	Malta	71%	Online betting and gaming
WHG Services (Bulgaria) EOOD	Bulgaria	71%	Customer services
Cellpoint Investments Limited	Cyprus	71%	Holding company
Ad-gency Limited	Israel	71%	Marketing services

The proportion of voting rights held is the same as the proportion of shares held.

15. INTERESTS IN ASSOCIATE

The Group uses the equity method of accounting for associates and joint ventures. The following table shows the aggregate movement in the Group's investment in associates.

	1 January 2013 £m
At 28 December 2011	10.9
Share of profit before interest and taxation	5.4
Share of interest	(0.5)
Share of taxation	(1.2)
Dividend received	(2.0)
At 1 January 2013	**12.6**

Associates

At 1 January 2013, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (27 December 2011: 19.5%) of the ordinary share capital of Satellite Information Services (Holdings) Limited (SIS), a company incorporated in Great Britain. The Group is able to exert significant influence over SIS, by way of its 19.5% holding and its seat on the Board of directors.

The SIS group of companies provides real time pre-event information and results, as well as live coverage of horse racing, greyhound racing and certain numbers draws, via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The consolidated figures above are based on statutory accounts to March 2012 and management accounts thereafter.

The following financial information relates to SIS:

	1 January 2013 £m	27 December 2011 £m
Total assets	**153.6**	171.9
Total liabilities	**(89.1)**	(116.1)
Total revenue	**177.8**	235.3
Total profit after tax	**18.7**	8.7

William Hill Organization Limited also holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. In the opinion of the directors, the results of these companies are not material to the results of the Group. Consequently, the investments have been stated at cost and have not been accounted for under the equity method, which would normally be appropriate for an associated undertaking.

16. ACQUISITIONS

The Group acquired three businesses during the period, the details of which are provided below. All of the acquisitions are included within the US segment, the results of which are disclosed in note 2. The acquisitions formed a key part of the Group's strategy to expand into land-based US sports betting through acquiring market leaders in the state of Nevada and were entirely for cash consideration.

Due to the closely integrated nature of the US operations it is not practicable to disaggregate from the segment the impact upon the Group's results of each of the separate acquisitions during the current period. Had the businesses been acquired on 28 December 2011, they would have contributed in aggregate an estimated £7.8m to revenue and generated a £0.2m loss before tax in the period.

Convertible loans provided to the three businesses in 2011 amounting to £4.1m were classified as investments at 27 December 2011. These sums were reclassified as other receivables during 2012, as the Group opted not to convert them on completion. These loans are included within 'other net liabilities' in the fair value tables below.

NOTES TO THE GROUP FINANCIAL STATEMENTS

16. ACQUISITIONS

(a) Acquisition of American Wagering, Inc.

On 27 June 2012, the Group acquired 100% of the common stock of American Wagering, Inc. ('AWI'), which through its subsidiaries operates a land-based and mobile device sports betting business, operates a hotel and casino and develops and sells computerised bookmaking systems in Nevada. The acquisition was made for $10.8m in cash (£6.9m) and the Group simultaneously settled or assumed external liabilities of AWI amounting to $2.5m (£1.5m).

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies. None of this goodwill is expected to be deductible for tax purposes.

The table below sets out the fair value of the consideration, the net assets acquired and the intangible assets recognised.

	Book value £m	Fair value adjustments £m	**Fair value £m**
Net assets acquired:			
Intangible assets	0.1	3.9	**4.0**
Tangible assets	0.8	–	**0.8**
Cash in bank and on hand	1.6	–	**1.6**
Debt	(1.5)	–	**(1.5)**
Deferred tax provision	–	(1.3)	**(1.3)**
Other net liabilities	(5.7)	–	**(5.7)**
Total net (liabilities)/assets acquired	(4.7)	2.6	**(2.1)**
Goodwill	–	9.0	**9.0**
Total consideration			**6.9**

The fair value adjustment of £3.9m to intangible assets reflects the valuation of separately identifiable intangible assets that were not previously recognised in the acquired entities' books. These included capitalised customer relationships, technology and the acquired brand.

The fair value of trade and other receivables comprised £376,000. The gross contractual amount was £381,000.

16. ACQUISITIONS

(b) Acquisition of Brandywine Bookmaking, LLC

On 27 June 2012, the Group acquired 100% of the common stock of Brandywine Bookmaking, LLC ('Brandywine'), a land-based sports betting business in Nevada. Consideration comprised $5.0m in cash (£3.2m) and the Group simultaneously settled certain external debts of Brandywine amounting to $9.3m (£6.0m).

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies and is expected to be deductible for tax purposes.

The table below sets out the fair value of the consideration, the net assets acquired and the intangible assets recognised.

	Book value £m	Fair value adjustments £m	**Fair value £m**
Net assets acquired:			
Intangible assets	0.1	4.4	**4.5**
Cash in bank and on hand	1.7	–	**1.7**
Tangible assets	0.2	–	**0.2**
Debt	(6.0)	–	**(6.0)**
Other net liabilities	(1.4)	–	**(1.4)**
Total net (liabilities)/assets acquired	(5.4)	4.4	**(1.0)**
Goodwill	–	4.2	**4.2**
Total consideration			**3.2**

The fair value adjustment of £4.4m to intangible assets reflects the valuation of separately identifiable intangible assets that were not previously recognised in the acquired entity's books. These included customer relationships and the existing brand.

The fair value of trade and other receivables was equal to the contractually receivable value of £581,000. This predominantly related to monies due from the former holding company that were paid on the 28 June 2012.

(c) Acquisition of the Club Cal Neva Race and Sports Book

On 27 June 2012, the Group acquired assets and liabilities associated with the Race and Sports book division of the Club Cal Neva, comprising a land-based sports-betting business in Nevada. As this was an asset acquisition, no book values are presented.

Consideration comprised $21m (£13.5m) in cash, of which £0.1m is yet to be paid at 1 January 2013. Contingent consideration of up to $1.5m (£1.0m) would have been payable had the acquired business met certain performance thresholds, but those criteria were not met and accordingly the contingent consideration was not payable.

Goodwill recognised on acquisition represented expected profit enhancements from both future revenue growth prospects and expected cost synergies and is expected to be deductible for tax purposes.

The table below sets out the fair value of the consideration, the net assets acquired and the intangibles recognised.

	Fair value £m
Net assets acquired:	
Intangible assets	**7.6**
Tangible assets	**0.3**
Cash in bank and on hand	**0.8**
Other net liabilities	**(1.2)**
Total net assets acquired	**7.5**
Goodwill	**6.0**
Total consideration paid	**13.5**
Deferred consideration	**(0.1)**
Consideration paid at end of reporting period	**13.4**

The fair value of trade and other receivables was equal to the contractually receivable value of £572,000.

Intangible assets acquired comprised customer relationships.

NOTES TO THE GROUP FINANCIAL STATEMENTS

17. INVENTORIES

	1 January 2013 £m	27 December 2011 £m
Raw materials, consumables and bar stocks	**0.2**	0.2

18. OTHER FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables comprise:

	1 January 2013 £m	27 December 2011 £m
Trade debtors	**1.9**	2.6
Other debtors	**4.2**	7.9
Prepayments	**31.6**	39.6
	37.7	50.1

Trade receivables are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts. During the course of the current and previous financial period, there have been no material bad debt expenses, with no material bad debt provision in existence.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less. In total the Group has £151.7m in cash and cash equivalents (2011: £114.3m). The carrying amount of these assets approximates their fair value. These amounts include £57.7m of client funds in the Online business that are matched by liabilities of an equal value as disclosed in note 19 and £5.6m of restricted funds in the US business that cannot be withdrawn without approval from the local regulator and which match betting and customer liabilities (including £1.1m of client funds as disclosed in note 19).

19. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	1 January 2013 £m	27 December 2011 £m
Trade creditors	**82.1**	69.2
Other creditors	**10.1**	11.4
Accruals	**108.1**	104.8
	200.3	185.4

The average credit period taken for trade purchases is 12 days (period ended 27 December 2011: 15 days).

The directors consider that the carrying amount of trade payables approximates their fair value.

Included in trade creditors is an amount of £58.8m (27 December 2011: £49.1m) in respect of amounts due to clients, representing deposits received and customer winnings. This is offset by an equivalent amount of client funds held, which is included in cash and cash equivalents.

