DRIVING INNOVATION ACROSS OUR BUSINESS

William Hill PLC
Annual Report and Accounts 2011

William Hill

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'Setting the Pace' showcases some of the ways in which we are using innovation to drive our business forward – developing our business through our service, products, technology.

2011 proved to be another year of continued financial progress, reflecting the underlying strength of the business and benefitting from our innovations and investments.

£275.7m
Operating profit[1] generated in 2011

£1,136.7m
Net revenue achieved in 2011

53:47
Even balance between gaming (53%) and betting (47%)

More detail on page **20**

1 Operating profit/loss is defined as pre-exceptional profit/loss before tax, interest and amortisation of £3.6m (2010: £3.6m) of certain Online intangible assets (see page 114).

A WORLD LEADING GAMBLING BRAND. WILLIAM HILL IS ONE OF THE WORLD'S LARGEST QUOTED GAMBLING COMPANIES AND, AS A 77 YEAR OLD BUSINESS, HAS ONE OF THE MOST RECOGNISED, RESPECTED AND TRUSTED BRANDS IN THE INDUSTRY.

IN ENTERING INTERNATIONAL TERRITORIES WE ALSO BENEFIT FROM OUR EXTENSIVE EXPERIENCE IN THE REGULATED UK MARKET.

ON THE HIGH STREET, ONLINE, ON THE PHONE AND ON THE MOVE, WE OFFER A MARKET-LEADING BETTING AND GAMING EXPERIENCE.

OUR BUSINESS

WHAT WE DO

Our business is to provide our customers with a wide range of sports betting and gaming opportunities. We are best known as a bookmaker providing fixed odds sports betting, which requires a sophisticated odds setting and risk management capability. This core capability is a significant asset and represents a high barrier to competition. We benefit from spreading the significant cost of this capability across a large scale operation.

Primarily we recruit customers through sports betting, but we also offer gaming opportunities to increase their proportion of spend with William Hill and to improve customer retention. In the online model, customers recruited through sports betting have a lower cost per acquisition, are more strongly influenced by the brand proposition and have a longer average lifetime with the business.

HOW CUSTOMERS ACCESS OUR PRODUCTS

We aim to make our products available to customers whenever or wherever they want to gamble. Customers access William Hill products via multiple channels, including retail land-based operations, the internet, telephone, smartphone apps and SMS.

HOW WE MAKE MONEY

We build a margin into the products we offer, whether on the potential outcomes of a sporting event, on casino-style games such as roulette and slots, or from a percentage of the pot from facilitating games of poker or bingo. Gaming activities provide a constant and predictable margin. Betting margins fluctuate with sporting results and the weight of money bet on any given outcome can deliver an imbalanced result. As a large operator providing a wide range of betting, William Hill is less exposed to these fluctuations than smaller businesses but they can have a short-term effect on financial results. However, given the law of averages, this will even out over time.

WHERE WE OPERATE

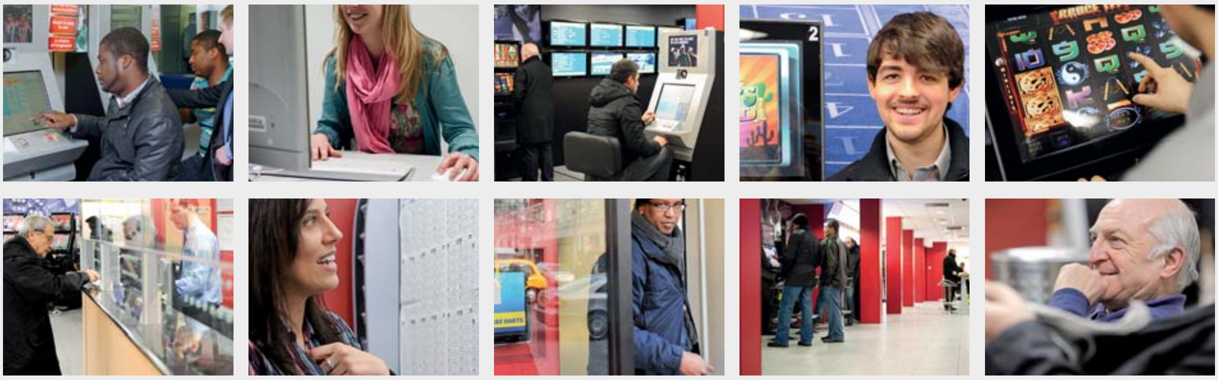
In the UK, we are the leading betting and gaming operator. We are the largest high street bookmaker with approximately 2,370 of the 8,800 licensed betting offices regulated by the Gambling Commission of Great Britain. We are a strong operator with well-developed core competencies in odds setting, risk management, data management and distribution. Our rigorous focus on costs produces, we believe, the highest operating margin of the major operators in the sector. William Hill Online is one of the UK's largest operators of 'remote' gambling operations, including telephone, online, text betting and mobile.

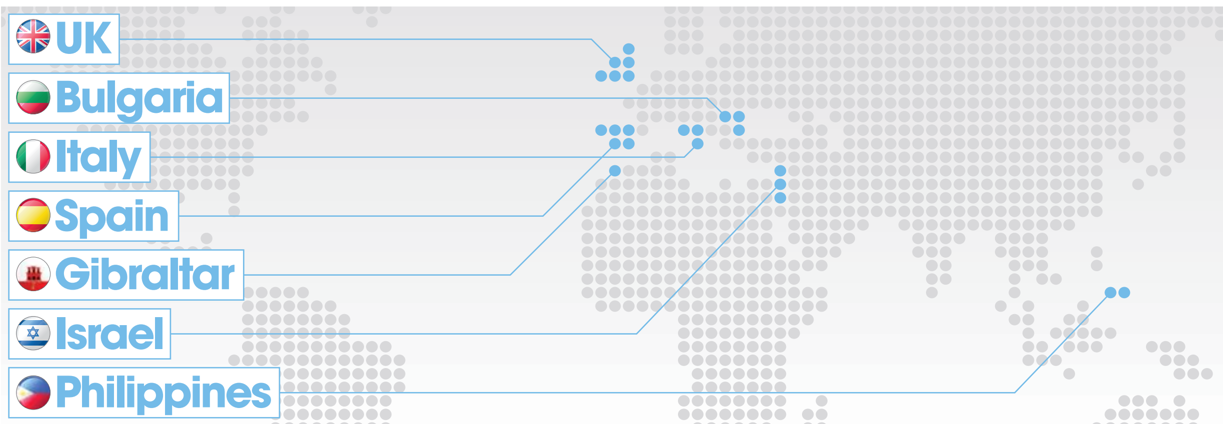
Internationally, no other business combines the strengths we have in land-based and online gambling (see 'Market overview'). With more governments across the world now regulating sports betting and gaming, online as well as land-based, we are taking our sports betting expertise and operational strength into new markets, whether directly to the consumer or via commercial or government partnerships (see 'Strategy').

WILLIAM HILL IN A SNAPSHOT

15,900
employees in the UK, Gibraltar, Israel, Bulgaria, Italy, Spain and the Philippines

2,370
betting shops in the UK





1 million
bets processed per day

9,000
gaming machines

£17.9bn
taken in stakes in 2011

A POSITIVE PERFORMANCE BENEFITTING FROM INNOVATION AND INVESTMENT

Our people

As a customer service-led business, the strength of our performance relies entirely on the commitment and quality of our people. The William Hill team is spread far and wide, not only across the UK but also overseas in Gibraltar, Israel, Bulgaria, Italy, Spain and the Philippines – and we hope to welcome new colleagues to the Group in the US later in 2012. What unites them is their hunger for success, their commitment to delivering outstanding service, their hands-on approach to 'making it happen' and their respect that the contribution from everyone matters. They have, together, delivered another strong performance this year and I would like to record the Board's thanks for their continuing efforts and commitment.

Performance overview

William Hill delivered a positive performance in 2011, particularly in a year without a major international football tournament and despite seeing an additional £9m of cost arise from the increase in the VAT rate. The business has benefitted from a strong focus on innovation, both in the product range and in the use of technology to enhance the customer experience. The Retail channel saw encouraging wagering growth over-the-counter as well as further good growth from gaming. William Hill Online continues to grow strongly, with net revenue up more than 20% for the second year in succession.

The Group has made good initial progress in its strategy to expand internationally and thereby reduce its reliance on the UK market. In the Board's view, regulatory changes across the world present exciting opportunities for the development of William Hill, with its distinctive multi-channel betting and gaming model. During 2011, we undertook organic expansion through the launch of William Hill Online in the regulated Italian market and also announced plans to acquire three land-based sports betting businesses in the State of Nevada in the US. Given the appeal of the multi-channel approach, the Board continues to look at the potential to grow through different channels in different countries.

Overall, the Group recorded a 6% increase in net revenue, and Operating profit[2] was £275.7m (2010: £276.8m). Basic adjusted earnings per share was 12% higher, benefitting from a reduction in income statement interest and taxation charges. Basic earnings per share fell by 11% impacted by the non-cash impairment of our Telephone business. The Group has a strong balance sheet, with the net debt to EBITDA ratio reducing further to 1.5 times. This reflected continuing strong cash generation, with net cash inflow from operating activities of £242m in the year and, consequently, a reduction in net debt for covenant purposes of £83m, from £499m to £416m.

Net revenue[1]	£m
+6%	Group KPI
2009	997.9
2010	1,071.8
2011	**1,136.7**

Net revenue grew in both the Retail and Online channels, in spite of the gross win margin being lower than in 2010, which had benefitted from a high-margin World Cup and better sporting results. Retail saw growth in OTC wagering and continuing good growth from gaming machines. William Hill Online delivered 28% net revenue growth, with higher revenue in all four product verticals.

Operating profit[2]	£m
0%	Group KPI
2009	258.5
2010	276.8
2011	**275.7**

The Group's Operating profit[1] was broadly in line with the prior year, in spite of not having a major international football tournament and paying an additional £9m arising from the increased VAT rate in Retail. Online's Operating profit[1] grew by 17%.

Earnings per share (EPS) (basic, adjusted)	p
+12%	Group KPI
2009	20.6
2010	21.7
2011	**24.2**

The growth in adjusted EPS reflects the stable Operating profit[1] performance year-on-year and improvements in both the interest charge, following the bank debt refinancing completed in November 2010, and the tax charge, which reduced to an effective rate of 17.3%.

Dividend

The Board has approved a final dividend of 6.7p per share (2010: 5.8p per share), giving a total 2011 dividend of 9.6p per share (2010: 8.3p per share). This represents 16% growth, reflecting the Board's confidence in the strong underlying growth in earnings.

Board and corporate governance matters

In May, David Allvey stood down after nine years on the Board. On behalf of my fellow directors, I would like to thank David for his considerable contribution and for his guidance during this period of significant change for William Hill.

We welcomed three new Non-executive Directors to the Board: David Lowden, previously CEO of Taylor Nelson Sofres PLC; Georgina Harvey, Managing Director of the Regionals division of Trinity Mirror plc; and Imelda Walsh, previously Retail Human Resources Director at J Sainsbury plc. Together, they offer good insight into the issues being faced by William Hill, with financial, retail and multi-channel experience.

In June, we were delighted to secure the services of Ralph Topping, Chief Executive, until at least the end of 2013 to facilitate a smooth transition (see the Remuneration Report on pages 39 to 51). We understand investors' concerns about executive pay, particularly in the current environment, but strongly believe the one off package we agreed for Ralph was the right approach in a unique situation.

We continue to strengthen the structure and management of William Hill to support the execution of the Group's strategy. A new Corporate Development Office is focusing on strategic developments and innovations, working alongside the divisional and functional groups who are responsible for day-to-day operations. Development opportunities for key members of the executive management team are also being pursued to broaden and deepen the team's experience, putting William Hill in an increasingly strong position.

As a Board, we remain committed to high standards of corporate governance and corporate responsibility in the furtherance of shareholders' and other stakeholders' interests. We continue to make good progress in these areas. We now offer shareholders annual meetings with the Chairman and Senior Independent Non-executive Director or Committee Chairs. We have enhanced our reporting in this year's Annual Report, including a personal summary on the year's activities from each Committee Chair. The Corporate Responsibility Report outlines the review the business has undertaken in this area this year and the steps now being taken to enhance our performance and reporting.

Outlook

The Group continues to invest to drive growth and innovate to enhance the customer's experience across all channels.

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

1 Net revenue is a gaming term that is equivalent to the Revenue defined in the statutory accounts on page 71.
2 Operating profit/loss is defined as pre-exceptional profit/loss before tax, interest and amortisation of £3.6m (2010: £3.6m) of certain Online intangible assets (see page 114).

A SIMPLE STRATEGY TO EXPAND OUR BUSINESS...

Pricing on high-profile events is used to attract customers into the William Hill brand.

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

Products

Channels

International

Products

Wider product offering

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

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

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

84%
of our customers use us more often than any other bookmaker.

54%
of our Online customers are also using shops to place bets.

Channels

Greater multi-channel usage

Our goal is to make it easy for customers to access our products wherever and whenever they want to gamble. In our experience, a multi-channel operation increases customer loyalty. For instance, 84% of our customers are using us more often than any other bookmaker versus 74% for the nearest competitor[1]. More than half of our Online customers are also using shops to place bets, and 30% of 18–24 year old punters use both Retail and Online.

Customers nowadays are looking for different experiences at different times, be it a leisure experience in their local betting shop, a fast transaction online or by text, or a quick bet by mobile while watching the match with friends at the pub. The prominence of the William Hill brand means it is critical for us to provide a consistently high-quality experience whether our customer is in a shop, online, on the phone or betting by text or mobile. That applies to the full customer journey, from walking in the door of the betting shop or registering on the website to dealing with complaints or disputes. It means making as many of the sports products available in all channels as possible and finding ways to make the experience as engaging as it is in the shops and as quick and easy as it is online.

We are continuing to expand into new channels, beyond our traditional businesses. In the last year, we launched text-betting and improved our mobile capability. Our Sportsbook app was launched in the App Store in February 2012 and further gaming apps are currently in development for 2012. Improvements in technology are quickly transforming the potential for mobile gambling. This channel is experiencing fast growth and is a key focus for William Hill Online.

Mobile betting and gaming is a key priority for William Hill Online.

International

Increased internationalisation

The UK is our core market, representing 92% of our Group net revenues in 2011. Although we are the market leader in the UK LBO market[2] and have an estimated 12% market share[3] in online betting and gaming, we see opportunities to continue to increase our market share in the UK.

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

William Hill's multi-channel expertise is opening up international opportunities.

1. LBO survey 2010.
2. Gambling Commission.
3. Deloitte Remote Gambling Report and Mintel, 2009.

MY VIEW OF OUR KEY ACHIEVEMENTS IN 2011

New gaming marketing and rewards are being trialled

Our new coupons increased stakes 18% in the new season

Racing innovations increased stakes 12%

+31%

Football stakes in Retail and Online grew 31% in 2011, benefitting from product innovations.

Product

Market-leading football offering

"Our product breadth and depth are helping us to stand out from the competition. In football, we are now offering over 180 pre-match markets in Online and more than 100 markets on all in-play football, and we took bets on 567 different leagues and competitions worldwide in the 2010/2011 season. In Retail, we are constantly developing our coupon range, which accounts for 84% of football bets placed and supports the multiple type bets that customers are looking for. We're also trialling self-service betting terminals (SSBTs) (see corporate brochure "Setting the pace..." page 4), where 90% of bets are currently on football."

Expansion of in-play

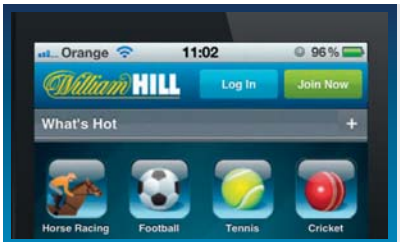
"With in-play, what we've done for football, we're now doing for other sports (see corporate brochure "Setting the pace…" page 6). In 2011, we were the only bookmaker offering point-by-point betting on every game at Wimbledon. Our number of online tennis bets rose by 66% and our gross win was up 90%. Basketball may be less popular but it shows what can be achieved when we transform our in-play product. We launched our new model at the end of 2010. During 2011, our bets were up 62%, our turnover was up 66% and our gross win was up 148%. We believe we are now the market leader in in-play betting by number of markets, with 19% of customers saying they are betting with William Hill most frequently."

Improved horseracing product

"Racing remains important to us, representing 25% of Retail and 29% of Online Sportsbook gross win. In Retail, we've reshaped our content management, working with customers to understand how they use the information on our TV screens, how it influences their betting patterns and how we can optimise our broadcasting schedule. This is particularly important when we have occasional racing punters outnumbering regular ones by two to one. The modern TV gantry eases the customer through upcoming betting opportunities, onto the live action at the centre, backed up by important results information and current cross-sell opportunities."

The best gaming

"On the gaming front, it's not just about the cabinet, it's about the software, the marketing and how well our teams interact with the customers. We rolled out the Storm cabinets to 79% of the estate by March 2010. At present, we're trialling innovations in marketing and customer rewards, and looking at further technology development. We also take advantage of regulatory change, launching 15 new B3 games when maximum stakes were raised to £2. Online, we've invested substantially in developing our Vegas platform and Games content for williamhill.com. These games use Flash to provide instant-play games, which give a faster, simpler alternative to the download software we also provide. As such, it's an ideal cross-sell opportunity for customers already on the site to place a bet."



Bets on our mobile Sportsbook grew more than 500%

More mobile gaming apps are in development

Channels

"We've always been very clear that our approach is not a flight to new channels but thought-out, consistent innovation across all channels. We haven't got separate customers online or in the shops; we've got customers. The foundations are in our Retail operation. Both channels are now benefitting from cross-channel promotion.