20. BORROWINGS

	1 January 2013 £m	27 December 2011 £m
Borrowings at amortised cost		
Bank loans	**110.0**	170.0
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0
Less: expenses relating to bank loans	**(3.8)**	(5.1)
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(1.2)**	(1.5)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(2.5)**	(3.1)
Total Borrowings at amortised cost	**402.5**	460.3
Obligations under finance leases	**0.2**	0.3
Total Borrowings	**402.7**	460.6
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	**402.6**	460.5
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	**0.1**	–
In the third to fifth years inclusive	**410.0**	470.2
After more than five years	**–**	–
	410.2	470.3

Bank facilities

As at 1 January 2013, the Group had the following bank facilities:

1. A committed bank loan facility of £550m provided by a syndicate of banks. At the period end, £110m of this facility was drawn down. This facility is a Revolving Credit Facility ('RCF'), expiring in November 2015.
2. Committed Term Loan Facilities of £325m provided by a consortium of banks for the purpose of funding the acquisition of Sportingbet's Australian business and certain other assets and the grant of a call option over Sportingbet's Spanish business and the potential acquisition of the non-controlling interest in William Hill Online owned by Playtech. At the period end £nil of this facility was drawn down.
3. An overdraft facility of £5m, of which £nil was drawn down at the period end.

£550m Revolving Credit Facility

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS

20. BORROWINGS

£325m Term Loan Facility

The Facility is divided into two tranches of £225m and £100m to be used respectively for funding: (i) the acquisition of Sportingbet's Australian business and certain other assets and the purchase of a call option over Sportingbet's Spanish business and (ii) the potential acquisition of the non-controlling interest in William Hill Online owned by Playtech.

Borrowings under the Term Loan Facility 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 initially LIBOR plus a margin of 2.00% rising to 4.50% over time. A ticking fee of 0.5% is payable on the amount of the facility until the conditions for utilisation of the facility have been satisfied, following which a commitment fee, equivalent to 40% of the margin, is payable in respect of available but undrawn borrowings under the Term Loan Facility. The loans are subject to a duration fee should the loans be outstanding 12 months from the date of signing (20 December 2012). The Facility expires on 20 June 2014.

Borrowings are presented in the Consolidated Statement of Financial Position net of the upfront arrangement fees and associated costs incurred in arranging the Term Loan Facility. These are being amortised 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 using the effective interest rate method.

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 27 December 2011: 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 their carrying value.

Overdraft facility

At 1 January 2013, the Group had an overdraft facility with National Westminster Bank plc of £5m (27 December 2011: £5m). The balance on this facility at 1 January 2013 was £nil (27 December 2011: £nil).

Weighted average interest rate

	53 weeks ended 1 January 2013 %	52 weeks ended 27 December 2011 %
The weighted average interest rates paid were as follows:		
Bonds	**7.2%**	7.2%
Bank Loans	**5.1%**	4.0%
Bank Loans including hedging arrangements	**5.5%**	4.9%

Fair value of loans and facilities

It is the directors' opinion that due to the Group's bank borrowings being subject to floating interest rates and given the proven cash generation capability of the Group, there is no significant difference between book and fair value of the Group's bank loans.

The Company's £300m 7.125% Guaranteed Notes due 2016 are listed on the London Stock Exchange and at the period end date their fair value was £334.5m.

21. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. Financial risk management is primarily carried out by the Group Treasurer under risk management policies approved by the Board of Directors and supervised by the Group Finance Director. The Board provides written principles for risk management, as described in the Business Review on page 28. The principal financial risks faced by the Group comprise liquidity risk, financing risk, credit risk, interest rate risk, currency risk and pensions risk. These risks are managed as described below.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds available to settle its liabilities as they fall due. The Group's business is strongly cash generative with a high conversion of accounting profits into cash flow. The Group aims to maintain sufficient cash balances for its working capital requirements looking ahead using regularly updated cash flow forecasts. Liquidity requirements that cannot be met from operational cash flow or existing cash resources are satisfied by drawings under the Group's revolving credit loan facility. The Group maintains adequate committed but undrawn facilities to meet such requirements. Details of the Group's borrowing arrangements are provided in note 20.

The table below details the Group's expected maturity for its derivative and non-derivative financial liabilities. The table has been drawn up on the undiscounted contractual maturities of the financial instruments including interest that will be receivable or payable on them. The interest payments are estimated based on the three month LIBOR in existence at the period end date.

	Average effective interest rate	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Total £m
1 January 2013						
Finance leases	**1.0%**	**0.1**	**0.1**	**–**	**–**	**0.2**
Bond including interest	**7.1%**	**21.4**	**21.4**	**341.0**	**–**	**383.8**
Bank Loans including interest	**2.5%**	**6.3**	**6.3**	**115.8**	**–**	**128.4**
Other liabilities	**–**	**200.3**	**–**	**–**	**–**	**200.3**
Total		**228.1**	**27.8**	**456.8**	**–**	**712.7**
27 December 2011						
Finance leases	1.0%	0.1	0.1	0.1	–	0.3
Bond including interest	7.1%	21.4	21.4	362.3	–	405.1
Bank Loans including interest	3.1%	9.9	9.9	189.0	–	208.8
Impact of interest rate hedging	5.0%	10.3	2.1	–	–	12.4
Other liabilities	–	185.4	–	–	–	185.4
Total		227.1	33.5	551.4	–	812.0

NOTES TO THE GROUP FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT

Capital management and financing risk

The Group seeks to maintain an appropriate capital structure which enables it to continue as a going concern and which supports its business strategy and takes into account the wider economic environment. The Group's capital comprises equity and debt finance and these elements are managed to balance the requirements of the business and the interests of shareholders and debt stakeholders. The Group manages its capital structure through cash flows from operations, returns to shareholders primarily in the form of dividends, the raising or repayment of debt and the raising of equity capital from investors.

Financing risk is the risk that the Group is unable to access sufficient finance to continue as a going concern. The Group manages its financing risk by maintaining a balance between different funding sources including equity and debt. It seeks to mitigate its debt financing risk by diversifying its sources of loan finance. The bank loan and corporate bond markets are currently used for this purpose. The Board also seeks to mitigate the Group's refinancing risk by having an appropriately balanced debt maturity profile.

Net debt to EBITDA* ratio

The Group assesses its capital structure primarily through use of the Net debt to EBITDA ratio. As part of the covenants under the bank loan facilities, the Group must ensure that its Net debt to rolling 12-month EBITDA* does not exceed 3.5. Based on current forecasts, the Group expects to operate within the covenant limits throughout the lifetime of the facility.

The net debt to EBITDA ratio at 1 January 2013 was:

	1 January 2013 £m	27 December 2011 £m
Nominal value of bank loans	**110.0**	170.0
Nominal value of corporate bonds	**300.0**	300.0
Obligations under finance leases	**0.2**	0.3
Counter indemnity obligations under bank guarantees	**2.9**	3.3
Cash (excluding customer balances and other restricted cash)	**(74.6)**	(58.0)
Net debt for covenant purposes	**338.5**	415.6
EBITDA for covenant purposes	**339.2**	285.4
Net debt to EBITDA ratio	**1.0**	1.5

* For the purposes of bank loan covenants, EBITDA is calculated as profit before depreciation, amortisation, interest, tax and share-based payment charges less EBITDA attributable to the non-controlling interest in William Hill Online.

21. FINANCIAL RISK MANAGEMENT

Credit risk

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss. It primarily arises in relation to financial institutions with which the Group deposits its surplus funds and from counterparties with which the Group has entered into derivative financial transactions for hedging purposes. It also arises from customers who have been granted credit with which to bet with the Group.

The Group manages its cash deposit credit risk by limiting or otherwise closely monitoring the amount that can be deposited with any one institution and by restricting the counterparties with which it will deposit funds to institutions with specified minimum credit ratings.

The Group mitigates its credit risk with respect to derivative transactions by using a number of different counterparties for material transactions.

Interest rate risk

Interest rate risk arises primarily from the Group's borrowings. The Group has a policy which aims to maintain a balance between fixed and floating rate debt exposures appropriate to the expected performance of the business, the Group's debt burden and the wider economic environment. The Board has approved a central fixed/floating interest rate exposure target of 50% but with substantial flexibility around this central target to allow for changing circumstances. At 1 January 2013 approximately 73% of the Group's gross borrowings were at fixed rates and 27% were at floating rates.

Based on the current level of borrowings, a 100 basis points change in interest rates would have the following impact on the Group Financial Statements:

	Increase of 100 basis points £m	Decrease of 100 basis points £m
Increase in profit	0.5	–
Increase in equity reserves	0.5	–

Currency risk

The Group's reporting currency is Sterling. A number of transactions, however, are conducted in other currencies and, as a result, the Group is exposed to currency risk. The Group's principal currency exposure is to Euros, US Dollars and Israeli Shekels through William Hill Online and to US Dollars through its operations in Nevada. The Group has smaller exposure to a number of other currencies which it normally seeks to manage by matching assets and payment obligations. Due to the cost of its operations in Israel the Group is not generally able to achieve this natural hedge and it therefore enters into forward purchase contracts to hedge its cash flow exposure to Israeli Shekels. The Group's exposure to currency risk has not however had a material impact on the Group's results of operations or financial condition.

The Group's exposure to currency risk could increase as a result of the growth of its online business overseas and through the proposed acquisition of the Australian online gambling business of Sportingbet plc. The directors assess and monitor currency risk regularly and the Group may undertake currency hedging to manage this risk. As at 1 January 2013, it had contracts outstanding for a total of ILS60.7 million at an average rate (weighted by size of contract) of ILS6.328 to £1 with final expiry on 12 August 2013, valued at the reporting date as an asset of £0.4m.

NOTES TO THE GROUP FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT

Revenue by currency

Revenue by currency is analysed below.

	53 weeks ended 1 January 2013 %	52 weeks ended 27 December 2011 %
Sterling	**90.9**	91.1
Euro	**6.1**	6.8
Other currencies	**3.0**	2.1
Total	**100.0**	100.0

Pensions risk

The Group operates defined benefit and defined contribution pension schemes for its employees. Pension risk arises in respect of the defined benefit scheme where the cost of funding retirement benefits ultimately falls upon the Group. In common with many pension schemes the Group's defined benefit scheme is in a deficit position and during 2012 the Group made additional cash contributions of £10.3m to the scheme over and above its normal contributions.

The Group seeks to manage the cash flow impacts arising from pensions risk. Accordingly, the defined benefit scheme was closed to new entrants in 2002 and from April 2011 was closed to future accrual for existing members. The Group attempts to further manage its exposure by agreeing with the Pension Scheme Trustees the assumptions to be used to calculate the scheme liabilities of the scheme, the investment strategy to be followed and any additional contributions to be made by the Group. Having completed a formal triennial valuation in 2010 the Group has agreed a recovery plan with the Trustees which aims to eliminate the funding deficit over an eight year period.

22. FINANCIAL INSTRUMENTS

The carrying value of the Group's financial instruments by category, as defined by IAS 39, (together with non-financial instruments for reconciling purposes) is analysed as follows:

	1 January 2013 £m	27 December 2011 £m
Derivatives used for hedging		
Forward currency contracts	**0.4**	-
Loans and receivables		
Investments in associates	**12.6**	10.9
Cash and cash equivalents	**151.7**	114.3
Receivables	**6.1**	14.6
Total financial assets	**170.8**	139.8
Other non-financial assets	**1,704.4**	1,668.5
Total assets	**1,875.2**	1,808.3
Fair Value through the Income Statement		
Held for trading (Ante post bets and interest rate hedges)	**(7.0)**	(17.7)
Liabilities at amortised cost		
Borrowings	**(402.7)**	(460.6)
Trade and other payables	**(200.3)**	(185.4)
Amounts owed to non-controlling interest	**(9.7)**	(8.8)
Total financial liabilities	**(619.7)**	(672.5)
Other non-financial instruments	**(218.5)**	(236.2)
Total liabilities	**(838.2)**	(908.7)
Net assets	**1,037.0**	899.6

The directors believe that due to the nature of the Group's non-derivative financial instruments the carrying value equates to the fair value.

Fair value hierarchy

The hierarchy of the Group's financial instruments carried at fair value was as follows:

	1 January 2013				27 December 2011			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets/(liabilities) held at fair value								
Forward currency contracts	**–**	**0.4**	**–**	**0.4**	–	–	–	–
Antepost bet liabilities	**–**	**–**	**(7.0)**	**(7.0)**	–	–	(6.7)	(6.7)
Interest rate hedging instruments	**–**	**–**	**–**	**–**	–	(11.0)	–	(11.0)
Total	**–**	**0.4**	**(7.0)**	**(6.6)**	–	(11.0)	(6.7)	(17.7)

Antepost bet liabilities are valued using methods and inputs that are not based upon observable market data and all movements on the balance are recognised in revenue in the Income Statement. There are no reasonably possible changes to assumptions or inputs that would lead to material changes in the fair value determined, although the final value will be determined by future sporting results. The principal assumptions relate to anticipated gross win margins on unsettled bets. The movement on the balance between 2011 and 2012 derived principally from cash transactions with customers and the assumption of additional liabilities on the acquisition of US businesses during the period.

Forward currency contracts are classified as level 2 in the hierarchy, as their value is determined using inputs that are observable, either directly or indirectly. Changes in their fair value are recorded in the Income Statement, except in cases where the hedging arrangement qualifies for hedge accounting.

NOTES TO THE GROUP FINANCIAL STATEMENTS

23. DERIVATIVE FINANCIAL INSTRUMENTS

Details of the Group's derivative financial instruments are given below.

Antepost bets

Antepost bets are a liability arising from an open position at the period end date in accordance with the Group's accounting policy for derivative financial instruments. Antepost bets at the period end totalled £7.0m (2011: £6.7m) and are classified as current liabilities.

Interest rate swaps and hedges

The Group entered into a number of interest rate swap and collar arrangements in previous years, under which the LIBOR element of the interest payable was swapped or capped for fixed rate payments. All such arrangements expired by 1 January 2013. In the prior year, the Group had arrangements with notional principal amounts of £200m that were fair valued at a liability of £11.0m.

The fair value of forward foreign currency contracts at period end was an asset of £0.4m (2011: £nil).

24. DEFERRED TAX

The following are the major deferred tax (liabilities) and assets recognised by the Group and movements thereon during the current period:

	At 27 December 2011 £m	Acquired in business combinations £m	Amount charged to reserves £m	Amount credited/ (charged) to income £m	Amount charged to Statement of Comprehensive Income £m	**At 1 January 2013 £m**
Fixed asset timings differences	(19.9)	–	–	4.2	–	**(15.7)**
Held over gains	(7.2)	–	–	1.4	–	**(5.8)**
Retirement benefit obligations	8.5	–	–	(0.6)	(3.0)	**4.9**
Licences	(119.0)	(1.3)	–	9.6	–	**(110.7)**
Affiliate relationships	(0.7)	–	–	0.4	–	**(0.3)**
Share remuneration	4.8	–	0.8	–	–	**5.6**
Derivatives	1.8	–	–	(1.8)	–	**–**
Tax losses	–	–	–	1.0	–	**1.0**
	(131.7)	(1.3)	0.8	14.2	(3.0)	**(121.0)**

The enacted future rate of UK corporation tax of 23% (52 weeks ended 27 December 2011: 25%) and the Gibraltar statutory income tax rate of 10% (2011: 10%) have been used to calculate the amount of deferred tax.

Certain deferred tax assets and liabilities have been offset in the above analysis. The following is the analysis of the deferred tax balances for financial reporting purposes:

	1 January 2013 £m	27 December 2011 £m
Deferred tax liabilities	**(132.5)**	(146.8)
Deferred tax assets	**11.5**	15.1
	(121.0)	(131.7)

25. CALLED-UP SHARE CAPITAL

	1 January 2013		27 December 2011	
	Number of shares	**£m**	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**702,197,647**	**70.3**	701,646,200	70.2
Shares issued	**3,655,792**	**0.3**	551,447	0.1
At end of period	**705,853,439**	**70.6**	702,197,647	70.3

The Company has one class of ordinary shares, which carry no right to fixed income.

26. OWN SHARES

	£m
At 28 December 2011	(11.7)
Transfer of own shares to recipients	9.0
At 1 January 2013	**(2.7)**

Own shares held comprise:

	1 January 2013			27 December 2011		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	**500,000**	**0.1**	**2.7**	2,204,000	0.2	11.7

The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £5.32 (27 December 2011: £5.32).