The use of mobile technology is an established trend. It's too early to call the death of the PC but, sometime in the next two to three years, smartphones and tablet devices are likely to overtake the PC or laptop as the primary access point to the internet, even when customers are in their own homes. We've made good progress in mobile innovation but we've got a long way to go. Everyone has jumped on the mobile bandwagon. It's not enough just to take the existing products and turn them into an app. To the punter, mobile betting is about instant information, constant access to more opinion and data than they've ever had before. That's why we concluded deals with the Racing Post and Racing UK. These are content rich sites where customers have a route straight into William Hill and William Hill alone.

We've also revamped our mobile Sportsbook. In my view, it's now the best in the market. Not just in my view, though: *The Sun* gave it a five-star rating. So far, around 19% of our Sportsbook stakes are coming via mobile devices."

Italy is our first significant international investment

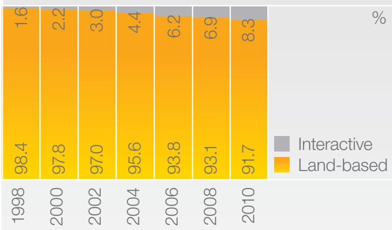
International

"Internationally, opportunities are opening up in several countries as regulations change. Our initial investments are doing well. We launched our Casino site in Italy in July 2011 and rapidly took around 8% market share, the highest of any non-Italian brand. We don't promise it will stay there but it's a very encouraging start and, in the coming year, we will add other products, including Bingo and Sportsbook, to our Italian product range.

In the US, everyone is used to focusing on the online opportunity but we've taken the view that there's scope to take our proven multi-channel, sports betting model into what is one of the world's largest sports betting markets. There are around 180 Sportsbooks within Nevada casinos and we look forward to completing in 2012 the acquisition of three businesses that, combined, run more than 100 of these: American Wagering, Inc., Brandywine and Cal Neva Sportsbook. Together, the combination will form a scale operation backed by William Hill's product range and financial muscle. We would control our own software platform, we would be the biggest bookmaker by number of outlets in Nevada, and thus the US, and have a presence in Delaware as the official sports betting supplier to the state government. This has given us a route to apply for a Nevada gaming licence, which we need to achieve to complete the deals. That's a very demanding process and we've got a way to go on that but it's the right focus for us – a regulated market. So, operational strength, management strength, regulatory strength. That's what William Hill is all about and that's why this opportunity is such a good fit for our multi-national strategy."

NEW OPPORTUNITIES WITH CHANGES IN REGULATION

Global gambling market 1998-2010



Interactive gambling, encompassing online, mobile, telephone and text, has grown steadily as a proportion of the total gambling market since it started in 1998.

Source: H2 Gambling Capital, September 2011.

What's happening in online gambling regulation?

Gambling policy is an area of governmental responsibility which, in many ways, involves unique challenges. A country's gambling policy involves considerations such as player protection, crime prevention, how to meet regulatory costs, and how to create a commercial environment for operators to enter the market. When considering online gambling policy in particular, the cross-border nature of the activity creates further challenges as a black market offer is simply a mouse-click away.

The UK was among the first countries to ensure consumers had access to legal online gambling offers. During the last year alone, further online gambling regulations are expected to be or have already been enacted in Spain, Poland, Germany, Greece, Cyprus, Romania and Bulgaria, among others. All these new and emerging regulatory frameworks are different shades of the approach pioneered by Italy and France. All of this is happening as the European Commission is consulting on how European institutions and member states can best co-operate with respect to online gambling policy.

Extracts from 'Online Gambling Regulation, Striving for Sustainability, Player Protection and Competition, a review of the emerging evidence from Europe's controlled openings by Gambling Compliance', August 2011

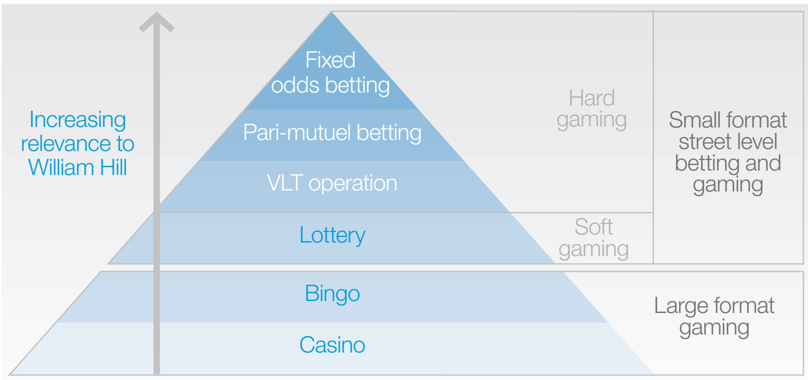
The market today

Globally, the gambling industry is estimated to generate net revenues of $264bn[1], including casinos, bingo halls, betting shops, track-side betting and lotteries. Land-based activities remain the channel of choice, accounting for 92% of those revenues.

Land-based gambling falls into two categories: large-format gaming, including casinos and bingo halls; and 'street level gaming', including fixed-odds or pari mutuel betting in LBOs or 'corners', gaming machines and lotteries. As in the UK, gaming is the largest and most profitable segment.

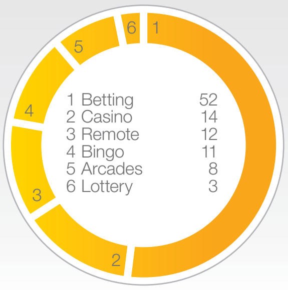
Online gambling first started in earnest in 1998. In countries such as the UK, Italy and France, the long-established private sector retail betting operators, such as William Hill, SNAI, Sisal, PMU and FDJ, have successfully taken market share in new online markets, driven by the strength of their brand profile with the consumer. However, certain online specialists have also performed well, such as Bet365 in the UK, Microgame and Gioco Digitale in Italy, and Betclic in France.

In many territories gambling is either state-controlled or restricted to a small number of licences. The key countries where it is possible to take a business-to-consumer approach are the UK, Spain, Italy, Australia and, in the case of the US, in the State of Nevada. In other countries, most state-controlled bodies or licence holders outsource their street level gaming operations to specialist gambling businesses.



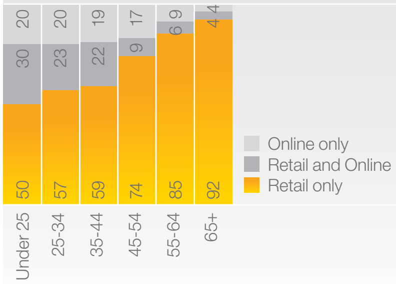
1. H2 Gambling Capital, September 2011.

UK gambling market by product %



Source: Gambling Commission 2009/2010 market share by gross gaming yield.

Retail remains the primary channel, even among younger customers



Source: Kantar Retail Gambling Study, 2011.

Multi-channel snapshot

In the UK, William Hill continues to extend its multi-channel leadership position, with around 25% of the UK LBO market and a market-leading 12% of the interactive market.

Our advantage in being multi-channel is only going to grow given how and where customers are betting. In 2011, there were approximately 7.3 million bettors in the UK. Of these, Retail accounted for 85%, with 53% of online customers also using the betting shops. Moreover, younger customers are increasingly multi-channel, with 30% of gamblers under the age of 25 using both Retail and Interactive. This negates the suggestion that younger customers will move away from Retail as 80% of that under 25 age group are still frequenting the shops.

How the market is changing

Historically, gambling businesses have tended to focus on their own local markets. Today, changes in the market are opening the opportunity for businesses to become multi-national.

Prohibition and regulation

The advent of online gambling has substantially rendered prohibition of gambling ineffective. For instance, in Germany, the monopoly sports-betting provider, Oddset, is believed to retain only 2.9% market share of the German total sports-betting market. This has led many governments to review their gambling regulations, further facilitated by governments needing to seek new sources of funds.

Technology

The fastest-growing products today are led by innovations in technology, including gaming machines, in-play betting and mobile gambling. This requires significant investment in innovation and know-how. Many national incumbents lack these capabilities, which is providing an opportunity for those with such expertise.

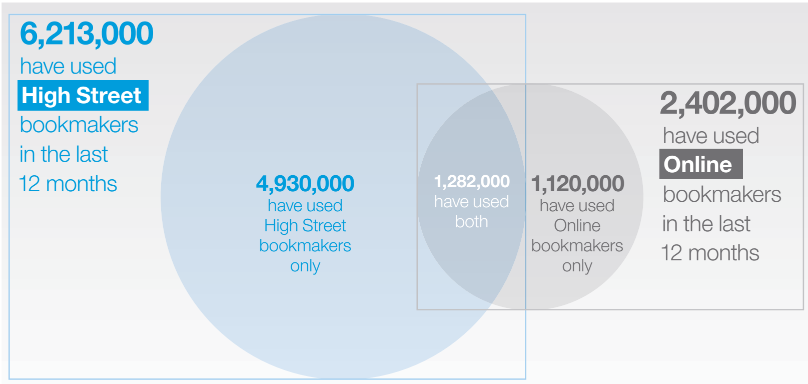
Outsourcing

Some state monopolies and national incumbents are looking to outsource their gambling requirements to specialist operators. This partnership model has been used successfully for national lotteries for many years and has, for instance, been used by Intralot to provide sports-betting services to governments in Turkey, Peru and Bulgaria.

Scale

The importance of having a scale operation is 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. This becomes a virtuous circle with international expansion further increasing the benefits of scale and minimising the risks associated with exposure to any one territory.

These changes all present opportunities for expansion through business-to-consumer, business-to-business and business-to-government approaches. As one of a limited number of substantial fixed-odds betting operators, with a leading interactive gambling offer, an established track record in a well-regulated market and a strong operational capability, William Hill has the potential to capitalise on these new opportunities to build an international, multi-channel gambling business.



RETAIL

NUMBER ONE ON THE HIGH STREET

Average profit per LBO £

-4% Divisional KPI

2009	86,476
2010	86,313
2011	**82,886**

Our Retail business delivered a resilient performance in 2011 in spite of the macro-economic conditions, the lack of a major international football tournament and increased VAT costs. Amounts wagered grew by 6%, with OTC growing around 1-2% on an underlying basis[1].

Average gross win per machine per week £

+6% Divisional KPI

2009	758
2010	847
2011	**901**

Our gaming machines continued to perform strongly, in spite of lapping the roll-out of the Storm machines in March 2011. Since the start of 2012, we have awarded a sole-source contract to Inspired, who make the Storm machines, and will roll them out to the remaining 21% of the estate by mid-2012.

OTC gross win margin %

16.8% Divisional KPI

2009	17.7
2010	17.9
2011	**16.8**

The gross win margin was below the normalised 17% to 18% trading range. This reflected, in particular, poor football results in the second half and a weaker than normal horseracing margin. In 2010, the performance included an outstanding World Cup margin.

William Hill is the leader in UK high-street betting and gaming with approximately 26% of Licensed Betting Offices (LBOs) in the UK.

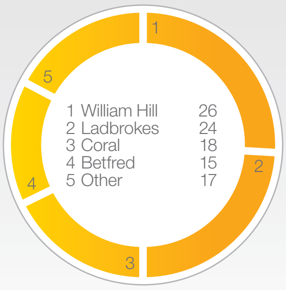
Customers in the LBOs are looking for an entertaining and engaging experience, ranking convenience as their main reason to bet in LBOs and customer service as their reason for choosing a particular betting shop. We continue to invest in improving the quality of the experience in our shops, whether through the use of technology, our product range or our customer service.

While we are the largest UK operator, we continue to see opportunities to expand the estate by around 1% a year. Whilst absolute scale is not an objective in and of itself, we benefit from being a scale operator, including improved purchasing power, better leverage of shared or central costs and an increased brand presence. This scale also benefits other channels in the Group.

William Hill's Retail business has successfully stayed relevant to today's younger generation of gamblers by adapting our product range over time. Outside the recent economic conditions, William Hill has a track record of good top line growth in Retail over the last decade. With relatively high operating leverage, we maintain tight cost control and careful capital expenditure to maximise the bottom line benefit of the top line growth we achieve.

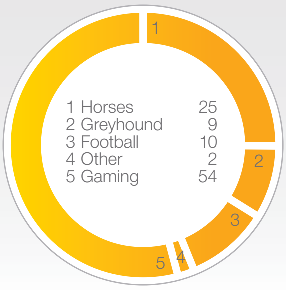
1. Underlying amounts wagered in 2011 is defined as excluding the first two weeks of the year and the World Cup in 2010.

Split of UK operators by LBO %



Source: Gambling Commission 2009/2010 Industry Statistics

Split of LBO revenue by product %



Market place and regulatory position

It is 50 years since the first betting shops opened in the UK and bookmakers today continue to develop the shops to reflect changing customer preferences and behaviours. LBOs now offer a wide range of products from betting on sports and other events such as reality TV, gaming, lotteries and virtual racing. Approximately half of William Hill's revenues now come from gaming activities. The LBOs continue to represent the single largest proportion of the UK gambling industry.

There are approximately 8,900 licences in the UK, with an estimated 8,500 operational LBOs. This number has been relatively stable over the last six years, in spite of the removal of some planning restrictions. The market is continuing to consolidate into a small number of major players with the acquisition of The Tote (500 LBOs) by BetFred (800 LBOs) in 2011. The four major operators (William Hill, Ladbrokes, Coral, BetFred) account for around 80% of LBOs.

The regulatory environment for LBOs has been relatively stable in recent years. The 2005 Gambling Act legalised advertising and restricted the number of machines per shop to four.

As at February 2012, the UK Government is reviewing measures to introduce a Machine Games Duty tax to replace VAT and Amusement Machine Licence Duty as the taxation measure for gaming machines. It is expected that two rates will be set, one for Category A, B and C machines and another for Category D machines. William Hill offers Category B2 and B3 games.

The 51st Levy was agreed without reference to the Secretary of State. As part of the scheme, the three major bookmakers – William Hill, Ladbrokes and Coral – agreed to guarantee that a minimum of £45m would be received by the Horserace Betting Levy Board even if the scheme did not deliver this from normal payments by bookmakers. Broader discussions are ongoing about the future funding of horseracing as companies such as William Hill are now paying a significant proportion of profits from UK horseracing back to the industry in the form of not only the Levy but, more significantly, payment for TV pictures from the tracks.

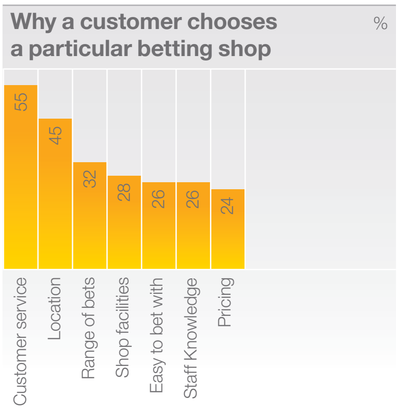
Strategic priorities

William Hill is well-established as the UK's LBO market leader. As competition rules prevent us growing through significant acquisitions, we aim to continue to take 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 our customer service. We are continuing to grow the estate by around 1% a year.

Product innovation

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 such as lotteries. We are continuing to adapt and expand our product range to meet changing customer needs. In 2011, for instance, we revised our football coupon range, which drove 18% staking growth in the first months of the 2011/2012 football season. The numbers product range was redeveloped towards the end of the year.

Retail (continued)



Technology

As a result of developing our trading capability, we now have more betting opportunities available than ever before and new technologies mean we can bring even more of our product range to our LBO customers. Trials of self-service betting terminals started in 2011 and continue in 2012, giving customers access to five times as many betting opportunities. Trials are also ongoing involving enhancements to Storm, the new generation 22-inch HD dual screen cabinets that were rolled out by early 2011, and also of video wall technology to improve the customers' viewing experience.

Customer service

For the last 20 years, we have conducted regular customer surveys to understand customer behaviour. Throughout that time, location was the primary reason for a customer choosing a particular William Hill shop. Since 2009, however, the importance of the leisure experience has become clear with customer experience becoming the primary driver, reflecting the importance of the leisure experience and social interaction to customers using the shops. In 2006, we launched our first employee development programme focused on service. In 2011, we took this to the next level with our new Service Evolution programme. All Retail employees have been trained in enhanced customer service techniques. We continue to track our activities through mystery shopper visits to assess progress in this key operational area.

Estate development

Location remains the second key driver of why a customer chooses a particular shop. William Hill has a well-sited and geographically diverse estate and we continue to open new shops in areas where we are under-represented. 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 new licences and resites. In the last five years, we have opened 234 new licences, increasing our estate by about 7%.

Profit management

Operational gearing is relatively high in Retail, with the principal fixed costs being employees, property and content, which represents approximately 75% of the average LBO's costs. As a result, net revenue changes have a significant effect – positive or negative – on profit. We place considerable emphasis on cost control to maximise the bottom line benefit of top line growth and constantly review ways to improve our effectiveness. During 2011, we implemented a range of cost-saving measures, including the closure of the defined benefit pension to future accruals and the outsourcing of shop cleaning, which partly mitigated cost increases in other areas.

The 46-inch video wall screens give customers an outstanding high-definition viewing experience.

The Storm cabinets will be rolled out to the remaining 21% of the estate by mid-2012.

+1%
Underlying OTC amounts wagered grew around 1–2% in 2011.

+2%
Costs were well controlled, increasing by 2%, below the Group's guidance of 3–4%.

Performance

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

Retail amounts wagered grew 6% year-on-year. OTC amounts wagered grew 3% with underlying amounts wagered, adjusted both for the impact of the World Cup trading periods and for weather-affected trading periods, estimated to have grown by c1% to 2% in each of the four quarters. OTC gross win margin – at 16.8% – was both slightly below the normalised range of 17% to 18% and below the prior year (2010: 17.9%). A weaker first half margin was followed by adverse results, predominately in football, in the second half. As a result, total Retail gross win was 2% higher, with OTC down 3% but gaming machines up 9%. Retail net revenue grew 1%, reflecting the impact of the VAT increase. Gross win per machine per week was £901 (2010: £847).