27. NON-CONTROLLING INTEREST (NCI)

The NCI relates to the 29% share in William Hill Online owned by Playtech Limited (Playtech).

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 NCI. Where they represent additional services rendered, they are disclosed within operating costs in the Online segment.

During 2011, 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. 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.

Call option

Under the terms of the joint venture agreement with Playtech, the Group had call options over Playtech's 29% interest in William Hill Online, exercisable in March 2013 and March 2015. The valuation of Playtech's interest to be determined by independent third parties.

On 29 November 2012, the William Hill Board commenced the contractual valuation process ahead of the potential exercise of its option to acquire the minority stake in William Hill Online. On 1 March 2013 the Group announced its intention to exercise its call option to acquire the non-controlling stake in William Hill Online owned by Playtech for a consideration of £424m. The acquisition will be funded from a fully underwritten rights issue, with the balance from the second tranche of the new Term Loan (details of which are set out in note 20). Pursuant to the call option, Playtech has the right to elect for a portion of the consideration for the proposed acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and, as such, the documentation required to complete the call option will reflect consideration payable wholly in cash. It is important to note that in the event the Group fails to complete the proposed acquisition by 30 April 2013, its additional rights to exercise the call option in 2015 will terminate, which would leave the Group without a formal mechanism to acquire the 29% of William Hill Online it does not already own.

NOTES TO THE GROUP FINANCIAL STATEMENTS

28. NOTES TO THE CASH FLOW STATEMENT

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Profit before interest and tax, excluding exceptional items	325.6	272.1
Adjustments for:		
Share of result of associates	(3.7)	(2.4)
Depreciation of property, plant and equipment	29.3	27.2
Amortisation of computer software	14.4	10.6
Amortisation of specifically identified intangible assets recognised on acquisitions	5.0	3.6
Loss on disposal of property, plant and equipment	0.1	0.2
Gain on disposal of land and buildings	(1.1)	(0.5)
Cost charged in respect of share remuneration	10.6	5.5
Defined benefit pension cost less cash contributions	(8.8)	(8.3)
Foreign exchange	(0.4)	0.1
Exceptional operating expense	(9.6)	(0.5)
Movement on financial derivatives	(0.6)	0.9
Operating cash flows before movements in working capital:	360.8	308.5
Decrease in inventories	–	0.1
Decrease/(increase) in receivables	15.7	(3.1)
Increase in payables	10.2	35.7
Cash generated by operations	386.7	341.2
Income taxes paid	(52.0)	(51.6)
Interest paid	(40.4)	(47.9)
Net cash from operating activities	294.3	241.7

29. OPERATING LEASE ARRANGEMENTS

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Minimum lease payments under operating leases		
recognised as an expense in the period:		
– plant and machinery	1.1	1.0
– other (including land and buildings)	58.2	52.6
	59.3	53.6

29. OPERATING LEASE ARRANGEMENTS

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	1 January 2013 £m	27 December 2011 £m
Within one year	**49.9**	46.1
In the second to fifth years inclusive	**168.1**	162.3
After five years	**212.5**	216.7
	430.5	425.1

Operating lease payments represent rentals payable by the Group for certain of its LBOs, office properties and amounts payable for the use of certain office and computer equipment.

30. SHARE-BASED PAYMENTS

The Group had the following share-based payment schemes in operation during the period, all of which will be settled by equity:

- Performance Share Plan (PSP), Long Term Incentive Plan (LTIP), William Hill Online Long Term Incentive Plan (William Hill Online LTIP), Executive Bonus Matching Scheme (EBMS) and Retention award (RA), encompassing awards made in the years from 2004 to 2012; and
- Save As You Earn share option scheme involving options granted after 7 November 2002 (SAYE) encompassing grants made in the years from 2004 to 2012

Details of these schemes are provided on pages 61 to 63 in the Directors' Remuneration Report.

Costs of schemes

The costs of the schemes during the period, excluding provisions for National Insurance, were:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
PSP, LTIP, William Hill Online LTIP, EBMS and RA scheme	**9.8**	4.6
SAYE schemes	**0.8**	0.9
	10.6	5.5

PSP, LTIP, William Hill Online LTIP, EBMS and RA scheme

The PSP and EBMS provide conditional awards of shares dependent on the Group's earnings per share growth and Total Shareholder Return (TSR) performance over a three-year period as well as continued employment of the individual at the date of vesting (awards are usually forfeited if the employee leaves the Group voluntarily before the awards vest). EBMS shares are exercised automatically on fulfilment of the service condition. If PSP options remain unexercised after a period of ten years from the date of grant, the options lapse.

The William Hill Online LTIP provides conditional awards that were dependent on William Hill Online achieving a specified operating profit target for the financial year 2012.

The RA scheme is an award of 552,995 William Hill shares at 217p to Ralph Topping, which will vest on 31 December 2013 subject to continued employment.

The PSP, LTIP and EBMS are conditional awards of shares and the recipients do not have to pay an exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £2.61 (52 weeks ended 27 December 2011: £1.83). The awards outstanding at 1 January 2013 had a remaining weighted average contractual life of 5.0 years (27 December 2011: 6.1 years).

NOTES TO THE GROUP FINANCIAL STATEMENTS

30. SHARE-BASED PAYMENTS

Options under these schemes are as follows:

	1 January 2013 Number	27 December 2011 Number
Outstanding at beginning of the period	**13,709,267**	13,670,960
Granted during the period	**4,846,425**	4,410,564
Forfeited during the period	**(203,523)**	(3,537,430)
Exercised during the period	**(2,764,780)**	(834,827)
Outstanding at the end of the period	**15,587,389**	13,709,267
Exercisable at the end of the period	**48,698**	48,698

SAYE schemes

Options under the SAYE Share Option Scheme, which is open to all eligible employees, are based on a three, five or seven year monthly savings contract. Options under the scheme are granted with an exercise price up to 20% below the share price when the savings contract is entered into. The options remain valid for six months beyond the end of the relevant savings contract.

The exercises price for the 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012 SAYE schemes, following the rights issues, were £3.23, £3.25, £3.49, £1.98, £1.39, £1.60, £1.51 and £1.78 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £3.06 (52 weeks ended 27 December 2011: £1.84). The options outstanding at 1 January 2013 had a remaining weighted average contractual life of 2.6 years (27 December 2011: 2.3 years).

Options under these schemes are as follows:

	1 January 2013		27 December 2011	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	**6,828,123**	**1.56**	7,029,617	1.68
Granted during the period	**3,051,594**	**1.78**	2,048,807	1.51
Forfeited during the period	**(1,009,156)**	**1.79**	(1,616,087)	1.90
Exercised during the period	**(2,320,187)**	**1.40**	(634,214)	1.87
Outstanding at the end of the period	**6,550,374**	**1.68**	6,828,123	1.56
Exercisable at the end of the period	**174,345**	**2.52**	241,386	2.52

30. SHARE-BASED PAYMENTS

Fair values of share based payments

Share based payments are valued using the Black-Scholes-Merton pricing formula. The inputs are as follows:

	SAYE		PSP, LTIP, EBMS, William Hill Online LTIP, RA	
	1 January 2013	27 December 2011	**1 January 2013**	27 December 2011
Weighted average share price at date of grant	**£2.62**	£1.79	**£2.27**	£1.81-£2.00
Weighted average exercise price	**£1.78**	£1.51	**£nil**	Nil
Expected volatility	**26%**	26%	**26%**	26 – 38%
Expected life	**3–6 years**	3–6 years	**3 years**	1–4 years
Risk free interest rate	**2.2%**	2.2%	**2.2%**	1.2–4.9%
Expected dividend yield	**4.7%**	4.7%	**4.7%**	4.7%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life. The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

For PSP, LTIP, EBMS, William Hill Online LTIP and RA schemes, the value of the option has also been adjusted to take into account the market conditions applicable to the option (i.e. TSR requirements) by applying a discount to the option value. This discount is calculated based on an estimate of the probability of achieving the relevant condition and was 25% for the 53 weeks ended 1 January 2013 (52 weeks ended 27 December 2011: 12.5% to 25%)

The weighted average fair value of the awards granted under the PSP, LTIP, William Hill Online LTIP, EBMS and RA schemes at the date of grant was £1.55 per option (27 December 2011: £1.50). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.34 per option (52 weeks ended 27 December 2011: £0.16).

31. 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:

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Defined contribution scheme (charged to profit before interest and tax)	**5.2**	4.6
Defined benefit scheme (charged to profit before interest and tax)	**1.5**	2.1
Defined benefit scheme (charged to finance costs)	**1.4**	1.4
Defined benefit scheme ((credited)/charged to other comprehensive income)	**(5.6)**	10.1
	2.5	18.2

Defined contribution schemes

The defined contribution scheme, to which both the Group and employees contribute to fund the benefits, is 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. At 1 December 2013, contributions of £nil (27 December 2011: £nil) due in respect of the current reporting period had not been paid over to the schemes.

NOTES TO THE GROUP FINANCIAL STATEMENTS

31. RETIREMENT BENEFIT 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. 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. The costs of administering the scheme are borne by the Group.

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 2013.

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 1 January 2013 by a qualified independent actuary. The present values of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Disclosure of principal assumptions

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

	1 January 2013	27 December 2011
Rate of increase of salaries	4.00%	4.10%
Rate of increase of pensions in payment	3.00%	3.10%
Discount rate	4.50%	4.70%
Rate of RPI inflation	3.00%	3.10%
Rate of CPI inflation	2.30%	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.

31. RETIREMENT BENEFIT SCHEMES

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

Life expectancy at age 63	1 January 2013	27 December 2011
Member currently aged 63	**24 years**	24 years
Member currently aged 45	**26 years**	26 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.

	1 January 2013		27 December 2011	
	Expected return %	**Value £m**	Expected return %	Value £m
Equities	**6.7**	**100.2**	6.0	138.1
Corporate Bonds	**4.5**	**62.2**	4.4	39.7
Property	**2.7**	**5.7**	–	–
Gilts and Cash	**2.8**	**127.8**	2.8	97.0
Total market value of assets		**295.9**		274.8
Present value of scheme liabilities		**(317.0)**		(308.9)
Deficit in scheme		**(21.1)**		(34.1)

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

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Current service cost	**1.5**	2.0
Past service cost	**–**	0.1
Total operating charge	**1.5**	2.1

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

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Expected return on pension scheme assets	**(12.9)**	(14.5)
Interest on pension scheme liabilities	**14.3**	15.9
Net cost	**1.4**	1.4

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

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Actual return less expected return on pension scheme assets	**(10.1)**	1.8
Experience gains arising on the scheme liabilities	**–**	–
Changes in assumptions underlying the present value of the scheme liabilities	**4.5**	8.3
Actuarial (gain)/loss	**(5.6)**	10.1

NOTES TO THE GROUP FINANCIAL STATEMENTS

31. RETIREMENT BENEFIT SCHEMES

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

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
At beginning of period	**308.9**	292.7
Movement in period:		
Service cost	**1.5**	2.0
Interest cost	**14.3**	15.9
Contributions from scheme members	**–**	0.2
Actuarial losses	**4.5**	8.3
Benefits paid	**(12.2)**	(10.3)
Past service cost	**–**	0.1
At end of period	**317.0**	308.9

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

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
At beginning of period	**274.8**	261.8
Movement in period:		
Expected return on scheme assets	**12.9**	14.5
Actuarial gains/(losses)	**10.1**	(1.8)
Contributions from the sponsoring companies	**10.3**	10.4
Contributions from scheme members	**–**	0.2
Benefits paid	**(12.2)**	(10.3)
At end of period	**295.9**	274.8

History of experience gains and losses:

	53 weeks ended 1 January 2013	52 weeks ended 27 December 2011	52 weeks ended 28 December 2010	52 weeks ended 29 December 2009	52 weeks ended 30 December 2008
Difference between the actual and expected return on scheme assets:					
Amount (£m)	**10.1**	(1.8)	12.5	22.6	(62.1)
% of scheme assets	**3.4%**	0.1%	4.8%	9.8%	32.8%
Experience gains and (losses) on scheme liabilities:					
Amount (£m)	**–**	–	–	2.6	–
% of the present value of the scheme liabilities	**–**	–	–	1.0%	–
Changes in assumptions underlying the present value of the scheme liabilities	**(4.5)**	(8.3)	(6.4)	(49.4)	30.6
% of the present value of the scheme liabilities	**1.4%**	2.7%	2.2%	18.0%	14.2%
Cumulative losses[1] (£m)	**(77.1)**	(82.7)	(72.6)	(78.7)	(54.5)

[1] Cumulative losses are calculated from year ended 31 December 2002.

The actual return on scheme assets was £23.0m (2011: £12.7m).

31. RETIREMENT BENEFIT SCHEMES

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

The sensitivity of the present value of the scheme's liabilities to changes in the principal assumptions used to measure these liabilities is illustrated in the table that follows. The illustrations consider the single change shown, with the other assumptions assumed to be unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). In addition, changes in the assumptions may occur at the same time as changes in the market value of the scheme assets, which may or may not offset the change in assumptions.

Assumption	Changes in assumption	Impact on defined benefit liabilities
Discount rate	Decrease by 0.25% p.a.	Increase of £16.8m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £16.2m
Life expectancy	Members assumed to live one year longer	Increase of £8.1m

If the change in assumptions were in the opposite direction to that shown above, the impact on the defined benefits liabilities would be of a similar magnitude, but in the opposite direction.

Nature and extent of the risks arising from financial instruments held by the defined benefit scheme

Pension assets and liabilities (pre-tax) of £295.9m and £317.0m respectively are held on the Group's Consolidated Statement of Financial Position as at 1 January 2013. Movements in equity markets, long term interest rates, inflation and life expectancy could materially affect these amounts and could give rise to a requirement for additional contributions, or a reduction in contributions from the Group.

The scheme's investment strategy is set by the trustees following consultation with the Group. The defined benefit scheme has historically had a significant holding of equity investments which produce more variable returns than bonds and are therefore considered 'riskier'. It is generally accepted that the yield on equity investments will contain a premium to compensate investors for this additional risk.

In 2011, in conjunction with the trustees, an asset-liability review for the defined benefit scheme was carried out to assist the trustees and the Group to determine the optimal long-term asset allocation based on the structure of liabilities within the scheme. As part of this, the Group has agreed a recovery plan with the Trustees for eliminating the deficit over an eight year period and the trustees have reallocated assets away from equities and towards bonds.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

Trading transactions

Associate

During the period the Group made purchases of £41.3m (52 weeks ended 27 December 2011: £37.4m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 1 January 2013 the amount receivable from Satellite Information Services Limited by the Group was £3.1m (27 December 2011: £3.8m).

Purchases were made at market price. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

NOTES TO THE GROUP FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Short-term employee benefits (including salaries)	**2.5**	2.0
Post-employment benefits (employer's contribution)	**–**	–
Share-based payments (IFRS 2 charges)	**3.5**	0.9
	6.0	2.9

The disclosures above include ca. £40,000 received by directors in respect of dividends on the Company's ordinary shares.

Pension schemes

The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in note 31.

33. CONTINGENT LIABILITIES

In June 2010, the Group recognised a £5.6m credit following a refund of overpaid VAT from HMRC. The VAT repayment relates to our claim that the application of VAT to income from AWP machines contravened the European Union's principle of fiscal neutrality. HMRC have challenged a similar claim made by Rank plc and our claim will not be determined until the Rank case is resolved. In 2011, a judgement of the CJEU confirmed which facts must be taken into consideration when determining whether there has been a breach of fiscal neutrality and Rank's claim will be heard again in the Tax Tribunal in 2013, based on this interpretation. Should HMRC ultimately be successful in the Rank case then the Group would have to repay the monies received, although the directors consider this unlikely.

34. POST BALANCE SHEET EVENTS

Acquisition of Sportingbet plc's Australian and Spanish businesses

On 20 December 2012, the Group made a formal and binding offer for the purchase of Sportingbet plc ('Sportingbet'), a UK-listed online betting provider with customers predominantly in Europe and Australia, jointly with GVC Holdings plc ('GVC'), an unrelated party. At the reporting date, completion of the deal was conditional on William Hill being granted an Australian gaming licence and on shareholder approval from both Sportingbet and GVC plc shareholders. These conditions were met on 13 February 2013 and 21 February 2013 respectively. The Group now expects completion on 19 March 2013, following a court date to approve the scheme of arrangement under which the acquisition will take place.