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

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

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

The Group opened 34 new shops in 2011, bringing the total to 2,371 at the year-end.

Risk factors

These are the key risk areas that could impact Retail's performance in 2012 (see pages 22–23 for further details):

- Changes in UK taxation and duties
- The economic climate
- Recruitment and retention of key employees
- Key supplier relationships
- UK growth opportunities
- Business continuity and disaster recovery preparedness

1 Operating profit/loss is defined as pre-exceptional profit/loss before tax, interest and amortisation of £3.6m (2010: £3.6m) of certain Online intangible assets (see page 114).

ONLINE

A LEADING EUROPEAN ONLINE BUSINESS

Unique active players	No.
+5.0% Divisional KPI	
2009	1,290,000
2010	1,341,000
2011	**1,409,000**

The number of unique active players continued to grow, primarily driven by Sportsbook.

Revenue per unique active player	£
+21.6% Divisional KPI	
2009	157.8
2010	187.6
2011	**228.1**

With a well established customer base, we are now successfully increasing the spend per customer with William Hill Online.

Sportsbook gross win margin	%
7.0% Divisional KPI	
2009	6.6
2010	8.0
2011	**7.0**

The expected average Sportsbook margin is now c7%, derived from an in-play margin of 4-5% and a pre-match margin of 8-9%. As in-play increases as a proportion of turnover, the average continues to change but both in-play and pre-match margins were in line with expectations in 2011.

William Hill Online is one of Europe's leading online gambling businesses, innovating in its product range and content to provide a competitive sports betting and gaming offering, whether online or betting by telephone, text or mobile.

The formation of William Hill Online has been a catalyst for the transformation of the Group's online performance. Our product range has been substantially improved by combining our specialist trading expertise with the latest technology developments and adding highly competitive gaming software.

We aim to grow our UK market share and to expand further into a few new territories, particularly in Europe, using the strong William Hill brand name and heritage, sports betting expertise and competitive gaming offering.

Market place and regulatory update

Online, including mobile, remains the fastest growing segment of the gambling industry. Online gambling is a highly fragmented market with a high 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. Sports betting expertise is increasingly important but difficult to replicate, as are scale and expertise in online marketing.

Regulation is the key driver of growth in the industry today, with many markets now revising their regulatory position to cater for the internet. A legal framework typically involves 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 history shows that a competitive environment – such as the UK's – 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 and long term the ability to advertise in local markets should be commercially more beneficial.

William Hill Online

William Hill Online was established in December 2008 with the combination of William Hill's Sportsbook-led interactive business and certain gaming assets acquired from Playtech Limited. It is a joint venture owned 71% by William Hill and 29% by Playtech. William Hill has two call options to acquire Playtech's shareholding, exercisable in the first quarter of either 2013 or 2015. At the time of establishing William Hill Online, the business took an eight-year licence to Playtech's market-leading casino and poker software, and the suppliers of William Hill Online's Bingo software and mobile betting platform have since been acquired by Playtech.


tap away.
William Hill's mobile site
is one of the market leaders
and The Sun's panel of rac-
ing experts gave the site a
5-STAR rating after testing.
Hill's PR supremo Tony
said: "It's hard

William Hill's Sportsbook app was given a five-star rating by The Sun newspaper.

A single trader can manage up to 100 simultaneous football matches.

100

We now offer more in-play football markets per Premier League match than any other online operator, with 100 markets compared to around 60 for the nearest competitor.

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. Discussions are continuing in other countries such as Spain, Greece and Germany.

In the UK, the failure of the government to provide an attractive tax environment led to significant portions of the industry continuing to be based offshore, primarily in Gibraltar. As a result, a majority of companies located in the UK, including William Hill Online, also moved offshore in order to remain competitive. The Department of Culture, Media and Sport has reviewed changing the basis of licensing from point of transaction to point of consumption. This would require companies transacting with UK residents to be licensed by the Great Britain Gambling Commission. HM Treasury has indicated it will review the taxation model as a result of this change. The timing of implementation of any licensing and tax rate are not yet defined and the legislative processes are ongoing.

The UK remains the primary target market for William Hill Online. Industry growth is estimated to be approximately 10% per annum and William Hill Online has successfully been taking market share, growing net revenues by more than 20% per annum in the last two years.

Strategic priorities

William Hill Online has re-established itself as one of the UK's leading online gambling companies and one of Europe's largest operators. As part of the Group's multi-channel model, Online now manages Telephone operations as well as online, mobile and text betting. Online's strategy focuses on maximising its UK market share through product developments and other innovations, and taking that offering in a focused way into a small number of other countries.

Product innovation

William Hill Online provides all the major product verticals – 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 cross-sell of sports betting customers into gaming and to provide high-quality gaming attractive to pure-play gaming customers.

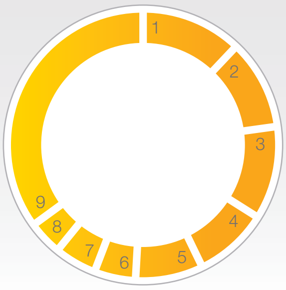
In our view, Sportsbook is the most effective way to attract and retain customers, with a lower cost per acquisition, the longest customer lifespan and the best cross-selling potential. Sportsbook customers are also brand loyal, with, on average, four or five Sportsbook accounts but typically using two 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 offering, is in the top two for tennis and is rolling out its capability across a range of other sports, such as basketball. An estimated 19% of sports betting customers are using William Hill Online most frequently for in-play betting, which is the highest rate in the sector[1]. The horseracing product was also extended in 2011, providing more markets than any other operator including 'place', 'insurance' and 'betting without' markets.

1. Kantar Online Market Study, March 2011.

Online (continued)

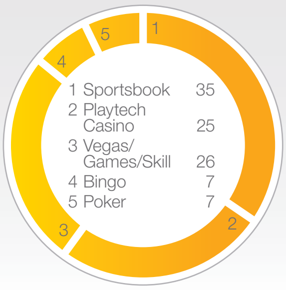
UK online gambling market shares, 2011 %



1	William Hill	12
2	Ladbrokes	11
3	Betfair	11
4	Paddy Power	9
5	Bet365	8
6	888	5
7	Gala Coral	5
8	bwin.party	4
9	Other	35

Source: Deloitte Remote Gambling Report, November 2011.

Split of online revenue by product %



Technology

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.

In 2011, we launched text betting, which is, arguably, the fastest way to place a bet.

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 smartphones will overtake both in the next two to three years as the primary access point for the internet. Online continues to enhance its mobile offering, launching an improved mobile Sportsbook in July 2011. Around 19% of Sportsbook turnover is now coming from mobile devices.

We are also the first to work on third-party apps, of which the first was the Racing Post app. Knowing customers want to use their mobiles to access good-quality content, we both provide that on our own mobile Sportsbook and make it easy for customers using data-rich apps to come through exclusively to William Hill Online to place their bets. This is being facilitated with a proprietary integration layer, MINT, which makes it easy for third parties to plug into our systems.

International expansion

Approximately 75% of Online's revenues come from the UK, with the remaining 25% spread across more than 100 other countries, though with a substantial bias towards major territories in Europe. No country other than the UK currently represents more than 5% of Online's revenues.

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. This is defined by: the ability to offer as many products as possible, with Sportsbook and Casino being the most critical to us; a reasonable tax rate, preferably a gross profits tax; and the strength of any incumbent operators, particularly in the sports betting field.

In 2011, Online launched its Italian website, williamhill.it, as part of the first wave of Casino licencees. This proved successful from the beginning, gaining the highest market share of the non-Italian operators. Since the start of 2012, we have added Bingo to the product offering and Sportsbook will follow later in the year.

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

Tel Aviv disruption

In October 2011, we announced that there had been some disruption in the Tel Aviv, Bulgaria and Manila operations following the departure of William Hill Online's Chief Marketing Officer. Normal business activities were resumed within ten days and a number of senior William Hill Online managers and employees left the business as a result of the action. Vacant roles were filled through internal promotions and external recruitment, including the appointment of new leadership for both the Tel Aviv and Bulgaria operations. The situation in Manila was resolved by our joint venture partner, Playtech, which is responsible for that outsourced customer service function. The situation did not directly affect the availability of any consumer facing websites within the Group.

2.8 million

We took in total more than 2.8 million bets from the 'third-party' Racing Post and Racing UK partnership apps.

Gambling Data In-Play analysis April 2011

Number of sports: 8	5th
Second highest number of events: 188	2nd
Most markets per event : 24	1st
Highest average number of markets per event	1st
Most simultaneous football games: 48	1st

Performance

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

Our competitive position is strengthening through the expanding breadth and depth of our sports-betting product range and our enhanced gaming experience, driven by investments in product developments and business infrastructure. Accordingly, we have seen significant year-on-year growth in the Sportsbook, with amounts wagered increasing by 51%. We saw 75% growth in in-play betting, helped by increased advertising, and pre-match betting advanced by 38%. Despite the lack of a major football tournament, football betting grew 54% driven by our market-leading football offer.

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

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

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

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

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

Risk factors

These are the key risk areas that could impact Online's performance in 2012 (see pages 22–23 for further details):

- UK and international taxation and duties
- Regulation in online gambling
- The economic climate
- Recruitment and retention of key employees
- Key supplier relationships
- UK and international growth opportunities
- Business continuity and disaster recovery preparedness

1 Operating profit/loss is defined as pre-exceptional profit/loss before tax, interest and amortisation of £3.6m (2010: £3.6m) of certain Online intangible assets (see page 114).

CONTINUED STRONG CASH GENERATION

Effective tax rate %

17.3% Group KPI

2009	24.5
2010	20.1
2011	**17.3**

The effective tax rate at 17.3% benefitted from a deferred tax credit arising from the change to the corporation tax rate and the release of some of the prior year provisions.

Interest cover (bank covenant purposes) times

6.5 times Group KPI

2009	5.2
2010	4.8
2011	**6.5**

Our debt covenant requires interest cover greater than three times. Interest was further reduced in 2011 following the bank debt refinancing in November 2010, bringing the ratio to 6.5 times.

Net debt: EBITDA times

1.5 times Group KPI

2009	2.2
2010	1.7
2011	**1.5**

Our debt covenant requires net debt to EBITDA of less than 3.5 times. With our strong operating cash flow, net debt for covenant purposes reduced to £416m in 2011, bringing the ratio to 1.5 times.

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

Pre-exceptional Income Statement

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

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

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

Exceptional costs

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

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

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

The Group saw a £2.4m contribution from its associate SIS during the year (2010: £3.3m). Operating profit[1] was £275.7m versus £276.8m in 2010. After amortisation, pre-exceptional Group earnings before interest and tax (EBIT) was £272.1m, broadly in line with the prior year (2010: £273.2m).

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

Taxation

Pre-exceptional tax on profit was £41.5m (2010: £44.0m) at an effective tax rate of 17.3% (2010: 20.1%).

The effective tax rate benefitted from a deferred tax credit arising as a result of the drop in enacted UK corporation tax rates to 25%. There will continue to be deferred tax credits in both 2012 and 2013 arising as a result of scheduled reductions in the UK corporation tax rate. There was also a £2.3m benefit arising from the release of prior year provisions no longer deemed necessary.

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

Earnings per share

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

Basic earnings per share were 16.5p (2010: 18.6p). Basic adjusted earnings per share grew by 12% from 21.7p in 2010 to 24.2p in 2011, which reflected a broadly flat underlying EBIT performance together with a reduction in net finance charges and in the effective tax rate. The adjustments made relate to the removal of exceptional items to give a better sense of business progress and an adjustment for amortisation of acquired intangible assets, reflecting the key external metric of Operating profit[1].

Cash flow and balance sheet

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

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

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

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

1 Operating profit/loss is defined as pre-exceptional profit/loss before tax, interest and amortisation of £3.6m (2010: £3.6m) of certain Online intangible assets (see page 114).

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.

The Board is supported by executive management and the Head of Internal Audit, who collectively play a key role in risk management, monitoring the overall risk profile and regularly reporting to the Board through the Audit and Risk committee.

The process of risk identification and monitoring is achieved through a series of risk workshops and a corporate risk register. The Board, through the executive management team, has also determined clear policies as to what William Hill PLC considers to be acceptable levels of risk. These policies support our management in using their expertise to identify risks that could undermine performance and to devise ways of bringing them within acceptable levels. Where we identify risks that are not acceptable, we develop action plans to mitigate them with clear allocation of responsibilities. Progress towards implementing these plans is monitored by the responsible executive and reported upon to the Audit and Risk Committee and the Board.

A more extensive list of risks is provided in the investor relations section of our corporate website at www.williamhillplc.com. Summarised in the table below are the top seven risks identified in our corporate risk register. These are assessed on the basis of impact, likelihood and control effectiveness.

Risk area	What's the issue?	What are we doing to mitigate the issue?
UK and international 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 moving to regulate gambling, in particular online, and are introducing new taxation regimes as they regulate.	– There are ongoing discussions about changing the UK online licensing regime to a 'point of consumption' model, which could result in taxation of UK online revenues. Passing taxation increases onto online consumers has been proven ineffective, as can be seen by the French experience. – There are also discussions about changing the basis of gaming machine taxation, although HM Treasury has committed to implement this on a 'revenue neutral' basis. – Any changes in taxation would be difficult to mitigate and could lead to the closure of shops in the UK.	– Senior management are responsible for regulatory issues and work with a lobbying agency on relationships with political decision-makers. – We are involved with various industry bodies in making representations to government, including how significant tax changes risk further shop closures and redundancies, and we also make direct representations. – In 2011, the Group commissioned reports by Deloitte and Gambling Compliance to help inform HM Treasury about the implications of different online taxation models. The introduction of any taxation would impact Online's profitability, particularly if the business were unable to pass the cost onto the consumer. – Outside of the UK, no single territory represents more than 5% of Online's net revenue, minimising Online's exposure to changes in any country other than the UK.
Regulation in online gambling The regulatory position in online gambling is changing rapidly, particularly in Europe where several countries are implementing tax and regulatory regimes. These changes could inhibit growth or access to new markets, or result in a regulatory breach and sanctions if not identified in a timely manner.	– Approximately 76% of William Hill Online's revenue were derived from regulated countries in 2011. As other countries regulate, other revenues could be at risk if existing markets become unattractive, either in terms of the tax regime or if the appropriate products are not regulated. – While regulation of new markets represents a good growth opportunity, investing to establish a leadership position in a newly regulated market can impact short-term profitability.	– We continually monitor the changing legal landscape and adapt our international strategy on a country-by-country basis. – Country managers have been appointed to manage development in different areas or countries. – William Hill Online is targeting a small number of core countries in which to launch local websites, ensuring focused investment of marketing spend in priority markets.
The economic climate The economic climate remains challenging and uncertain. Consumers experienced another tough year in 2011 and predictions are that it will remain a challenging consumer environment in 2012, which could affect areas of discretionary spend such as gambling. This economic environment also increases the risk of job losses and pay freezes.	– William Hill operates in an area of discretionary spend and a reduction in our customers' spending capacity could impact our revenues. This is particularly pertinent in Retail where our customers are principally drawn from the C2DE socio-economic groups, who are disproportionately impacted by cost inflation. – In addition, inflation could result in an increase in our cost base that, in a business with a high level of fixed costs, would be difficult to mitigate.	– As a low ticket leisure activity, gambling appears to be an area of spend that customers continue to maintain, based on trends seen in 2011. We target revenue growth by remaining attractive to our customers through careful use of pricing and continued product improvements, such as our football coupon range in the shops, our gaming machines and our in-play product range online. – We are also expanding into new online markets and, through international growth, aim to reduce our dependence on one territory, the UK. – Where possible, we also mitigate any economic effects by managing costs carefully. We have optimised shop staffing and opening hours, renegotiated supplier contracts and, as necessary, closed unprofitable shops.

Risk area	What's the issue?	What are we doing to mitigate the issue?
Recruitment and retention of key employees The William Hill Group is an increasingly complex organisation spanning a number of different companies and, in recent years, there has been a significant amount of management change. Like most businesses, the Group is dependent on a small number of critical individuals within the leadership team.	– Key employee retention is critical to the effective management of the business during a period of rapid change and development. – The Group has undergone a significant amount of management change, including increased recruitment of key roles from outside the business and rapid expansion of the Online operations. – Specialist capabilities have been added, such as the in-play R&D team, who generate valuable intellectual property based around employee know-how. – New teams are likely to be added through acquisitions, for instance in the US.	– Overall, the Group provides good salary and benefits packages, including short-term bonuses and long-term share-based incentives, and regularly reviews these for competitiveness. – All employees are encouraged to become owners of the business through annual Save-As-You-Earn programmes. – Where appropriate, reward and retention packages are put in place with individuals at risk of being targeted by headhunters. – The Board has visibility to key leadership arrangements through the Remuneration Committee. In 2011, the Remuneration Committee put in place a specific retention package for Ralph Topping, Chief Executive. – The Group regularly reviews the levels of employee engagement through an annual employee survey and implements specific action plans to address areas of improvement.
Key supplier relationships The Group is dependent on a number of suppliers for key operations, software, systems, marketing and customer services in both Retail and Online. Their failure to deliver the expected services or the failure of their business could cause significant damage to the business. Multiple supplier failure would be a catastrophic issue for the business. In addition, the joint-venture structure of William Hill Online may inhibit the Group's ability to execute our international growth plans and it is critical that we manage the relationship effectively.	– The significance to the business of key suppliers is such that we need to manage their performance and service levels closely and to ensure their own operations, security and/or processes are not introducing additional risks to William Hill. – As the direction of William Hill Online has to be jointly agreed between William Hill and Playtech Limited, differing views could inhibit growth, potentially by slowing down or preventing the pursuit of strategies preferred by the William Hill Group.	– All significant contracts and service level agreements go through a robust procurement process. We monitor key supplier performance and processes are under review to strengthen this further. We maintain good working relationships with key strategic and software partners, including Playtech. – William Hill Online is a key customer of Playtech's software. The software agreement extends beyond the timing of the first call option. – A joint venture shareholder board provides the forum for managing the relationship formally. In addition, various members of the William Hill and Playtech management meet regularly.
UK and international growth opportunities The UK currently accounts for 92% of Group net revenues. 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 either regulating or considering changes to their regulation of gambling, whether land-based or online. These present opportunities for William Hill to expand beyond its home market of the UK, particularly through using its expertise in multi-channel betting and gaming. – This would help to diversify the Group's revenue sources away from its over-reliance on one market, the UK. – Failure to maximise these opportunities could impact the Group's growth potential.	– The Group performs extensive analysis of different markets and closely monitors regulatory changes in different countries to identify expansion opportunities. We consider opportunities to provide our services directly to the consumer or through business-to-business or business-to-government partnerships. – A corporate development office has been established to lead identification and execution of new opportunities. – Online is targeting its international expansion on a small number of territories with a view to establishing a strong market position in these priority countries. – We draw on the strength of our brand, our product range, our operational excellence and our multi-channel expertise to exploit new opportunities. – We perform extensive analysis of market opportunities and have established marketing and distribution channels in many markets through our gaming operations that we can exploit. Country managers with specific experience of international market development have been recruited.
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.	– The Group is reliant on extensive IT systems for both its Retail and Online businesses. 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. – The rapid expansion of Online requires continued development of disaster recovery systems sufficiently adequate to support the expanding scope of the business. – We also have a number of key office locations which, if shut down or damaged, could seriously affect the day-to-day running of the business.	– Business continuity planning and disaster recovery is regularly reviewed by the Executive Management and the Board. – Business continuity plans have been 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. – Systems to support Retail are well-established and have been regularly tested. Work is ongoing to test Online disaster recovery systems.

BEING A RESPONSIBLE BUSINESS

HOME – The William Hill Way

In response to our 2010 employee engagement survey, we established four key principles based on the feedback from our focus groups as to what William Hill meant to them. These principles, grouped under the acronym 'HOME', link in the Group's external brand of William Hill being the 'Home of Betting', where the emphasis is on excellent service and being considered as a company that cares.

- Hungry for success
- Outstanding service
- Making it happen
- Everyone matters

"We are operating in highly-regulated environments. It is extremely important that we fulfil the many regulatory and compliance requirements that also protect our employees, customers, and other stakeholders. However, we understand that, to be a good corporate citizen, we have to go beyond the 'tick-box' approach.

During 2011, we made good progress against our objectives. Looking ahead, we are in the process of building a corporate responsibility strategy that encompasses both the regulatory and sustainability matters. We aim to integrate further the corporate responsibility issues into our business operations, thereby improving the sustainability of the business for the long term."

Ashley Highfield
Chairman of Corporate Responsibility and Regulated Issues (CRRI) Committee

The CRRI Committee

The Corporate Responsibility and Regulated Issues (CRRI) Committee oversees all regulatory and compliance issues relating to our business and advises the Board on environmental, social and ethical matters. It is responsible for setting the Group's corporate responsibility policies and for ensuring the business operates in a sustainable way. Ashley Highfield was appointed chairman of the CRRI Committee in June 2011. The members of the CRRI Committee at the date of this report are:

Ashley Highfield
(Chairman of CRRI Committee)

David Edmonds

Gareth Davis

Ralph Topping

David Lowden

Imelda Walsh

Georgina Harvey

Thomas Murphy

Our key stakeholders

Customers
Customer service lies at the heart of our business. Gambling is an exciting form of entertainment and we aim to provide customers with an enjoyable experience whilst showing leadership in customer satisfaction and protection.

Employees
We are a major employer, with over 15,000 people working in seven countries. Excellence in our operations is based on specialist expertise and we are keen to attract, retain and develop the highest calibre individuals. We aim to provide a safe and fair working environment, with opportunities for employees to grow and develop with William Hill.

Shareholders
We have been listed on the London Stock Exchange since 2002 and recognise it is our responsibility to communicate clearly, regularly and on a timely basis. We support this through a dedicated investor relations team and by providing regular access to our Chief Executive and Group Finance Director. In addition, shareholders are able to engage with our Chairman and Non-executive Directors on specific issues on an ad hoc basis.

The wider community
As a large employer and taxpayer, we make a significant contribution to the UK economy and to the local communities in which we operate. We also have a responsibility to our regulators, an impact through our environmental footprint and a contribution to the sports we support. In all areas, we aim to be fair, trustworthy and open to engagement and to be a positive influence in communities.

Our Values

Our customers see William Hill as The Home of Betting. This vision is projected externally via our branding, our marketing activities and our product offering. We want to integrate this identity into our organisational culture and live by it internally: to define the way we work with each other, we behave towards our colleagues and we deliver operational objectives.

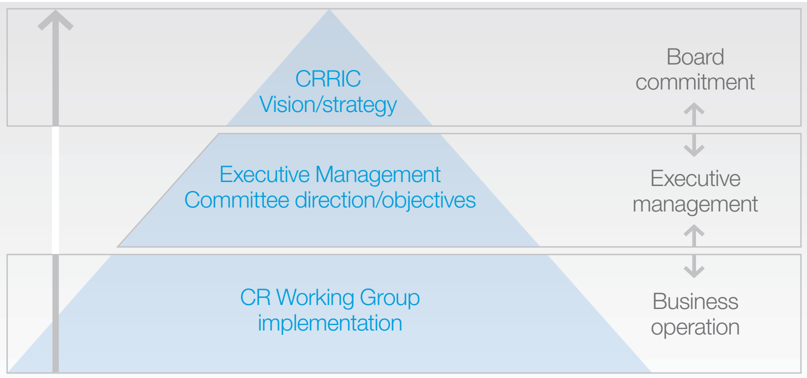
In early 2011, we asked our employees about what they think William Hill stands for. As a result of the exercise, we defined The William Hill Way – 'HOME'. We are also seeking to align our corporate responsibility activities with the HOME principles.

Our Approach

The Board is committed to running a responsible business in a controversial industry and takes responsibility for ensuring the Company is socially and economically sustainable in the long term. In September 2011, the CRRI Committee ordered a review of the existing corporate responsibility framework and established a working group to carry it out. The main purpose of the review was to align current and future corporate responsibility activities with the 'HOME' principles, to improve engagement across business streams and to embed a robust reporting framework.

The CRRI Committee is assisted by the Corporate Responsibility Working Group, which consists of management representatives involved in embedding and implementing corporate responsibility activities in day-to-day operations in each business function. The working group is overseen by Thomas Murphy, General Counsel and Company Secretary.

During the review process, the working group assessed existing activities and undertook a benchmarking exercise against our peers and best practice. As a result, a new scorecard approach was proposed for tracking and presenting corporate responsibility data and a set of non-financial key performance indicators was established. In December 2011, the working group reported its findings to the Board and the CRRI Committee and it will continue to report back to the CRRI Committee with new initiatives and options to increase corporate responsibility activity, further engaging our employees and reflecting the 'HOME' principles.



As part of the risk management process, the Board and executive management monitor corporate responsibility risks that could potentially impact achievement of business strategy and annual objectives, and take appropriate mitigation steps when necessary.

In the early part of this Annual Report, we have laid out the financial and operational highlights of the year. In this section, we are focusing on our other activities during 2011 and our plans for 2012. You can find a full picture of our CR framework and more case studies in the Corporate Responsibility section of our corporate website www.williamhillplc.com/wmh/cr.

CUSTOMERS
AT THE HEART OF EVERYTHING WE DO

Service Evolution

Our teams' Service Evolution was designed to improve customer service skills and customer retention. Employees are encouraged to spend more time with customers in the main shop floor area and promote new products and offers. The initiative was launched in early 2011 as an enhancement of the existing customer service programme, Competition Beating Service (CBS) which was introduced in 2007 and has provided an important framework for our market-leading customer service for the past four years. All 5,500 existing shop managers and deputy managers attended the Service Evolution training course during 2011.

93%

We aim to deal with all customer enquiries as promptly as we can. In the past year, 93% of bet disputes in our shops were resolved within the first hour of the customer's first contact with our service team.

Customers are at the heart of what we do. We strive to deliver a high standard of service and to be fair and open in our dealings with customers. For an overview of our approach to customer service, handling complaints, protecting vulnerable persons, data protection and avoiding crime and disorder, please refer to our corporate website at www.williamhillplc.com/wmh/cr.

Customer satisfaction

We regularly measure the quality of our service performance through a mystery shopping programme. The mystery shopper rating is used in conjunction with other service measures, such as regular appraisal of product expertise and performance in gaming machine initiatives. In 2011, we introduced the most recognisable customer loyalty metric – Net Promoter Score (NPS) – as part of the mystery shopping programme in order to benchmark ourselves against our peers and other industries.

We also constantly monitor and improve our service programme to meet customers' needs. During the first half of 2011, we developed and launched a more proactive and business-driven initiative – Service Evolution. Employees are encouraged to know their customers and their needs better in order to promote relevant products and new offers. As part of our multi-channel strategy, we ran a number of cross-channel promotions during 2011, including launching new games across both Retail and Online on three occasions.

We have specialist customer service teams dedicated to shop, Telephone and Online customers and make available a comprehensive set of rules that detail the terms and conditions under which all transactions placed with William Hill are accepted. We endeavour to resolve all betting disputes in a fair, consistent and equitable manner and engage with the Independent Betting Adjudication Service (IBAS) to assist in this. In 2011, our Retail Customer Service team handled more than 100,000 betting enquiries, of which only 7% were betting-related disputes. Of these disputes, 93% were resolved within one hour of the customer first contacting our team.

Protecting vulnerable persons

Our relationship with Retail customers is underpinned by operating standards set by the Gambling Commission, many of which were based on existing standards already applied by major operators. Our Online and, since January 2011, our Telephone activities are regulated by the Gibraltar Regulatory Authority, whose standards are similar to those applied by the Gambling Commission.

William Hill fully supports the Gambling Commission's licensing objectives:

To prevent gambling from being a source of crime and disorder, being associated with crime or disorder or being used to support crime;

To ensure that gambling is conducted in a fair and open way; and

To protect children and other vulnerable persons from being harmed or exploited by gambling.

'Think 21'

To help enforce the over 18 age restriction, we have adopted a 'Think 21' approach in our shops and at the racetrack. In Online we use an external agency to verify the ages of new customers and in Retail engage third-party companies to conduct such mystery shopper visits throughout the year to test the effectiveness of our 'Think 21' approach. In 2011, 81% of customers who were asked to produce documents to verify their age identification in our shops were able to do so immediately.

As a responsible organisation, we provide a range of services to support existing customers for whom gambling has become a problem rather than a pleasure.

Some customers take advantage of our self-exclusion facility, which is designed to prevent them transacting with specific parts of the business. Online customers choose an exclusion period of at least six months and up to five years. During 2011, we carried out a thorough review of the effectiveness of self-exclusion in Retail and, having agreed the approach with the Gambling Commission, decided to make mandatory the provision of a photograph by customers who wish to self-exclude. Since April 2011 all new Retail exclusions have run for an initial 12-month period, which can be extended annually either by telephone or in shop if desired. This annual renewal enables us to ensure that the photograph we have of the excluded is a good likeness and that the shops named on the exclusion continue to be the appropriate ones for the customer. Customers who wish to resume business with us at the end of their self-exclusion period with Retail or Online are still required to complete a further 24-hour 'cooling off' period before they are permitted to use our gambling facilities again.

Throughout 2011, we continued our efforts to prevent under-age gamblers using our services and only accepted customers over the age of 18 in all channels.

Data protection

With well-established Telephone and Online businesses, we handle substantial amounts of personal customer data and have put in place comprehensive security policies, procedures and standards to reduce the risk that information could be lost or stolen. These cover the handling of both electronic and paper-based customer information and we carry out security awareness training with employees. We achieved compliance with the Payment Card Industry Data Security Standards across the Group in 2011.

Preventing crime and disorder

Ensuring that crime is kept out of gambling is a key regulatory priority in both the UK and Gibraltar, and one which William Hill takes very seriously. We are proactive in ensuring that our business is not subject to external attack by criminals, including those who seek to cheat at gambling.

In addition to our extensive reporting to the Gambling Commission and the Gibraltar Regulatory Authority, we use our risk management systems to identify unusual betting activity. Where appropriate, suspicious betting transactions are reported to the regulator and to the relevant sport's governing body for further investigation. Contrary to popular media-led perception, there are relatively few suspicious betting transactions identified by William Hill, or the betting industry in general, in any given year.

Whilst betting does not fall within the regulated sector for the purposes of money laundering, online gaming does, and we have internal controls and specialist employees, including a Group Money Laundering Reporting Officer, to deal with disclosures to the relevant authorities and to service requests for assistance from law enforcement and regulators. All employees are also trained on their reporting obligations and techniques for the safe handling of cash and cash equivalents safely. William Hill Online complies with the 3rd EU Money Laundering Directive.

EMPLOYEES

VALUING OUR PEOPLE

Counter Plan Refresh Training Programme

The Counter Plan Refresh training aims to help shop employees understand the risks they face, identify pre-offence behaviour and plan the actions they would need to take during a serious incident. The aim of Counter Plan is to create a culture whereby employees are in full control of their environment. All new employees working in shops have to undergo two days off-site training which is revisited within three months from their joining the Company. The training programme was awarded Security Training Initiative of the Year at the Security Excellence Awards in 2011.

Our employees are fundamental to William Hill's success and we are committed to high standards of employment practice, including rewarding individuals fairly and providing equality of opportunity, training and development, a sensible work/life balance and a safe workplace. In 2011, we were shortlisted for Britain's Most Admired Companies awards and voted the second in the Gaming sector.

Our comprehensive set of employee policies, which define the work environment that we operate for our employees and are overseen by our Group Director of HR, is available on our website at www.williamhillplc.com/wmh/cr/policies/.

Protecting our employees

We take the security of our employees very seriously, particularly in our shops, and are committed to protecting the welfare of our employees as far as possible through training, support systems and crime prevention measures. We have a zero-tolerance approach to anti-social behaviour in our shops and have sought and been granted Anti-Social Behaviour Orders and worked closely with the police to prosecute cases. In 2011, 67 incidents of violence in the workplace were reported.

Following an extensive review of our health and safety management system in 2011, we developed and rolled out a new health and safety manual and completed the employee training programme. In the past year, we worked with Westminster Council on a health and safety inspection programme and have now been granted 'Primary Authority' status, which eventually allows us to agree a centralised and consistent approach across all local authority areas. During 2012, we will improve our reporting processes to enhance the monitoring function of our Health and Safety Steering Group and provide more detailed data for Board review.

Following the notable results of reduction in attempted robbery in 2010, we continue to refresh and deploy our bespoke Counter Plan training to our shop employees. In 2011, 40% of all robberies were unsuccessful and classed as attempts, reflecting the success of the training programme and also the vigilance of our shop employees. In October 2011, our Counter Plan Refresh Training Programme was awarded Security Training Initiative of the Year at the Security Excellence Awards.

We are also part of the Safe Bet Alliance (SBA), which has established a minimum set of standards for the betting industry to use to prevent robberies. Since it was introduced in May 2010, we have actively led the industry on promoting SBA nationally. It is now firmly embedded within London and, during 2011, we also forged closer working partnerships with police force in Strathclyde, Greater Manchester, Northumberland, West Midlands and Merseyside.

Talent management process

During 2011, we have followed a structured approach to understanding the strength of our current talent pipeline across each part of the business. We have completed a talent review with our top 150 managers and have assessed them using a Potential and Performance rating. This information has been used to create a structured succession plan with the information held on each employee in a Talent Database. The Executive Talent Summary created as a result of the exercise will drive development, retention and recruitment decisions during 2012. The Talent Review process will now become part of our annual performance management cycle.

William Hill Foundation

Founded in September 2011, the William Hill Foundation is a hardship fund that employees can request support from during times of extreme financial need. We commit to putting £100,000 per annum into the fund which is held in trust and is managed by four Trustees, one of whom is the Group Director of Human Resources, who also acts as Chairman of the Foundation. During 2011 the Trustees received 161 applications for support and £25,000 has been granted across the Group.

Developing talent

In our industry, we rely heavily on the knowledge and expertise of our employees, which is often built up over many years with the Group. We are keen to develop talent within the business at all levels and to progress employees with ability and commitment into more senior roles. As such, we are committed to investing in training and development for our employees.

During 2011, we created a new Retail induction course, designed to provide comprehensive training for new employees in an inspiring and informative manner. The new induction training has reduced the time new employees take to get fully conversant with the full scope of their role. During 2012, we will become the first in our industry to gain World Host accreditation for our front line employee training programmes. We will use this benchmark to ensure our customer service training is of the highest standard.

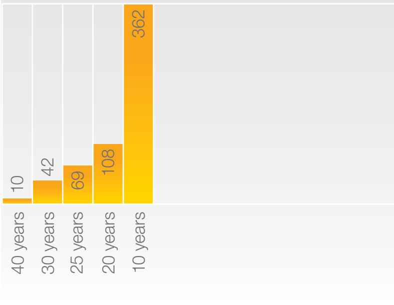
All Retail training activity is structured under our Retail Academy brand, which is a series of development programmes aimed at building the skills and knowledge that enables career progression. We will continue to develop and enhance the Retail Academy programme throughout 2012.