The Group expects to pay £460m in cash in return for specific assets and businesses of the Sportingbet group as part of the Group's continued strategy of international expansion and diversification. None of the consideration is contingent.

Should the acquisition proceed, the Group will also provide a loan of up to £15m at completion (subject to a further adjustment of up to £5 million post completion) to GVC to cover expected working capital fluctuations and other cash commitments that will be repayable on or before June 2016. The Group will fund this acquisition partially from the first tranche of the new Term Loan Facility totalling £225m, with the balance funded from the Group's existing Revolving Credit Facility. The terms of both facilities are set out in note 20 to the financial statements.

Expenses incurred of £4.6m relating to the potential acquisition have been expensed in 2012 as exceptional items and the Group expects to incur a further £11.4m of expenses in 2013, subject to the deal's successful completion.

Acquisition of the non-controlling interest in William Hill Online

On 29 November 2012, the William Hill Board commenced the contractual valuation process ahead of the potential exercise of its option to acquire the minority stake in William Hill Online. On 1 March 2013 the Group announced its intention to exercise its call option to acquire the non-controlling stake in William Hill Online owned by Playtech for a consideration of £424m. The acquisition will be funded with approximately £375m of proceeds from a fully underwritten rights issue and approximately £50m from the second tranche of the new Term Loan (details of which are set out in note 20). Pursuant to the call option, Playtech has the right to elect for a portion of the consideration for the proposed acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and, as such, the documentation required to complete the call option will reflect consideration payable wholly in cash.

PARENT COMPANY INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WILLIAM HILL PLC

We have audited the Parent Company financial statements of William Hill PLC for the 53-week period ended 1 January 2013, which comprise the Parent Company Balance Sheet, Parent Company Statement of Accounting Policies and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company financial statements:

– give a true and fair view of the state of the Parent Company's affairs as at 1 January 2013 and of its profit for the 53-week period then ended;

– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

– the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

PARENT COMPANY INDEPENDENT AUDITOR'S REPORT

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

– the Parent Company financial statements and the parts of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of William Hill PLC for the 53-week period ended 1 January 2013.

Robert Matthews
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 March 2013

PARENT COMPANY BALANCE SHEET

as at 1 January 2013

	Notes	1 January 2013 £m	27 December 2011 £m
Fixed assets			
Investments	4	**38.2**	38.2
		38.2	38.2
Current assets			
Debtors			
Due within one year	5	**2,526.7**	2,299.7
Due after more than one year	6	**–**	1.8
		2,526.7	2,301.5
Creditors: amounts falling due within one year	7	**(862.2)**	(730.2)
Net current assets		**1,664.5**	1,571.3
Total assets less current liabilities		**1,702.7**	1,609.5
Creditors: amounts falling due after more than one year	8	**(402.5)**	(462.0)
Net assets		**1,300.2**	1,147.5
Capital and reserves			
Called-up share capital	10,12	**70.6**	70.3
Premium on ordinary shares	11,12	**321.4**	318.3
Capital redemption reserve	12	**6.8**	6.8
Own shares held	12	**(0.3)**	(1.5)
Profit and loss account	12	**901.7**	753.6
Shareholders' funds	12,13	**1,300.2**	1,147.5

The Parent Company financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 1 March 2013 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

PARENT COMPANY STATEMENT OF ACCOUNTING POLICIES

for the 53 weeks ended 1 January 2013

The unconsolidated financial statements for the Company have been prepared in accordance with UK law and applicable UK GAAP accounting standards. A summary of the Company's principal accounting policies, which have been applied consistently throughout the period and the preceding period, is set out below.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and company law.

EXEMPTIONS

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the Company alone. The Company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash flow statements'. The cash flows of the Company are subsumed within the William Hill PLC Group financial statements. The Company is also exempt under the terms of FRS 8 'Related Parties' from disclosing related party transactions with entities that are part of the William Hill PLC Group.

INVESTMENTS

Fixed asset investments are shown at cost less provision, if any, for impairment.

Cost is measured by reference to the nominal value only of the shares issued for investments in subsidiaries acquired for consideration that includes the issue of shares qualifying for merger relief. Any premium is ignored.

TAX

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction or at an average rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

FINANCE COSTS

Finance costs of debt are recognised in the profit and loss account over the term of that debt at a constant rate on the carrying amount.

INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recorded at the fair value of the proceeds received, net of discounts and direct issue costs. Finance charges, including the unwinding of any discounts, premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest rate method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Any accrued finance costs are included in accruals and deferred income within creditors.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the William Hill PLC Group in line with the Group's risk management policies.

Termination payments made or received are spread over the life of the underlying exposure in cases where the underlying exposure continues to exist. In other cases termination payments are taken to the profit and loss account.

OWN SHARES HELD

Own shares held in treasury and held in employment benefit trusts are included within reserves.

SHARE-BASED PAYMENTS

The Company issues equity-settled share-based payments to certain employees within the William Hill PLC Group and operates a number of Inland Revenue approved Save As You Earn (SAYE) share option schemes open to all eligible employees within the William Hill PLC Group, which allow the purchase of shares at a discount. The cost to the Group of both of these share-based payments is measured at fair value at the date of grant. Fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is borne by the employing company within the Group.

Fair value is measured by use of the Black-Scholes-Merton pricing formula. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option has also been adjusted to take into account any market conditions applicable to the option.

Further descriptions of the Group's share-based payment plans are given in note 30 to the Group financial statements.

GOING CONCERN

As highlighted in notes 20 and 21 to the Group financial statements, 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 existing 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.

On 20 December 2012 the Group announced a recommended offer in conjunction with GVC Holdings plc whereby William Hill will acquire the Sportingbet Australian business and certain other assets from the Sportingbet Group and be granted a call option over the Sportingbet Spanish business for a cash consideration of £460m. The cash consideration payable in relation to the proposed acquisition will be partially funded by the Group's existing Revolving Credit Facility and the balance from the first tranche of the new Term Loan Facility. Details of both facilities are set out in note 20 to the Group financial statements.

On 1 March 2013 the Group announced its intention to exercise its call option to acquire the non-controlling stake in William Hill Online owned by Playtech for a consideration of £424m. The acquisition will be funded with approximately £375m from a fully underwritten rights issue and approximately £50m from the second tranche of the new Term Loan (details of which are set out in note 20 to the Group financial statements). Pursuant to the call option, Playtech has the right to elect for a portion of the consideration for the proposed acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and, as such, the documentation required to complete the call option will reflect consideration payable wholly in cash.

The directors have a reasonable expectation of being able to re-finance the new Term Loan Facility utilised in funding these acquisitions from alternative sources of finance – principally the bond markets.

After making enquiries and in consideration of the Group's existing operations, the proposed acquisitions described above and the facilities that will be used to fund them, 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

for the 53 weeks ended 1 January 2013

1. DIRECTORS' REMUNERATION AND INTERESTS

The Company had no employees other than directors during the current or prior period. The Company did not operate any pension schemes during the current or prior period. Details of directors' remuneration, share interests, share options and other entitlements, which form part of these financial statements, are given in the parts of the Directors' Remuneration Report on pages 52 to 63 which are described as having been audited.

Directors interests

The directors had the following interests, including family interests (all of which were beneficial) in the ordinary shares of William Hill PLC:

	1 January 2013 Number	27 December 2011 Number
Chairman		
Gareth Davis	**94,000**	94,000
Executive directors:		
Ralph Topping	**395,399**	106,594
Neil Cooper	**2,345**	2,345
Non-executive directors:		
David Edmonds	**24,000**	24,000
David Lowden	**10,000**	10,000
Ashley Highfield	**5,848**	5,848
Georgina Harvey	**10,000**	10,000
Imelda Walsh	**10,000**	10,000

No director had any interest in shares in any other Group company.

Directors' share options

Details of directors' share options are provided in the Directors' Remuneration Report on pages 62 to 63.

2. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. William Hill PLC reported a profit for the 53 weeks ended 1 January 2013 of £222.5m (52 weeks ended 27 December 2011: £178.2m).

The auditor's remuneration for audit and other services is disclosed in note 5 to the Group Financial Statements.