Following the successful 'Different Perspectives' forum held in 2010, we have continued to focus on developing women managers during 2011. Fifteen senior women managers have completed a development course aimed at helping them realise their full career potential and over 40 junior women managers completed the externally accredited Springboard course. 'Different Perspectives' will take an alternative form during 2012, with managers encouraged to think more about work/life balance and to get involved in community activities.

Robust succession planning takes place on an annual basis and in 2011 we created a Talent Database and introduced a new talent management process that maps the progress of our top managers across the Group. During 2012, we will be partnering with Horizons, a talent development specialist, to run a 14-month programme aimed at developing high potential managers. This programme supplements the bespoke development for more senior executives that is provided as a result of the Talent Review findings.

Employees (continued)

Long-term service awards in 2011 People



Long Service Awards

Many of our employees have been serving the Company for a long period of time. Each year, we hold our National Long Service Award event to celebrate and recognise their contribution and devotion, which has helped to maintain the substantial knowledge base that exists in our business. As well as providing a luxurious weekend break for the long-serving employees and their partners, we offer a range of prizes ranging from Caribbean cruises to a week in Las Vegas.

29%
of our shop workforce are between 18 and 24 years of age.

13
The average shop manager's length of service is 13 years.

Engaging, rewarding, and retaining

We know that our employees are most effective when they are engaged with what we aim to achieve and we are committed to providing effective communication on matters that affect employees, including the development and performance of the Group.

Following our first Group-wide employee engagement survey held in 2010, we took steps to address the highlighted issues such as communication and a sense of belonging. In response to the survey, in early 2011 we asked our employees through focus groups about what working at William Hill means to them. As a result of the exercise, we defined The William Hill Way in four key principles, grouped under the acronym 'HOME', which is being adopted by all William Hill employees as the way we work with each other, how we behave towards our colleagues and how we deliver operational excellence. HOME is also helping us to foster a 'one company' mentality, supportive of our multi-channel strategy.

We recognise the critical importance of remuneration, reward and recognition in encouraging employee engagement and, consequently retention. We always review ways to recognise and reward our employees and, as a result introduced a series of initiatives in recent years.

Following the success of our first 'Good News Giveaway' in 2010, we increased the total amount from £30,000 to £50,000 in the form of £250 cash awards, Toys R Us vouchers and charity donations to employees in return for sharing their good news stories. It was also through their stories that we understood the difficulties and hardship they face both in life and at work. In recognition of this, we set up the William Hill Foundation in September 2011 to support those employees who are facing extreme financial difficulty. In helping to provide a work/life balance to our employees, we have also introduced the 'Birthday Day Off', giving all employees an additional day's holiday on their birthday so that they can celebrate with their friends and family.

During 2011, we introduced a recognition and reward programme for colleagues – the 'Golden Ticket Draw'. Employees are invited to nominate their colleagues who have 'gone the extra mile' at work to take part in a prize draw. Winners of the draw receive the 'Golden Tickets' to attend major events such as the X Factor final and the Champions League final.

These efforts supplement our existing programme aimed at building a culture of 'pay-for-performance', rewarding the people who make the greatest contribution to the business. In 2011, we continued to implement the management bonus scheme introduced in 2010 across the Group, aligning individual performance with our business targets and differentially rewarding performance and contribution amongst the senior management team. Separately, we have revised the bonus scheme for our shop employees to reflect both turnover growth and the quality of their customer service.

William Hill has been successfully operating the share save scheme (the SAYE) since we floated in 2002. Currently, over 15% of our eligible employees took part in the share save scheme.

ENVIRONMENT

MANAGING OUR ENVIRONMENTAL FOOTPRINT

Recycling in shops

In 2011, we recycled 2,560 tonnes of waste, representing 41% of all waste collected from our shops. The annual average waste bag usage at each shop had reduced by almost 9%, from approximately 450 in 2010 to approximately 410 in 2011. In November, we started trialling a new type of recycling bin in our shops to make recycling easier for our employees and customers. In 2012, we will develop a waste strategy and harmonised practices across our head office buildings, allowing us to measure and reduce landfill waste in favour of maximising recycling.

FTSE4Good Index

Since 2005, William Hill has been a member of the FTSE4Good Index. The FTSE4Good Index Series has been designed to measure objectively the performance of companies that meet globally recognised corporate responsibility standards.

Being a responsible business, we commit ourselves in our daily operations to reduce our impact on the environment. We are continuously looking for ways to improve the efficiency of our resources and to encourage changes of behaviour. In 2012, we will reassess our environment policy as part of the broader corporate responsibility review.

Waste management

We aim to minimise waste through recycling and re-use of materials. In our Retail estate we have worked with our supply chain partner Biffa to maintain good practice in waste recycling. In the past 12 months we recycled 2,560 tonnes of waste, representing 41% of all waste collected from our shops. This, we believe, is a good performance in our sector. The annual average waste bag usage at each shop had reduced from approximately 450 in 2010 to approximately 410 in 2011. In November last year we started trialling a new type of recycling bin in our shops to make recycling easier for our employees and customers. In 2012, we will develop a waste strategy and harmonised practices across our head office buildings allowing us to measure and reduce landfill waste in favour of maximising recycling.

Energy and water consumption

We are reducing our energy consumption by using energy efficient lighting and electronic equipment, and installing energy saving devices. In 2011, all new and refurbished shops and offices were installed with T5 high frequency technology lighting and sensor systems. In the past year, we continued to roll-out the R22 Air Conditioning Renewal Programme which lasts from 2010 to the end of 2012. The programme is to replace all of the 900 older less energy efficient R22 air conditioning systems. We expect it will save at least 30% of the energy we consume once complete. We are also undertaking a comprehensive TV gantry replacement programme to switch to newer and more energy efficient LCD TV screens throughout our Retail estate. To reduce our water consumption, we are installing water saving devices in all new and refurbished shops and offices.

Carbon footprint

We aim to minimise our carbon footprint by challenging our new and existing suppliers and encouraging employees to travel less often. However, owing to the fast expansion of our Online business in terms of number of employees as well as geographical location, air and rail travel has increased. We have implemented policy changes to restrict choice to more fuel efficient car models, which has resulted in an 11% reduction in the average CO_2 emission per kilometre in the last two years.

COMMUNITY
BEING A POSITIVE INFLUENCE

The GREaT Foundation

As part of our commitment to helping customers for whom gambling has become a problem, we support the funding of research, education and treatment (RET) through a voluntary funding system. The RET framework is underpinned by an industry funding body (the GREaT Foundation), with funds being passed to a distributor who allocates industry funding in accordance with priorities set by the Responsible Gambling Strategy Board. We contribute more than three times the funding required of us under the funding formula and received a Gold award from the GREaT Foundation for our significant contribution to the 2010/11 funding campaign.

£18.9m

The British Horseracing Levy Board uses the levy to fund prize money, integrity services and racecourses. As a group, we paid a total of £18.9m to UK horseracing in 2011.

Both William Hill and our industry have a wide-ranging influence on the lives and conditions of a large number of people and the communities in which we operate. It is extremely important that we maintain a good relationship with other industries and local communities.

Industry relationships

We are continuing to support the horseracing and greyhound racing industries in the UK. We pay an economic subsidy to British horseracing via an increased statutory levy of 10.75% on gross win from British horseracing activities and support greyhound racing via a voluntary donation to the British Greyhound Racing Fund. These funds are used by the respective bodies for a wide variety of purposes, including animal welfare issues. Through our two greyhound stadia we assist with greyhound welfare issues, including funding an establishment that houses up to 25 dogs for up to three months with the intention of permanently re-homing them. Since January 2008, 819 greyhounds have been successfully re-homed.

Community engagement

We seek to support the communities in which we operate through charitable donations and employee activities. Our Group policy on charitable donations aims to support groups close to our business and to encourage employees' fundraising efforts through a matching scheme.

In 2011, we made charitable donations of £985,650, the largest proportion of which was £703,067 paid to the GREaT Foundation in support of research, education and treatment of problem gambling. We made donations totalling £74,247 in support of employees' fundraising activities, an increase of 79% compared to 2010. During the year, we introduced a payroll giving scheme that allows employees to make donations directly to charities they choose.

We also engage with the local communities to combat crime. In December 2011, we launched an anti-robbery Crimestoppers campaign in conjunction with the launch of a Safe Bet Alliance initiative in Merseyside. Campaign literature was sent to postcode districts and posters were displayed in our shops and distributed by local Police Community Support Officers.

OUR PERFORMANCE

Performance indicators		How we are doing 2010	2011	2012	What we are doing
Customer					
Customer protection	Number of self-exclusions – Retail	5,556	4,957	→	We continue to enhance our self-exclusion facility and procedures by increasing employee awareness and providing further refresher training.
	Number of self-exclusions – Online and Telephone	5,481	6,077	→	
Customer satisfaction	Retail Net Promoter Score (NPS)	43%	54%	↗	Following the roll-out of 'Service Evolution' in 2011, we expect further improvements in Retail customer service.
	Customer complaints resolved within 24 hours – Retail	81%	72%	↗	Customers are at the heart of what we do. We constantly review the way we deal with different enquiries. No matter if they are bet disputes or general enquires, we are committed to resolve them in the most efficient and effective manner.
	Customer complaints resolved within 24 hours – Online and Telephone	not available	86%	↗	
	Dispute referred to IBAS	354	321	→	
Employee					
Health & Safety	RIDDOR reportable accidents	not available	67	↘	We aim to reduce the number of accidents by providing further refresh Health & Safety training which is an ongoing programme.
Protection	Violence in the workplace	67	75	↗	As a member of the 'Safe Bet Alliance' and a leading participant in the 'Crimestopper' scheme, we are committed to protect our employees and stop crime in our premises at all times.
	Percentage of robberies classified as attempts	34%	40%	↗	
Training and development	Total training hours	not available	19,060	↗	This equates to 2.919 days of training across the business. More training programmes are in our development pipeline for 2012.
Engagement	Employee Engagement Index – participation	70%	67%	→	The 'HOME' concept has been rolled out to all divisions of our business, helping to build a unique organisational culture and forge a 'one company' mentality.
Retention	No. of employees serving longer than 10 years	577	591	→	We recognise and reward our long-serving employees for their contribution and commitment.
Environment					
Waste	Recycling waste in Retail LBOs	not available	41%	↗	We continue to roll-out our recycling programme in our Retail estate. New measures are being put in place further to reduce waste to landfill.
Energy	Electricity consumption (gigawatts per annum)	not available	115	↘	With more shops fitted with energy and water saving devices, we expect a reduction in consumption in both categories in the coming years.
Water	Water Consumption (m^3)	not available	560,000	↘	
Travel mileage	Business air travel (miles)	3,242,616	4,241,936	↗	We encourage our employees to avoid business travel if possible. However, in order to support the fast-growing nature of our businesses, we expect more travel is likely to be required.
	Business rail travel (miles)	825,891	1,348,044	↗	
	Company car fleet (miles)	not available	6,450,503	↗	
	Average annual miles per fleet vehicle per annum	not available	26,007	↘	We continue to review our car fleet and look for more economical and fuel-efficient models as replacements.
Environment					
Industry relationships	UK horseracing levy (£m)	18.6	18.9	→	It is important for us to maintain a good relationship with related industries. We provide support to these industries in various shapes and forms.
	Greyhound racing fund (£m)	2.3	2.3	→	
Community engagement	Employee payroll giving (£)	not available	7,348	↗	We have planned more initiatives for 2012 to encourage employees to get involved in more community activities.
	Employee charity matching scheme (£)	41,480	74,247	→	
	GREaT Foundation donation (£)	661,464	703,067	→	We contribute more than three times the funding required of us to support responsible gambling.

WIDE RANGING EXPERIENCE

The Board's broad range of experience has been further enhanced with the appointment of three new Non-executive Directors in 2011.

Gareth Davis
Chairman

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

Board committees
Nomination Committee (Chairman)
Corporate Responsibility and Regulated Issues 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 and Regulated Issues Committee

Current directorships
Scottish Premier League (Non-executive Chairman)
Scottish Football Association (Board member)

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.

Former roles
Finance Director, Bovis Homes Group PLC
Group Financial 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 and Regulated Issues Committee
Remuneration Committee (Chairman)
Audit and Risk Management Committee
Nomination Committee

Current directorships
NHS Shared Business Services (Chairman)
Olympic Park Legacy Company (Board Member)

Other organisations
Chairman, Legal Services Board

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
Managing Director, Group Central Services, National Westminster Group Plc
Chief Executive of the Housing Corporation
Non-executive Director, Hammerson plc

Year of appointment
2005

Ashley Highfield
Independent Non-executive Director

Board committees
Audit and Risk Management Committee
Corporate Responsibility and Regulated Issues Committee (Chairman)
Nomination Committee
Remuneration 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 – the proposed three-way joint venture between the BBC, ITV and Channel 4
Director, New Media & Technology
Member of executive board and management board, BBC
Managing Director, Flextech Interactive Limited

Qualifications
Chartered Information Engineer (CEng)

Year of appointment
2008

David Lowden
Independent Non-executive Director

Board committees
Audit and Risk Management Committee (Chairman)
Corporate Responsibility and Regulated Issues Committee
Nomination Committee
Remuneration Committee

Current directorships
Berendsen plc (Non-executive Director)
Cable & Wireless Worldwide PLC (Non-executive Director)
Rice2 Limited (Chairman)

Former roles
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
April 2011

Georgina Harvey
Independent Non-executive Director

Board committees
Remuneration Committee
Audit and Risk Committee
Corporate Responsibility and Regulated Issues Committee
Nomination Committee

Current position
Trinity Mirror plc (Managing Director Regionals)

Former roles
Managing Director of Wallpaper* Group, IPC Media
Managing Director of IPC Advertising, IPC Media
Sales Director, IPC Magazines
Various sales management roles, Express Newspapers

Year of appointment
November 2011

Imelda Walsh
Independent Non-executive Director

Board committees
Remuneration Committee
Audit and Risk Committee
Corporate Responsibility and Regulated Issues Committee
Nomination Committee

Current directorships
Comic Relief (Trustee)
Institute of Employment Studies (Board member)
Now Pensions Ltd (Trustee Director)

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

Year of appointment
November 2011

Thomas Murphy
General Counsel and Company Secretary

Responsibilities
Legal, Regulatory, Internal Audit and Security; Secretary to all Board Committees.

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

Qualifications
Solicitor

Year of appointment
2007

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 27 December 2011. The Corporate Governance Statement set out on pages 52 to 57 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 year, a description of the principal risks and uncertainties it faces, and the position of the Group at the end of the year.

Results and dividends

The Group's profit on ordinary activities after taxation and exceptional items for the year was £146.5m (52 weeks ended 28 December 2010 – £156.0m). The directors recommend a final dividend 6.7 pence per share to be paid on 8 June 2012 to ordinary shareholders on the Register of Members on 4 May 2012 which, if approved, together with the interim dividend of 2.9 pence per share paid on 8 December 2011, makes a total of 9.6 pence per share for the year.

Directors

Gareth Davis	Non-executive Chairman
Ralph Topping	Chief Executive
David Allvey (Resigned 12 May 2011)	Senior Independent Non-executive Director
Neil Cooper	Group Finance Director
David Edmonds	Senior Independent Non-executive Director
Georgina Harvey (Appointed 1 November 2011)	Independent Non-executive Director
Ashley Highfield	Independent Non-executive Director
David Lowden (Appointed 1 April 2011)	Independent Non-executive Director
Imelda Walsh (Appointed 1 November 2011)	Independent Non-executive Director

Details of committee membership are set out on pages 34 to 35.

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 judgment 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.

Directors' conflicts of interests

At the Company's Annual General Meeting held on 15 May 2008, shareholders approved amendments to the Company's Articles of Association to reflect certain provisions of the Companies Act 2006 relating to conflicts of interest that came into force on 1 October 2008, enabling the Board to authorise conflicts or potential conflicts of interests.

The amended Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for directors to declare situational conflicts and for these to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, these non-conflicted directors are required to act in the way they would consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate.

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 27 December 2011 were equivalent to 15 days' purchases (28 December 2010 – 17 days' purchases), based on the average daily amount invoiced by suppliers during the year.

Charitable contributions

During the year the Group made charitable donations of £985,650 (52 weeks ended 28 December 2010 – £955,310) principally to industry related charities serving the communities in which the Group operates.

Substantial shareholdings

On 24 February 2012, 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	6.39
BlackRock Advisors (UK) Limited	4.99
MFS Investment Management	4.90
Norges Bank Investment Management	3.00

At 27 December 2011, the Company had called up and fully paid share capital of 702,197,647 ordinary shares of 10p each (2010: 701,646,200).

Disabled employees

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.

Employee consultation

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.

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.

Annual General Meeting

The AGM will be held on Tuesday, 8 May 2012 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
24 February 2012

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

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 27 December 2011.

As the Chairman and the Chief Executive explain in their statements, against a backdrop of continued weakness in the economy, William Hill delivered another set of robust results against our financial and non-financial targets.

This has been a year in which the Group's transformation into an international, multi-channel business has significantly progressed. Our customer proposition has become more sophisticated to meet the greater demands on us from our customers with regard to service, price and product offering.

For the Board, this has meant a major focus on the right remuneration policy to retain and attract key leaders for this range of businesses that we now operate. We are a successful business because we are able to recruit very able new managers, and at the same time continue to develop our internal talents, so that we now have a senior management team that we believe is the best in the industry. This underlines the key importance that the Board attaches to moving and staying ahead of the competition in channels and markets – it is vital that we attract, reward and retain the leaders of today and tomorrow.

Because we have so much experience of the recruitment for senior executives in our sector, we well understand the nature of that market place. The skills that we need are in short supply, and the pool from which we can draw given the very high standards that we set is invariably limited. Our remuneration policy is finely honed for those key individuals who we plan to be with us for a number of years as the Company further develops its existing markets and moves into new areas. We also need a blend of skills to run areas from the most sophisticated internet offerings to a quality delivery on the High Street, so we have developed remuneration policies which we believe are right for William Hill and which will underpin the quality of executives that we need now and in the future.

The Board firmly believes in its long standing policy of a 'pay for performance' culture. We should incentivise by a challenging reward framework for those high achievers with the drive to deliver the strategic vision of the Company. For that reason, the Company continues to position on-target pay of senior management at competitive market norms. However, a substantial proportion of their remuneration is variable and performance-related against the achievement of Group and personal objectives. Put another way, in the context of the current national debate around executive pay, we are not a Company that pays for failure.

We are as a Board clearly conscious that high levels of executive pay – and increases in that pay at a time of restraint for many employees – are a matter of political debate at the current time. I would assure shareholders that every element of our remuneration policy is based on the understanding by the Board that we must do what is necessary to sustain and develop the small team that drives this business forward. Every offer is based on an analysis of the necessary package to retain and incentivise individual executives given their importance to the Company; their potential mobility in the market in which they operate and the knowledge that we have of the pool of talent in their particular area.

The Board is of course conscious that we need a consistent approach to 'pay for performance' across the Group. This is evident in the lifting of the pay freeze for front line employees and the introduction of an enhanced shop bonus plan with a bonus pool of almost £9m to share amongst our most successful shop teams.

The Committee has updated the format of the Remuneration Report this year, responding to shareholder feedback, and with the aim of providing greater transparency and improved clarity on our approach to remuneration. In that context, in June 2011, we gave details of new arrangements for the Chief Executive, Ralph Topping, with a special one-off retention share award, and an increase in his base salary from January 2011, as part of our objective in the future to move his base pay, subject to continued high performance, to the upper quartile of his pay group. As we explained at the time, this was to meet a particular set of circumstances and although the award did not need shareholder approval, the Chairman and I met a number of major shareholders, RREV, the ABI and PIRC, to explain further the rationale for our action. The Board believe that Ralph Topping is a key player in delivering the continuing transformation of the Group and, having secured his services until at least the end of 2013, we are now working to ensure that an effective succession plan will be in place for when it is needed. We shall continue to develop a cadre of high quality executives.

The activities of the Committee during the year are summarised on page 54.

I was appointed as Chairman of the Remuneration Committee in 2009. I would like to confirm the Committee's continued commitment to the principles of good governance and best practice, We will, of course, continue to study the external developments in executive pay to see how they can inform our future remuneration strategy and practice to the extent that we believe they will best serve both the Company and our shareholders' interests.

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

David Edmonds
Chairman, Remuneration Committee
24 February 2012

Introduction

This report has been prepared in accordance with the Large and Medium-Sized Companies and Groups Regulations, 2008 (the Regulations). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. The Remuneration Committee has, in preparing this report, also considered the guidance issued by the National Association of Pension Funds and the recently updated guidelines by the Association of British Insurers and RREV. As required by the Regulations, a resolution to approve the report will be proposed at the forthcoming AGM of the Company.

The Regulations require the auditor to report to the Company's shareholders on the 'auditable part' of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006 (as amended by the Regulations). The report has, therefore, been divided into separate sections for audited and unaudited information.

Remuneration Committee Summary

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. Its terms of reference can be found on the Company's corporate website. 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, other benefits and any compensation payments.

The composition of the Committee changed during 2011 as David Allvey retired from the Board and David Lowden, Imelda Walsh and Georgina Harvey joined the Committee.

Details of the membership of the Remuneration Committee, together with the year in which membership commenced, are set out below. All members of the Committee are Independent Non-executive Directors.

Director	Year of appointment
David Edmonds, Chairman (since 2009)	2005
Ashley Highfield	2008
Gareth Davis	2010
David Lowden	2011
Georgina Harvey	2011
Imelda Walsh	2011

No director plays a part in any discussion directly relating to their own remuneration.

In determining the directors' remuneration, the Committee appointed Towers Watson 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. Towers Watson did not provide any other services to the Group. Legal advice was also taken as appropriate from the General Counsel and external advisers.

Unaudited information

Remuneration Committee Activity

During the year ended 27 December 2011, the Committee met five times to discuss and agree key remuneration issues and activities. The following table sets out what the Committee covered at each of their meetings over the course of the year.

Date	Key Agenda Items
February 2011	Authorisation of 2010 bonus payments
	Agree the vesting schedule for the release of 2008 EBMS share award
	Approve targets for 2011 bonus plan
	2011 Sharesave Scheme
	Approve the 2010 Directors' Remuneration Report
	Review of the Chief Executive's pay/incentive arrangements
April 2011	Salary review proposal for the Finance Director
	2011 PSP award – EPS range proposal
	Review of the Chief Executive's pay/incentive arrangements
May 2011	Approve the Chief Executive's retention arrangements
October 2011	Updated Terms of Reference for the Committee
	Assessment of Committee performance
	Follow up action in relation to Chief Executive's arrangements
	Review of External Advisors to the Remuneration Committee
December 2011	Chief Executive's pay arrangements for 2012
	Review of feedback on Committee's performance
	Share Ownership Requirements – review of holdings
	Forecast of executive bonus outcomes for 2011
	Review of recommendations from High Pay Commission

Remuneration Policy

This section sets out the Company's policy on senior management remuneration for 2012 and, so far as practicable, for subsequent years. The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a Group and individual level. There must also be scope to reward for exceptional effort and achievement that delivers value both for the Group and the shareholders. Likewise, failure to achieve individually or at Group level will not be rewarded and there are mechanisms in the remuneration strategy to prevent this. 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 Group and for our shareholders.

The current executive and senior management remuneration policy is designed to support the business needs of the Group, to ensure that the Group has the ability to attract and retain senior leaders of an appropriate calibre and to align the long-term interests of senior management with those of the shareholders. There are four main elements of the remuneration package for senior management:

– basic annual salary and benefits;

– bonus payments;

– long-term incentives; and

– pension arrangements.

The Group's long-standing policy is to position on-target total pay of the senior management by reference to market norms to ensure they remain competitive, with a substantial proportion of their remuneration being performance-related. Total pay benchmarks, which are taken from time to time for comparison purposes, are based on appropriate samples of companies from Towers Watson's executive surveys. In selecting appropriate peer groups, the Committee considers a number of factors given the small number of direct comparators to William Hill. As a result, the Committee considers data from companies of a similar size and scope to William Hill by reference to factors such as Group revenue, gross win, market capitalisation, sector and international profile. The Group believes that this is the most appropriate policy for pay benchmarking purposes.

The performance measurement of the key members of senior management and the determination of their annual remuneration packages is undertaken by the Committee.

This overall policy will continue unless changed by the Committee and any changes in policy for years after 2012 will be described in future reports, which will continue to be subject to a shareholder vote.

Element of remuneration package	**Base salary**
Purpose	Help recruit and retain key employees.
	Reflect the individual's experience and role within the Group.
Policy for 2012	To pay at around the mid-market range of the comparator group (albeit taking into account the criticality of each individual).
	Regard given to individual skills and experience.
Summary of how it operates	Paid monthly in cash.
	Normally reviewed by the Committee annually and fixed for the 12 months commencing 1 January.
	Salary is supplemented with normal benefits available to senior managers including car allowance and medical insurance.

Element of remuneration package	**Annual bonus**
Purpose	Incentivise executives to achieve specific, predetermined goals during a one-year period.
	Reward ongoing delivery and contribution to strategic initiatives.
	Deferred proportion of bonus, awarded in shares, provides a retention element and additional alignment of interests with shareholders.
Policy for 2012	Bonus awards dependent on achievement of Group and Personal Objectives – 75%:25% split.
	On-target bonus was previously 90% of salary for the CEO, but has been reduced to 80% for 2012.
	On-target bonus opportunity is 60% for the Group Finance Director and 50% for all other senior executives.
	Percentage of bonus deferred and awarded in shares.
Summary of how it operates	All executive directors have objectives related to Group profit on ordinary activities before exceptional items, interest and tax (PBIT), plus individual objectives relating to delivery of key business activities.
	Bonus results are determined by the Committee after the year-end, based on performance against targets.
	Normally, 30% of the bonus is paid in cash and 70% paid in deferred shares to be held for three years for the CEO; these proportions change to 50% cash, 50% deferred shares for the Group Finance Director and 60% cash, 40% deferred shares for all other senior executives.
	The deferred element may be subject to forfeiture in the event of voluntary departure prior to vesting.

Element of remuneration package	**Performance share plan**
Purpose	To drive performance and retention and align interests of executives and shareholders through building a shareholding.
	Retain key executives over a set performance period – usually three years.
Policy for 2012	Awards of shares (nil cost options) made annually, with vesting dependent on the achievement of earnings per share (EPS) and total shareholder return (TSR) performance conditions (weighted 50/50).
	Executive directors normally receive annual grants to a maximum value of 150% salary.
	From 2012, awards to the CEO have been reduced from the normal level to 100% of base salary.
Summary of how it operates	TSR is measured based on relative weighted performance against a basket of 16 other gaming and leisure sector companies.
	EPS performance is measured based on aggregate EPS achieved over the performance period.
	The two conditions are measured independently.
	Under the TSR tranche, threshold performance is set at ranking at median relative to the Group, at which point 25% of the award vests. This increases on a straight-line basis to full vesting for ranking at the upper quartile.
	Under the EPS tranche, at threshold performance 25% of the award vests, increasing on a straight-line basis to maximum performance or more where full vesting occurs.
	The Committee has the 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 the initial 2010 Award.

Annual Base Salary

The Group's policy is to position individual pay levels around competitive mid-market norms, albeit taking full account of individual performance, experience and criticality to the business. The Committee's decisions are also influenced by the performance of the Group and pay decisions elsewhere in the Group.

In April 2010, the Committee decided to postpone the review of base salaries for executive directors and all other senior management in light of the prevailing economic environment. Since then, the salaries and total reward packages for executive directors have been reviewed on an individual, situational basis. The remuneration arrangements of all executives with base pay of £200,000 or more must now be approved by the Committee.

In our 2010 Report, the Committee noted that we would re-visit Ralph Topping's salary position in 2011 and this was confirmed during the 2011 AGM when the Chairman noted that Ralph Topping's salary on appointment had been below the market level and that the subsequent pay freeze had prevented this from being addressed. Given the need to retain Ralph Topping over the next few years through the Company's critical transition period, the Committee decided to increase Ralph Topping's salary to £600,000 with effect from 1 January 2011. Further, it was also announced in June 2011 that subject to continued high performance against stretching objectives, such as international expansion and the growth of Online including Mobile, Ralph Topping's salary could progress to levels around the upper quartile of the market over time.

In accordance with this policy the Committee has increased Ralph Topping's base salary further towards competitive market levels to £650,000 from 1 January 2012. The increased salary reflects more closely his unique individual experience and profile within the sector and his strong leadership skills which are required to provide stability and vision during this critical period of growth across locations, market and channels. The other aspects of Ralph Topping's retention arrangements, including the reduction in both his on-target bonus opportunity and PSP award, are covered in the relevant sections of this report.

In April 2011, the Committee reviewed the base pay of Neil Cooper, the Group Finance Director, in advance of his first anniversary with the Group. It was agreed that Neil Cooper had made a significant contribution in his first year, particularly with regard to corporate financial re-structuring and investor relations. Reflecting our stated policy of positioning salary at competitive mid-market norms, and in light of Neil Cooper's contribution, his base salary was increased from £350,000 to £380,000 with effect from 1 May 2011.

Annual Bonus

Bonus payments

Executives are eligible to participate in a senior management bonus plan that is reviewed by the Committee on an annual basis to determine the most appropriate performance measures and targets for that year. For 2011, 75% of the plan was measured against the Group's financial performance as measured by PBIT as well as other key operational results and 25% was measured against individual objectives as agreed by the Board.

The bonus plan for Ralph Topping provided for a target payment of 80% of basic salary and a maximum payment of 165% of salary, 30% of which is payable in cash with the remaining 70% paid in shares on a deferred basis. This target pay-out was reduced from 90% of salary as part of Ralph Topping's retention arrangements which were agreed in June 2011. The bonus plan for Neil Cooper provided a target payment of 60% of basic salary and a maximum payment of 120% of salary, 50% of which is payable in cash with the remaining 50% paid in shares on a deferred basis.

	% of base salary		
	Threshold	Target	Maximum
Ralph Topping, Chief Executive	30%	80%	165%
Neil Cooper, Group Finance Director	30%	60%	120%

In 2011, Group PBIT targets were set, as they are annually, in light of many factors, including the external environment. In particular this took account of the continued economic downturn, a year without a significant international football tournament and with a £9m increase in VAT payments due in 2011 as a result of the rate change.

The financial result of the Company exceeded target levels but did not reach the maximum level and this outcome contributed to 75% of Ralph Topping's and Neil Cooper's overall bonus payments.

Ralph Topping's individual objectives related to international expansion in key markets such as the US and Italy; significant progress in developing a multi-channel proposition, in particular in the mobile channel; and strengthening the cadre of the senior management team. The Committee determined that Ralph Topping's performance against these objectives warranted payment of the full 25% of his individual bonus opportunity.

The overall bonus payment for Ralph Topping for the 52 weeks ended 27 December 2011, reflecting both strong financial performance and achievement of key operational goals, was 155% of base salary; 30% of Ralph Topping's bonus is payable in cash with the remaining 70% invested in shares and deferred until March 2015. The Committee remains comfortable that this balance is appropriate, in spite of the level of deferral being far higher than market norms.

Neil Cooper's individual objectives related to the support of acquisition activity, a range of Corporate Finance projects and the ongoing development of relationships with our Investor community.

The Committee determined that Neil Cooper's performance against these objectives warranted the payment of 25% of his individual bonus opportunity.

The overall bonus payment for Neil Cooper for the 52 weeks ended 27 December 2011 was 112.8% of base salary. 50% of Neil Cooper's bonus is payable in cash with the remaining 50% invested in shares and deferred until March 2015.

The performance measures for the 2012 bonus will continue to be primarily based on PBIT and other key operational results. The Committee believes that PBIT will remain the principal indicator of short-term performance for bonus purposes. It is intended that 75% of the 2012 bonus will be determined according to the company PBIT and 25% will continue to be based on stretching individual objectives for the year.

Table: Summary of 2011 bonus metrics and rationale for selection:

			Effective weighting[2] (at max bonus)	
Performance factor	Definition	Reasons for selecting	Chief Executive	Group Finance Director
PBIT	Profit before interest and tax	Measures the underlying profits generated by the business and whether management is converting growth into profits effectively.	75%	75%
Individual objectives	Key activities which support the strategic intent of the business and deliver shareholder value	Measures whether management is delivering against stated objectives such as international expansion, multi-channel proposition.	25%	25%

Long-term incentives

Long-term incentives are provided to reward superior and sustained long-term performance, to align the long-term interests of executives with those of shareholders and to act as a retention tool. Until the establishment of the Performance Share Plan in 2010, long-term incentive provision was offered via the Executive Bonus Matching Scheme. However, following the establishment of the Performance Share Plan, the Committee does not intend to make any further matched share award to directors under this scheme.

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 Financial Director received 50% on this basis and other senior executives who participated in the EBMS received 40% of their annual bonus on this basis.

For the 2008 Award under this plan, 84,260 deferred shares, inclusive of dividends, vested to Ralph Topping, on 10 March 2011. 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 group of 29 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 2008 Award in 2011 as the TSR and EPS performance conditions were not met.

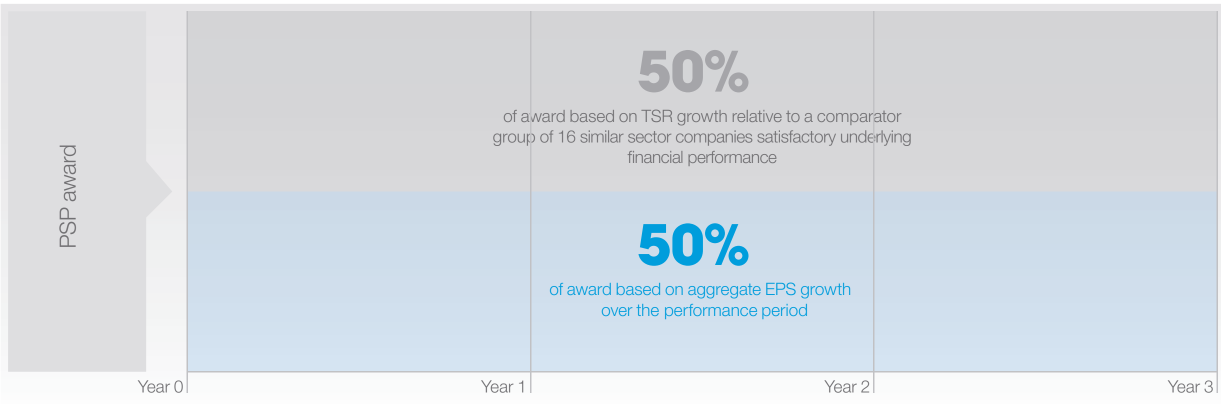
Performance Share Plan

In 2010, shareholders approved the introduction of a new share plan by William Hill PLC, the William Hill Performance Share Plan (PSP).