3. DIVIDENDS PROPOSED AND PAID

	53 weeks ended 1 January 2013 Per share	52 weeks ended 27 December 2011 Per share	53 weeks ended 1 January 2013 £m	52 weeks ended 27 December 2011 £m
Equity shares:				
– current period interim dividend paid	**6.7p**	2.9p	**47.1**	20.3
– prior period final dividend paid	**3.4p**	5.8p	**24.0**	40.6
	10.1p	8.7p	**71.1**	60.9
Proposed dividend	**7.8p**	6.7p	**55.0**	47.1

Further details of dividends paid and proposed are shown in note 10 to the Group financial statements.

4. INVESTMENTS

	£m
Cost and net book value:	
At 28 December 2011 and 1 January 2013	**38.2**

It is the opinion of the directors that the total value of the Company's investment in its subsidiaries is not less than the amounts at which they are stated in the Parent Company Balance Sheet.

The principal subsidiaries of the Company, their country of incorporation, ownership of their share capital and the nature of their trade are shown in note 14 to the Group financial statements.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 January 2013 £m	27 December 2011 £m
Amounts owed by Group undertakings	**2,524.8**	2,299.7
Prepaid finance fees	**1.9**	–
Amounts owed by Group undertakings	**2,526.7**	2,299.7

6. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Deferred tax

	1 January 2013 £m	27 December 2011 £m
At start of period	**1.8**	5.4
Deferred tax on hedging movement	**(1.8)**	(3.6)
At end of period	**–**	1.8

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1 January 2013 £m	27 December 2011 £m
Amounts owed to Group undertakings	**857.4**	717.0
Accruals and deferred income	**4.8**	3.9
Derivative financial instruments (note 9)	**–**	9.3
	862.2	730.2

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

8. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Bank overdrafts, loans and derivative financial instruments	1 January 2013 £m	27 December 2011 £m
Borrowings at amortised cost		
Bank loans	**110.0**	170.0
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0
	410.0	470.0
The borrowings are repayable as follows:		
Amounts due for settlement within one year	**–**	–
In the second year	**–**	–
In the third to fifth years inclusive	**410.0**	470.0
After more than five years	**–**	–
	410.0	470.0
Less: expenses relating to bank loans	**(3.8)**	(5.1)
Less: discount on bond issue £300m issued at £297.9m	**(1.2)**	(1.5)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(2.5)**	(3.1)
	402.5	460.3
Derivative financial instruments (note 9)	**–**	1.7
Amount due for settlement after 12 months	**402.5**	462.0

Bank facilities

As at 1 January 2013, the Company had the following bank facilities:

1. A committed bank loan facility of £550m provided by a syndicate of banks. At the period end, £110m of this facility was drawn down. This facility is a Revolving Credit Facility ('RCF'), expiring in November 2015.
2. Committed Term Loan Facilities of £325m provided by a consortium of banks for the purpose of funding the acquisition of Sportingbet's Australian business and certain other assets and the grant of a call option over Sportingbet's Spanish business and the acquisition of the non-controlling interest in William Hill Online owned by Playtech. At the period end £nil of this facility was drawn down.

£550m Revolving Credit Facility

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.

£325m Term Loan Facility

The Facility is divided into two tranches of £225m and £100m to be used respectively for funding: (i) the acquisition of Sportingbet's Australian business and certain other assets and the purchase of a call option over Sportingbet's Spanish business and (ii) the potential acquisition of the non-controlling interest in William Hill Online owned by Playtech.

Borrowings under the Term Loan Facility 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 initially LIBOR plus a margin of 2.00% rising to 4.50% over time. A ticking fee of 0.5% is payable on the amount of the facility until the conditions for utilisation of the facility have been satisfied, following which a commitment fee, equivalent to 40% of the margin, is payable in respect of available but undrawn borrowings under the Term Loan Facility. The loans are subject to a duration fee should the loans be outstanding 12 months from the date of signing (20 December 2012). The facility expires on 20 June 2014.

Corporate bonds

The Company's 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 balance sheet and are being amortised over the life of the bonds.

Further details of borrowings are shown in note 20 to the Group Financial Statements.

9. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company may hold derivatives and other financial instruments on behalf of the William Hill PLC Group. Note 21 to the Group's financial statements provides an explanation of the role that financial instruments have had during the period in creating or changing the risks that the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the period.

The value of net foreign currency monetary assets at 1 January 2013 was £nil (27 December 2011: £nil).

10. CALLED-UP SHARE CAPITAL

	1 January 2013		27 December 2011	
	Number of shares	**£m**	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**702,197,647**	**70.3**	701,646,200	70.2
Shares issued to employees under sharesave schemes	**3,655,792**	**0.3**	551,447	0.1
At end of period	**705,853,439**	**70.6**	702,197,647	70.3

The Company has one class of ordinary shares, which carry no right to fixed income.

Share options

Options have been granted to subscribe for ordinary shares of the Company under various share option and award schemes as shown below:

	Number of shares under option	Price per share	Exercise period
Long Term Incentive Plan (2003)	7,946	nil	Between 2006 and 2013
Long Term Incentive Plan (2004)	7,230	nil	Between 2007 and 2014
Operating Bonus 2004	1,384	nil	Between 2007 and 2014
Retention award	552,995	nil	Between 2013 and 2014
Performance Share Plan (2005)	22,655	nil	Between 2008 and 2015
Performance Share Plan (2006)	10,867	nil	Between 2009 and 2016
Performance Share Plan (2010)	1,574,206	nil	Between 2014 and 2020
Performance Share Plan (2011)	1,291,140	nil	Between 2014 and 2020
Performance Share Plan (2012)	1,922,224	nil	Between 2015 and 2022
Executive Benefit Matching Scheme (2010)	947,577	nil	Between 2011 and 2013
Executive Benefit Matching Scheme (2011)	2,551,754	nil	March 2014
Executive Benefit Matching Scheme (2012)	2,924,201	nil	March 2015
William Hill Online Long Term Incentive Plan	3,774,594	nil	Between 2013 and 2020
SAYE 2005	20,768	£3.23	Between 2008 and 2013
SAYE 2006	28,828	£3.25	Between 2009 and 2014
SAYE 2007	75,388	£3.49	Between 2010 and 2013
SAYE 2008	253,856	£1.98	Between 2011 and 2014
SAYE 2009	889,781	£1.39	Between 2012 and 2015
SAYE 2010	985,502	£1.60	Between 2013 and 2016
SAYE 2011	1,417,687	£1.51	Between 2014 and 2017
SAYE 2012	2,878,564	£1.78	Between 2015 and 2018

Note 30 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

11. SHARE PREMIUM

	£m
At 28 December 2011	318.3
Shares issued in the period	3.1
At 1 January 2013	**321.4**

12. RESERVES

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Own shares held £m	Profit and loss account £m	Total £m
At 28 December 2011	70.3	318.3	6.8	(1.5)	753.6	1,147.5
Profit for the financial period	–	–	–	–	222.5	222.5
Shares issued during the period	0.3	3.1	–	–	(0.2)	3.2
Transfer of own shares to recipients	–	–	–	1.2	(3.1)	(1.9)
Dividends paid	–	–	–	–	(71.1)	(71.1)
At 1 January 2013	**70.6**	**321.4**	**6.8**	**(0.3)**	**901.7**	**1,300.2**

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1 January 2013 £m	27 December 2011 £m
Opening shareholders' funds	**1,147.5**	1,028.7
Profit for the financial period	**222.5**	178.2
Dividends paid	**(71.1)**	(60.9)
Shares issued during the period	**3.2**	–
Movement on reserves due to transfer of own shares to recipients	**(1.9)**	1.5
Net increase to equity shareholders' funds	**152.7**	118.8
Closing shareholders' funds	**1,300.2**	1,147.5

14. FINANCIAL COMMITMENTS

The Company had no capital commitments at 1 January 2013 (27 December: £nil).

The Company had no commitments under non-cancellable operating leases at 1 January 2013 (27 December: £nil).

15. RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption granted by paragraph 3(c) of FRS 8 'Related Party Disclosures' not to disclose transactions with companies within the William Hill PLC Group, which are related parties.