The PSP was introduced to reflect the development by the business of its longer term online plans which aim to bring about significant transformational change in the Group. This transformational process was started through the creation of William Hill Online and, as a result, the Group has since become one of the top three listed European online betting and gaming businesses. In order to reflect this change in strategic emphasis, there was a requirement to realign the Group's long-term incentive arrangements towards rewarding senior management for the successful delivery of these plans. In particular, these arrangements are aimed at aligning, motivating and retaining the senior team during the next few years as the business continues to move through this transformation process.

The key terms of the initial awards made under the PSP are as follows.

- initial awards made in 2010 vest over a four-year period.
- awards made in 2011 and thereafter revert to three-year performance periods.
- payouts will be determined according to a sliding scale from threshold to maximum performance on a straight-line basis.
- the vesting of shares is dependent on EPS and TSR targets, each of which will apply to 50% of the award shares. Vesting levels for threshold and maximum performance will be 25% and 100% of the award respectively.
- the EPS range for the 2011 award is based on the three-year aggregate of EPS over the period, the threshold vesting requirement of which 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 2011 awards is 65.2p to 77.5p, respectively.
- similar to the 2010 award, TSR performance for 2011 awards is measured relative to a selected comparator group of 16 other gaming and leisure sector companies.
- to enhance the initial focus of the PSP, initial awards were set above the normal 150% of salary level at 225% and 200% of salary, for Ralph Topping and Neil Cooper, respectively. 2011 awards were then reduced below normal levels to 100% of salary for both Executive Directors. Therefore, the 2011 awards to Ralph Topping and Neil Cooper equated to £600,000 and £350,000 worth of shares, respectively.
- in respect of the Awards to be made in 2012, the target will be agreed within the timescales of the rules of the Plan. The amount of Ralph Topping's award will be reduced from 150% to 100% as agreed as an element of his 2011 Retention Arrangements.



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.

Chief Executive Retention Award

At the 2011 AGM, the Chairman highlighted the fact that investors were keen to ensure the William Hill business was well led and the critical importance of Ralph Topping to the business.

Announcing details of the Retention Award in June 2011, the Chairman said:

"Ralph's extensive experience over his 40 years in the business and his performance since being appointed Chief Executive have unquestionably demonstrated to the Board that he is uniquely qualified to lead William Hill through this critical transition period. The Board is delighted to have secured his services for the next few years."

The retention package for Ralph Topping secures his services until at least the end of December 2013. A key part of this retention package was an award of restricted shares equivalent to 200% of current salary (equivalent to £1.2m) which totalled 552,995 shares under the one-person special exemption provided for in the UK Listing Rules. The award will vest on 31 December 2013 subject to continued employment plus a roll up of any dividend equivalents over the period.

In the event of ill health after 31 December 2011 (and subject to the satisfaction of the Committee), disability, death or change in control, awards will vest in full with no pro-rating. In the event of a departure due to ill health prior to 31 December 2011 awards would have vested on a pro-rata basis unless at the discretion of the Committee.

As outlined earlier, in recognition of this special retention award Ralph Topping's on-target bonus opportunity from 2012 has been reduced from 90% to 80% of salary and maximum awards under the Performance Share Plan reduced from 150% to 100% of salary.

Pension and Benefits

Market competitive retirement benefits are provided to act as a retention mechanism and to recognise long service.

From April 2008, Ralph Topping has been drawing his pension and is therefore accruing no further benefits. He ceased to be an active member of the pension scheme and neither he nor the Group makes any contributions to the scheme on his behalf. In 2009, it was agreed that Ralph Topping would instead be paid an annual supplement of 25% of base salary.

The William Hill final salary scheme is closed to new entrants and was replaced by a money-purchase scheme, the Pensions Savings Plan, in 2001. The scheme was closed for future accrual to active members on 31 March 2011.

The employer contributions under the money-purchase scheme are 20% of pensionable salary for executive directors, subject to the pensions earnings cap which is currently £129,600 per annum.

Neil Cooper is a member of the Pensions Savings Plan and he receives 15% of pensionable salary in employer contributions under the money-purchase scheme and a further 5% of pensionable salary as a cash supplement in lieu of the full employer pension contribution rate. The Company contributed £24,075 to Neil Cooper's defined contribution pension fund between 29th December 2010 and 27 December 2011.

In addition to the pension, senior management receive other competitive benefits, such as a fully expensed car or car allowance, private health cover and permanent health insurance. It is intended to continue to provide these benefits but to retain the flexibility to provide a cash alternative for any or all of these, according to individual circumstances.

Shareholding Guidelines

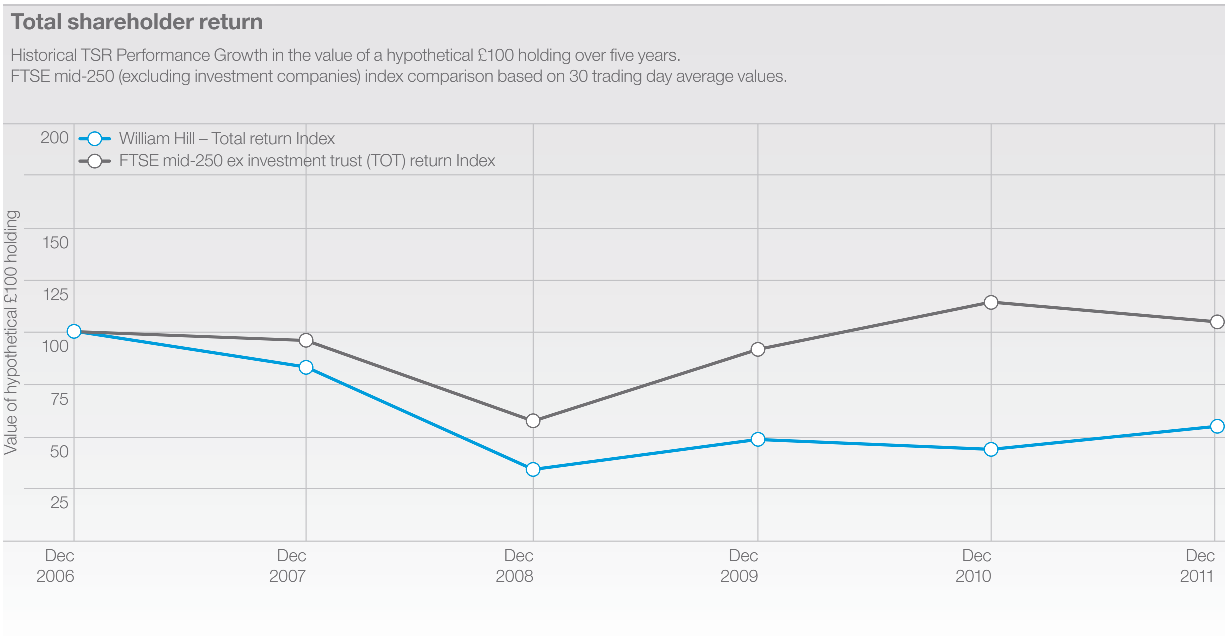
Policy regarding minimum shareholding

It is the Board's policy to require Executive Directors and certain members of senior management to hold a minimum shareholding in the Company equal to one year's basic salary. The Executive Directors' level of shareholding is formally reviewed annually by the Remuneration Committee. While not contractually enforceable, the Committee expects to exercise its discretion regarding participation in various bonus schemes and long-term incentive arrangements to individuals who fail to meet the minimum shareholding requirement. All members of the senior management team for whom this was applicable had met their minimum shareholding requirement by the end of 2011.

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. He did not receive any fees in 2011 in relation to this appointment. There are no other external appointments.

Performance Graph



As required by the Regulations, the graph above 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 29 December 2006 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 23 December 2011 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.

The 2009 EBMS TSR based vesting was close to upper quartile against the 28 selected comparator companies and the William Hill TSR over that period exceeded that of the other gaming companies in the comparator group.

Service Contracts

Executive Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. Consequently, no executive has a contractual notice period in excess of 12 months.

In the event of early termination, the policy on executive directors' contracts provides for compensation up to a maximum of 12 months' basic salary, pension contributions and other benefits. Executive directors may also receive 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 director where appropriate to do so.

Ralph Topping is employed under a service contract dated 21 February 2008. Ralph Topping's contract is for an indefinite term but may be terminated by 12 months' notice given by either party.

Neil Cooper is employed under a service contract with the Company dated 23 November 2009. Neil Cooper's contract is for an indefinite term but may be terminated by 12 months' notice given by either party. The service contracts of Ralph Topping and Neil Cooper contain 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.

Non-executive Directors' letter of appointment

All Non-executive Directors have specific letters of engagement and their remuneration is determined by the Board 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. Remuneration is set taking account of the commitment and responsibilities of the relevant role. The Non-executive Directors do not have service contracts.

Gareth Davis was appointed as non-executive Chairman on 1 September 2010 under an appointment letter dated 28 July 2010 for an initial period of three years' office due to end on 31 August 2013. Gareth Davis's basic annual fee on appointment was £250,000 with effect from 1 September 2010 in respect of all services rendered to the Company.

In March 2008, the basic annual fee paid to Non-executive Directors was increased to £50,000 and the additional fee for chairing a Board committee was increased to £13,000 and £18,000 for the Remuneration Committee and Audit Committee, respectively. Also, with effect from 1 March 2008, the Senior Independent Non-executive Director was paid an additional fee of £5,000. David Edmonds' was appointed to the role of Senior Independent Non-executive Director on the retirement of David Allvey in May 2011. There were no changes to fee arrangements during 2011.

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 be requested to serve for a further three-year term subject to rigorous review at the relevant time and agreement with the director.

David Allvey's appointment letter was dated 17 May 2002 and his term of office was extended by a letter dated 12 April 2005 for a further three-year term until 17 May 2008. David Allvey's term of office was further extended for three years and ended in May 2011 when he retired from the Board.

David Edmonds was appointed as an independent Non-executive Director in January 2005. David Edmonds' appointment letter was dated 22 December 2004 and his term of office was extended by a letter with effect from 1 January 2008 for a further term of office to expire in May 2011.

David Edmonds' appointment was further extended by a letter dated 13 June 2011 until after the AGM in 2014. Ashley Highfield was appointed as an independent Non-executive Director for a three-year term of office in November 2008 by an appointment letter dated 17 November 2008.

Ashley Highfield's appointment was extended until 31 October 2014 by a letter dated 19 October 2011. David Lowden was appointed as an independent Non-executive Director for a three-year term of office on 1 April 2011.

Both Georgina Harvey and Imelda Walsh were appointed as independent Non-executive Directors for a three-year term of office on 1 November 2011.

Upon termination or resignation, Non-executive Directors are not entitled to compensation and no fee is payable in respect of the unexpired portion of the term of appointment. Non-executive directors cannot participate in any of the Group's incentive schemes and are not eligible to join the Group's pension scheme.

Audited information

Aggregate directors' remuneration:

	2011 Total £	2010 Total £
Emoluments	3,000,541	3,131,205
Gains on exercise of share options	154,701	266,645
Gains arising on shares transferred	–	–
	3,155,242	3,397,850
Pension contributions	24,075	26,665

Directors' emoluments

Name of director	Fees/ basic salary £	Benefits in kind £	Annual bonuses £	In lieu of pension[1] £	Loss of office £	2011 Total £	2010 Total £
Executive directors							
Ralph Topping	600,000	28,321	930,000	154,063	–	1,712,384	1,649,711
Neil Cooper	370,000	12,882	428,640	1,545	–	813,067	516,651
Simon Lane	–	–	–	–	–	–	400,510
Non-executive Directors							
Charles Scott	–	–	–	–	–	–	282,000
Gareth Davis	250,000	–	–	–	–	250,000	83,333
David Allvey	26,852	–	–	–	–	26,852	73,000
David Edmonds	72,989	–	–	–	–	72,989	76,000
Ashley Highfield	57,583	–	–	–	–	57,583	50,000
Georgina Harvey	8,333	–	–	–	–	8,333	–
David Lowden	51,000	–	–	–	–	51,000	–
Imelda Walsh	8,333	–	–	–	–	8,333	–
Aggregate emoluments	1,445,090	41,203	1,358,640	155,608	–	3,000,541	3,131,205

1 Included in lieu of pension for Ralph Topping was £154,063 paid as supplement in lieu of pension contributions to the Company Scheme. Included for Neil Cooper was £1,545 paid as a salary supplement in lieu of pension benefit lost due to the Earnings Cap.

Directors' 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 2011 £	Gain on exercise in 2010 £
Ralph Topping	Operating Bonus	–	–	n/a	–	9,410
Ralph Topping	PSP 2005	–	–	n/a	–	26,953
Ralph Topping	PSP 2006	–	–	n/a	–	13,585
Ralph Topping	EBMS 2007	–	–	n/a	–	79,742
Ralph Topping	EBMS 2008	84,260	–	183.60	154,701	–
Simon Lane	PSP 2006	–	–	n/a	–	42,265
Simon Lane	EBMS 2007	–	–	n/a	–	94,690
					154,701	266,645

Details of options for directors who served during the period are as follows:

Name of director	Scheme	Number of shares at 28 December 2010	Granted during the period	Exercised during the period	Lapsed/ forfeited	**Number of shares at 27 December 2011**	Exercise price	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 2020
	EBMS 2008	148,310	10,105	(84,260)	(74,155)	**–**	–	Mar 2011	Apr 2011
	EBMS 2009	741,330	–	–	–	**741,330**	–	Mar 2012	Apr 2012
	EBMS 2010	299,398	–	–	–	**299,398**	–	Mar 2013	Apr 2013
	SAYE 2009	6,582	–	–	–	**6,582**	139p	Aug 2012	Jan 2013
	Retention Award	–	552,995	–	–	**552,995**	–	Dec 2013	Jun 2014
	EBMS 2011	–	350,984	–	–	**350,984**	–	Mar 2014	Apr 2014
Neil Cooper	PSP 2010	357,142	–	–	–	**357,142**	–	May 2014	May 2020
	EBMS 2011	–	78,784	–	–	**78,784**	–	Mar 2014	Apr 2014
	PSP 2011	–	193,798	–	–	**193,798**	–	Apr 2014	Apr 2020
	SAYE 2011	–	5,976	–	–	**5,976**	151p	Aug 2014	Feb 2015
Gareth Davis	n/a	–	–	–	–	**–**	–	–	–
David Allvey	n/a	–	–	–	–	**–**	–	–	–
David Edmonds	n/a	–	–	–	–	**–**	–	–	–
Georgina Harvey	n/a	–	–	–	–	**–**	–	–	–
Ashley Highfield	n/a	–	–	–	–	**–**	–	–	–
David Lowden	n/a	–	–	–	–	**–**	–	–	–
Imelda Walsh	n/a	–	–	–	–	**–**	–	–	–

Options granted under the SAYE scheme are not subject to performance criteria. There have been no variations to the terms and conditions or performance criteria for any share options during the financial year. The market price of the Ordinary Shares at 27 December 2011 was 188.7p and the range during the period from 29 December 2010 to 27 December 2011 was 168.6p to 244.1p.

Directors' pension entitlements

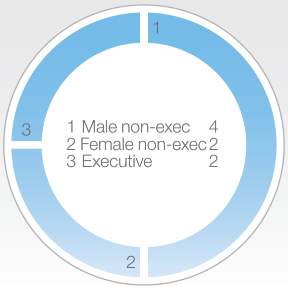
The Company contributed £24,075 to Neil Cooper's defined contribution pension fund between 29 December 2010 and 27 December 2011.

Approval

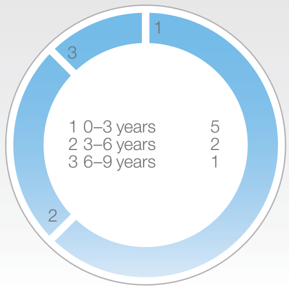
This report was approved by the Board of Directors on 22 February 2012 and signed on its behalf by:

David Edmonds
Chairman of the Remuneration Committee

Composition of the board
Non-executive Directors/executive directors



Length of service



Dear Shareholder,

"I am pleased to present the Board's Annual Report on corporate governance.

"We know how important it is to maintain good corporate governance standards which we see as a fundamental part of the Board discharging its stewardship responsibilities. The Board remains committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors.

"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 (the Code).

"It is the view of the Board that the Company has been compliant with the principles of the Code during the past financial year."

Gareth Davis
Chairman

Board of Directors

As at 27 December 2011, the Board comprised six 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 approved by the Board. David Edmonds is the Senior Independent Non-executive Director. During the year, the Company satisfied 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.

	David Edmonds Regulatory, public sector and business	Imelda Walsh Retail and HR	David Lowden International business and finance	
Gareth Davis International regulated business				Ralph Topping Bookmaking and gaming
	Ashley Highfield Media and technology	Georgina Harvey Media	Neil Cooper Finance	

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.

Chairman and Chief Executive

Throughout the year, the Chairman, Gareth Davis, was responsible for leadership of the Board, ensuring its effectiveness on 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.

Gareth Davis has satisfied the independence criteria detailed in provision A.3.1 of the Code since his appointment as Chairman on 1 September 2010. Details of the Chairman's other significant commitments are set out on page 34 (which includes acting as the non-executive Chairman of a FTSE 100 company).

Matters reserved

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.

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 Schedule of Matters Reserved to the Board and delegated authorities are regularly reviewed and approved by the Board. 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 social 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.

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 both general, industry and Group-specific information is provided and this is supplemented by a 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. This programme will be refreshed in 2012.

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.

Attendance at Board and Board Committee Meetings

Details of Board and committee attendance are set out in the table below. Appropriate insurance cover is in place in respect of legal action against directors.