16. POST BALANCE SHEET EVENTS

Acquisition of Sportingbet plc's Australian and Spanish businesses

On 20 December 2012, the Group made a formal and binding offer for the purchase of Sportingbet plc ("Sportingbet"), a UK-listed online betting provider with customers predominantly in Europe and Australia, jointly with GVC Holdings plc ("GVC"), an unrelated party. At the reporting date, completion of the deal was conditional on William Hill being granted an Australian gaming licence and on shareholder approval from both Sportingbet and GVC plc shareholders. These conditions were met on 13 February 2013 and 21 February 2013 respectively. The Group now expects completion on 19 March 2013, following a court date to approve the scheme of arrangement under which the acquisition will take place.

The Group expects to pay £460m in cash in return for specific assets and businesses of the Sportingbet group as part of the Group's continued strategy of international expansion and diversification. None of the consideration is contingent.

16. POST BALANCE SHEET EVENTS

Should the acquisition proceed, the Group will also provide a loan of up to £15m at completion (subject to a further adjustment of up to £5 million post completion) to GVC to cover expected working capital fluctuations and other cash commitments that will be repayable on or before June 2016. The Group will fund this acquisition partially from the first tranche of the new Term Loan Facility totalling £225m, with the balance funded from the Group's existing Revolving Credit Facility. The terms of both facilities are set out in note 20 to the Group financial statements.

Expenses incurred of £4.6m relating to the potential acquisition have been expensed in 2012 as exceptional items and the Group expects to incur a further £11.4m of expenses in 2013, subject to the deal's successful completion.

Acquisition of the non-controlling interest in William Hill Online

On 29 November 2012, the William Hill Board commenced the contractual valuation process ahead of the potential exercise of its option to acquire the minority stake in William Hill Online. On 1 March 2013 the Group announced its intention to exercise its call option to acquire the non-controlling stake in William Hill Online owned by Playtech for a consideration of £424m. The acquisition will be funded with approximately £375m from a fully underwritten rights issue and approximately £50m from the second tranche of the new Term Loan (details of which are set out in note 20). Pursuant to the call option, Playtech has the right to elect for a portion of the consideration the proposed acquisition to be satisfied by the issue to it of Ordinary Shares not exceeding 9.99 per cent. of the issued share capital of William Hill PLC at the relevant time. Playtech has informed the Company of its preliminary intention not to elect to take Ordinary Shares as consideration and, as such, the documentation required to complete the call option will reflect consideration payable wholly in cash.

FIVE-YEAR SUMMARY

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Summarised results:					
Amounts wagered	**18,879.1**	17,911.4	16,519.8	15,070.0	14,810.1
Revenue	**1,276.9**	1,136.7	1,071.8	997.9	963.7
Profit before interest, tax and exceptional items (including associates)	**325.6**	272.1	273.2	253.0	278.6
Profit before interest and tax and after exceptional items (including associates)	**311.1**	221.9	272.7	199.8	267.8
Profit before tax	**277.7**	187.4	193.3	120.9	293.3
Profit for the financial period	**231.0**	146.5	156.0	81.2	234.0
Summarised statements of financial position:					
Assets employed:					
Non-current assets	**1,685.2**	1,643.7	1,670.6	1,674.4	1,727.3
Current assets	**190.0**	164.6	156.7	176.0	108.6
Current liabilities	**(273.3)**	(257.8)	(224.9)	(552.7)	(175.6)
Non-current liabilities	**(564.9)**	(650.9)	(747.7)	(541.4)	(1,302.7)
Net assets	**1,037.0**	899.6	854.7	756.3	357.6
Financed by:					
Equity attributable to equity holders of the parent	**1,022.4**	887.8	843.2	744.1	348.1
Minority interest	**14.6**	11.8	11.5	12.2	9.5
Total equity	**1,037.0**	899.6	854.7	756.3	357.6
Key statistics:					
Operating profit (£m)[1]	**330.6**	275.7	276.8	258.5	278.6
Adjusted Basic earnings per share	**29.4**	24.2	21.7	20.6	31.9
Diluted earnings per share (post-exceptionals)[2]	**26.6**	16.3	18.4	9.4	47.1
Dividends per share (paid)[3]	**10.1p**	8.7p	7.5p	2.5p	23.3p
Share price – high	**£3.58**	£2.48	£2.17	£2.65	£5.00
Share price – low	**£1.95**	£1.68	£1.56	£1.61	£1.55

All amounts are stated on an IFRS basis.

1 Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

2 Earnings per share for 2008 have been restated to reflect the rights issue in accordance with IAS33 Earnings Per Share.

3 Dividends per share have been presented on a paid basis.

SHAREHOLDER INFORMATION

William Hill listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price at www.williamhillplc.co.uk

To find the shop closest to you, go to our shop locator at www.williamhillplc.co.uk

FINANCIAL CALENDAR

2012 Final Results	1 March 2013
2013 Q1 Interim Management Statement	19 April 2013
2013 Interim Results	2 August 2013
2013 Q3 Interim Management Statement	October 2013

AGM

9 May 2013

REGISTRAR

The registrar of the company is Computershare Investor Services PLC The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (www.computershare.com). Telephone 0870 702 0000. Please contact Computershare for advice regarding any change of name or address, transfer of shares or loss of share certificate. Computershare will also be able to respond to queries on the number of shares you hold and the payment details for dividends.

You may give instructions for your dividend to be used to purchase additional William Hill shares. Full details of the dividend reinvestment plan can be found in the Investor Relations section of our corporate website (www.williamhillplc.co.uk) under shareholder information and a form of mandate can be found within the downloadable forms section. Alternatively, contact Computershare Investor Services PLC.

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ABBREVIATIONS AND GLOSSARY

ABB
Association of British Bookmakers

ABI
Association of British Insurers

AGM
Annual General Meeting

Company
William Hill PLC, the ultimate holding company of the William Hill Group

CR
Corporate responsibility

DCMS
Department of Culture, Media and Sport

DEFRA
Department for Environment, Food and Rural Affairs

DPS
Dividends per share

EBITDA
Earnings before interest, taxation, depreciation and amortisation

EBMS
Executive Bonus Matching Scheme

EPS
Earnings per share

FTE
Full time equivalent

Gaming machines
Gaming machines operated in our shops have Category B2 and B3 content and Category C content as defined by the 2005 Gambling Act

Gambling Act
The legislation that received Royal Assent in 2005 regarding the modernisation of the laws relating to betting and gaming within the UK

Gambling Commission
The Gambling Commission for Great Britain, the regulatory body for casinos, bingo clubs, gaming machines, betting, remote gambling and larger lotteries (including all local lotteries but excluding the National Lottery)

GPT
Gross profit tax

Gross profit tax
A duty charged by the UK Government of 15% of a bookmaker's gross win, introduced in October 2001

GRA
Gibraltar Regulatory Authority

GREaT foundation
Gambling Research, Education and Treatment foundation, formerly known as Responsibility in Gambling Trust (RIGT)

Gross win
Total customer stakes less customer winnings

HBLB
Horserace Betting Levy Board

HOME principles
HOME was established 2010 in response to the results of our employee engagement survey. The four principles, grouped under the acronym HOME, stand for Hungry for success, Outstanding service, Making it happen, and Everyone matters

Horse racing levy
A levy attributable to bets taken on horseracing and payable to the Horserace Betting Levy Board, primarily for the purposes of augmenting prize money available for winning horses and providing certain racecourse amenities

IAS
International Accounting Standards

IBAS
Independent Betting Adjudication Service

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

ISS
Institutional shareholder services

KPI
Key performance indicators

LBO
Licensed betting office

LTIP
Long-term incentive plan

Net revenue
Gross win less fair-value adjustments for free bets, bonuses and goodwill gestures

Operating profit
Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions

OTC
Over The Counter

PBIT
Profit before interest and tax

PSP
Performance Share Plan

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurences

RGA
Remote Gambling Association

RIGT
Responsibility in Gambling Trust

SBA
Safe Bet Alliance

SIS
Satellite Information Services (Holdings) Limited or its subsidiary Satellite Information Services Limited, as the context requires

Sportsbook
Bets placed and accepted online on sporting and other events

TSR
Total shareholder return

William Hill or the Group
The Company and its subsidiaries or any of them, as the context may require

VAT
Value Added Tax

William Hill Online
William Hill Online is a joint venture between William Hill and Playtech. William Hill owns 71% and Playtech 29%

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