	Board		Audit and Risk Management Committee	Corporate Responsibility and Regulated Issues Committee	Nomination Committee	Remuneration Committee
	Scheduled	Ad hoc				
Number of meetings held	8[1]	3	5	4	6	5
Meetings attended						
Gareth Davis	8	3	N/A	4	6	3
David Allvey	3	2	1	N/A	3	1
Neil Cooper	8	3	N/A	N/A	N/A	N/A
David Edmonds	7	3	3	3	6	5
Georgina Harvey	1	N/A	1	1	1	1
Ashley Highfield	7	3	5	4	6	4
David Lowden	7	3	4	1	1	1
Ralph Topping	8	3	N/A	4	N/A	N/A
Imelda Walsh	1	N/A	1	1	1	1

Notes:

1. The Board held 8 scheduled meetings (including an off-site Strategy Day, with senior managers) during the year and 3 ad hoc meetings held to consider specific issues during the year. David Allvey retired as a Non-executive Director on 12 May 2011. David Lowden was appointed as a Non-executive Director and Chairman of the Audit Committee on 1 April 2011. He was appointed as a member of the Remuneration, Nomination and Corporate Responsibility and Regulated Issues Committees in December 2011. Georgina Harvey and Imelda Walsh were appointed as Non-executive Directors on 1 November 2011. David Edmonds and Ashley Highfield each missed one scheduled board 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 2011 Board meetings included:

– Acquisitions in Nevada

– Management of William Hill Online

– Overseas expansion

– IT strategy

– Telephone betting

– Interim management statement and dividend

– Board governance

– Finance and budgets

– Industry reviews and regulatory matters

Presentations made to the Board included:

– Mobile strategy

– Political and legal landscape

– Investor relations

– HR strategy

– Overseas business developments

Board performance evaluation

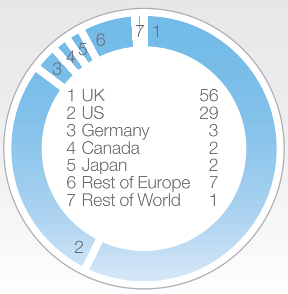
During the year the Board carried out an internal evaluation of its own performance. This was dealt with by the individual directors supplying answers to a questionnaire in October 2011, the results of which were discussed at the December 2011 Board meeting. The Board performance report identified that improvements could be made in both the effective management of our relationship with shareholders and succession planning and talent management review. It was suggested that there ought to be an agreed personal development plan for various members of the executive team, to ensure that there is suitable Board visibility of the people just below Board level. This will be brought to the Board by April 2012. Overall, the Board considered that the results received demonstrated that the Board was effective during the year. An external Board evaluation is due to be carried out in 2012.

Relations with shareholders

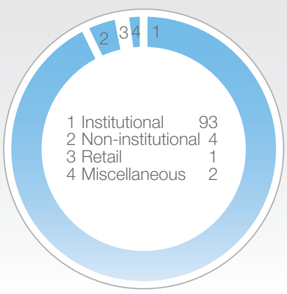
The Board remains committed to maintaining good relationships with both institutional and private shareholders. There is a regular dialogue with institutional shareholders, although care is exercised to ensure that any price-sensitive information is released at the same time to all shareholders, in accordance with the requirements of the UK Listing Authority. Slide presentations provided to institutional shareholders and analysts following the publication of the Group's quarterly financial results are made available on the Group's investor relations 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.

Geographical split of shareholders %



Total shareholder composition %



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-attributed 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 also 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.

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 and Regulated Issues Committees, attended the 2011 meeting and intend to attend the forthcoming meeting in 2012 and will be available to answer questions. In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the meetings held in 2011 were announced at the relevant general meeting and were made available on the Group's website following the meeting. The website also contains copies of the Notices of Meeting and explanatory notes. A separate resolution was proposed on each substantially separate issue. It is intended to continue with these practices for 2012 and future shareholder meetings. It is planned to post the Notice of the 2012 AGM to shareholders with the Annual Report and Accounts at least twenty 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 24 to 33.

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 Head of Internal Audit reports regularly to the General Counsel and 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.

Board Committees

The Remuneration Committee, the Nomination Committee, the Audit and Risk Management Committee and the Corporate Responsibility and Regulated Issues 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 reviewed at least annually 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.

Remuneration

The Directors' Remuneration Report is set out on pages 39 to 51.

Report of the Nomination Committee

Membership and meetings

Set out below is the current membership of the Nomination Committee together with the year in which membership commenced. All members of the Committee are Independent Non-executive Directors and the Committee is chaired by the Board Chairman.

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

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 six occasions during 2011.

Role of the Nomination Committee

The Nomination Committee oversees succession planning for directors and senior managers below Board level. The Chairman of the Nomination Committee reports to the Board on the outcome of meetings.

Appointments to the Board are the responsibility of the full Board, on the recommendation of the Nomination Committee. On joining the Board, Non-executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. A potential director candidate 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 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.

Main activities during 2011

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 2011, the Committee also:

- recommended to the Board that David Lowden, Georgina Harvey and Imelda Walsh be appointed Non-executive Directors of the Company;
- reviewed and approved an extension to the contracts for David Edmonds and Ashley Highfield as Non-executive Directors;
- recommended the appointment of David Edmonds as Senior Independent Non-executive Director;
- reviewed retention and succession plans for the Chief Executive;
- conducted an internal board evaluation in October 2011 and reviewed the performance effectiveness of the Board;
- reviewed the terms of reference of the Nomination Committee;
- approved the directors who would offer themselves for re-election at the 2012 AGM in accordance with our articles of association and the UK Corporate Governance Code; and
- approved the Report of the Nomination Committee contained in the Annual Report and Accounts.

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 will be 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 will undergo 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 has noted the publication of the Davies Review on Women on Boards in February 2011 and the subsequent changes to the Code in order to strengthen the principle of boardroom diversity. 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

Membership, meetings and remuneration

Set out below is the current membership of the Audit and Risk Management Committee together with the year in which membership commenced. 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, Head of Internal Audit and the Head of Financial Planning and Control 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 auditor 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 54.

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 34 to 35. Georgina Harvey and Imelda Walsh were appointed Non-executive Directors on 1 November 2011 and attended their first meeting of the Committee on 20 December 2011.

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 revised formalised whistle-blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters has been established ready for implementation in 2012. 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 2011

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 page 56.

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 auditors' 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:

- brand monitoring and protection;
- cheque payment process review;
- William Hill Online cash flow management;
- Quality Management Framework Implementation and effectiveness;
- data centre reviews (Tel Aviv and Dublin);
- US compliance testing for website and mobile applications;
- server asset management;
- review of the implementation of the project to restructure the Telephone channel;
- audit of William Hill Online customer services;
- performance and capacity management;
- Group payroll and expenses audit;
- customer relations review;
- audit of Group HR Central; and
- tax compliance review – UK SAO Regulation.

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

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 judgements 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.

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
24 February 2012

N Cooper
24 February 2012

To the members of William Hill PLC

We have audited the Group financial statements of William Hill PLC for the 52 weeks ended 27 December 2011, 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 (IFRS) 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 Statement of Directors' Responsibilities, 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 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 of 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 27 December 2011 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with IFRS 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.

Opinion on other matters 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.

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 27 December 2011 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
24 February 2012

Consolidated Income Statement
for the 52 weeks ended 27 December 2011

	Notes	**Before exceptional items £m**	**Exceptional items (note 3) £m**	**52 weeks ended 27 December 2011 Total £m**	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 28 December 2010 Total £m
Continuing Operations							
Amounts wagered	2	**17,911.4**	**–**	**17,911.4**	16,519.8	–	16,519.8
Revenue	1,2	**1,136.7**	**–**	**1,136.7**	1,071.8	–	1,071.8
Cost of sales	2	**(163.6)**	**–**	**(163.6)**	(154.3)	5.6	(148.7)
Gross profit	2	**973.1**	**–**	**973.1**	917.5	5.6	923.1
Other operating income	1	**4.4**	**–**	**4.4**	5.3	–	5.3
Other operating expenses	3	**(707.8)**	**(50.2)**	**(758.0)**	(652.9)	(6.1)	(659.0)
Share of results of associates	4	**2.4**	**–**	**2.4**	3.3	–	3.3
Profit before interest and tax	2,5	**272.1**	**(50.2)**	**221.9**	273.2	(0.5)	272.7
Investment income	7	**15.0**	**–**	**15.0**	14.0	–	14.0
Finance costs	3,8	**(47.7)**	**(1.8)**	**(49.5)**	(67.9)	(25.5)	(93.4)
Profit before tax	2	**239.4**	**(52.0)**	**187.4**	219.3	(26.0)	193.3
Tax	3,9	**(41.5)**	**0.6**	**(40.9)**	(44.0)	6.7	(37.3)
Profit for the period		**197.9**	**(51.4)**	**146.5**	175.3	(19.3)	156.0
Attributable to:							
Equity holders of the parent		**166.6**	**(51.4)**	**115.2**	149.0	(19.3)	129.7
Non-controlling interest		**31.3**	**–**	**31.3**	26.3	–	26.3
		197.9	**(51.4)**	**146.5**	175.3	(19.3)	156.0
Earnings per share (pence)							
Basic	11			**16.5**			18.6
Diluted	11			**16.3**			18.4

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 27 December 2011

	Notes	**52 weeks ended 27 December 2011 £m**	52 weeks ended 28 December 2010 £m
Profit for the period		**146.5**	156.0
Loss on cash flow hedges		**–**	(8.4)
Hedging losses transferred to income statement		**–**	11.8
Charged to income statement on de-designation		**–**	14.2
Actuarial (loss)/gain on defined benefit pension scheme	31	**(10.1)**	6.1
Exchange differences on translation of foreign operations		**0.1**	0.6
Tax on items of other comprehensive income		**0.9**	(7.4)
Other comprehensive (loss)/income for the period		**(9.1)**	16.9
Total comprehensive income for the period		**137.4**	172.9
Attributable to:			
Equity holders of the parent		**106.1**	146.6
Non-controlling interest		**31.3**	26.3
		137.4	172.9

Consolidated Statement of Changes in Equity

for the 52 weeks ended 27 December 2011

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 29 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7
Retained profit for the financial period	–	–	–	–	–	–	115.2	115.2	31.3	146.5
Other comprehensive income for the period	–	–	–	–	–	0.1	(9.2)	(9.1)	–	(9.1)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**0.1**	**106.0**	**106.1**	**31.3**	**137.4**
Transfer of own shares to recipients	–	–	–	–	6.9	–	(6.8)	0.1	–	0.1
Shares issued during the period	0.1	1.0	–	–	–	–	–	1.1	–	1.1
Credit recognised in respect of share remuneration	–	–	–	–	–	–	5.5	5.5	–	5.5
Tax credit in respect of share remuneration	–	–	–	–	–	–	1.5	1.5	–	1.5
Dividends paid (note 10)	–	–	–	–	–	–	(60.9)	(60.9)	–	(60.9)
Acquisition of non-controlling interest	–	–	–	–	–	–	(8.8)	(8.8)	–	(8.8)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(31.0)	(31.0)
At 27 December 2011	**70.3**	**318.3**	**6.8**	**(26.1)**	**(11.7)**	**0.6**	**529.6**	**887.8**	**11.8**	**899.6**

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 30 December 2009	70.2	317.3	6.8	(26.1)	(23.9)	(12.8)	412.6	744.1	12.2	756.3
Retained profit for the financial period	–	–	–	–	–	–	129.7	129.7	26.3	156.0
Other comprehensive income for the period	–	–	–	–	–	13.3	3.6	16.9	–	16.9
Total comprehensive income for the period	–	–	–	–	–	13.3	133.3	146.6	26.3	172.9
Transfer of own shares to recipients	–	–	–	–	5.3	–	(5.0)	0.3	–	0.3
Credit recognised in respect of share remuneration	–	–	–	–	–	–	4.7	4.7	–	4.7
Tax charge in respect of share remuneration	–	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid (note 10)	–	–	–	–	–	–	(52.3)	(52.3)	–	(52.3)
Distributions to non-controlling interest	–	–	–	–	–	–	–	–	(27.0)	(27.0)
At 28 December 2010	70.2	317.3	6.8	(26.1)	(18.6)	0.5	493.1	843.2	11.5	854.7

Consolidated Statement of Financial Position

as at 27 December 2011

	Notes	27 December 2011 £m	28 December 2010 £m
Non-current assets			
Intangible assets	12	**1,398.4**	1,446.2
Property, plant and equipment	13	**215.2**	198.3
Interest in associate	15	**10.9**	9.9
Investments	16	**4.1**	–
Deferred tax asset	24	**15.1**	16.2
		1,643.7	1,670.6
Current assets			
Inventories	17	**0.2**	0.3
Trade and other receivables	18	**50.1**	47.0
Cash and cash equivalents	18	**114.3**	109.4
		164.6	156.7
Total assets		**1,808.3**	1,827.3
Current liabilities			
Trade and other payables	19	**(185.4)**	(148.9)
Current tax liabilities		**(56.3)**	(52.6)
Borrowings	20	**(0.1)**	(0.1)
Derivative financial instruments	23	**(16.0)**	(23.3)
		(257.8)	(224.9)
Non-current liabilities			
Borrowings	20	**(460.5)**	(548.4)
Retirement benefit obligations	31	**(34.1)**	(30.9)
Amounts owed to non-controlling interest	27	**(7.8)**	–
Derivative financial instruments	23	**(1.7)**	(9.4)
Deferred tax liabilities	24	**(146.8)**	(159.0)
		(650.9)	(747.7)
Total liabilities		**(908.7)**	(972.6)
Net assets		**899.6**	854.7
Equity			
Called-up share capital	25	**70.3**	70.2
Share premium account		**318.3**	317.3
Capital redemption reserve		**6.8**	6.8
Merger reserve		**(26.1)**	(26.1)
Own shares held	26	**(11.7)**	(18.6)
Hedging and translation reserves		**0.6**	0.5
Retained earnings		**529.6**	493.1
Equity attributable to equity holders of the parent		**887.8**	843.2
Non-controlling interest		**11.8**	11.5
Total equity		**899.6**	854.7

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 24 February 2012 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

Consolidated Cash Flow Statement

for the 52 weeks ended 27 December 2011

	Notes	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Net cash from operating activities	28	**241.7**	223.9
Investing activities			
Dividend from associate	15	**1.4**	–
Interest received	1,7	**0.5**	0.6
Proceeds on disposal of property, plant and equipment		**1.6**	2.1
Loans treated as investments	16	**(4.1)**	–
Purchases of property, plant and equipment		**(40.9)**	(22.4)
Expenditure on computer software		**(14.6)**	(14.3)
Net cash used in investing activities		**(56.1)**	(34.0)
Financing activities			
SAYE share option redemptions		**0.1**	0.3
Dividends paid	10	**(60.9)**	(52.3)
Distributions to non-controlling interests		**(31.0)**	(27.0)
Repayments of borrowings		**(90.0)**	(734.1)
Amounts drawn down		**–**	619.0
New debt facility issue costs		**–**	(6.2)
Proceeds on issue of shares		**1.1**	–
Net cash used in financing activities		**(180.7)**	(200.3)
Net increase/(decrease) in cash and cash equivalents in the period		**4.9**	(10.4)
Cash and cash equivalents at start of period		**109.4**	119.8
Cash and cash equivalents at end of period		**114.3**	109.4

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 36 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. 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.

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

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

Key Accounting Policies

Revenue recognition

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, 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.

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 and Online sports businesses and net revenue for the period for online casino, poker and bingo products.

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 and is recognised on an accrued 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.

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 funding requirements for the medium term are satisfied by the Group's £550m revolving credit facility which expires in November 2015 and a fully drawn £300m corporate bond which matures in November 2016. Whilst current economic conditions create uncertainty over the level of demand for the Group's products the Group's strategic forecasts, based on reasonable and prudent assumptions, indicate that the Group should be able to operate within the level of its currently available debt facilities. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 the carrying amounts of assets and liabilities 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 has 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.

Fair value of derivatives

As described in note 21, the Group uses interest rate swaps and collars to manage its exposure to interest rate movements on its bank borrowings. The directors use their judgement, supported by counterparty confirmations, in selecting appropriate valuation techniques for these financial derivatives. Assumptions are made based on quoted market rates adjusted for specific features of the instrument. Due to the economic environment, the assumptions used to determine the fair value are subject to additional volatility and may result in changes in future periods.

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/

1. Revenue

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

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Rendering of services and revenue as disclosed in the Consolidated Income Statement	**1,136.7**	1,071.8
Other operating income	**4.4**	5.3
Interest on bank deposits	**0.5**	0.6
Total revenue as defined in IAS 18	**1,141.6**	1,077.7

2. Segment information

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

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

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

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

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

2. Segment information (continued)

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

Segment information for the 52 weeks ended 28 December 2010:

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

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

2. Segment information (continued)

Net assets/(liabilities) have been allocated by segment where assets and liabilities can be identified with a particular channel. Corporate net assets include corporation and deferred tax, net borrowings, and pension liability as well as any assets and liabilities that cannot be allocated to a particular channel other than on an arbitrary basis.

There are no inter-segmental sales within the Group.

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

	Revenues		Non-current assets	
	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m	**52 weeks ended 27 December 2011 £m**	52 weeks ended 28 December 2010 £m
United Kingdom	**1,051.4**	997.8	**1,593.5**	1,631.1
Rest of the World	**85.3**	74.0	**50.2**	39.5
	1,136.7	1,071.8	**1,643.7**	1,670.6

The revenue information is based on the location of the customer. Non-current asset information is based on physical location (for tangible assets) or primary operating location of the Company using the asset (for intangible assets), with the exception of goodwill, which arises on consolidation and is recognised in the UK.

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

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

3. Exceptional items

Exceptional items are those items the Group considers to be non-recurring or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. Exceptional items are as follows:

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

Financial statements

3. Exceptional items (continued)

The tax impact of exceptional items is as follows:

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

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

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

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

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

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

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

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

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

4. Share of results of associates

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Share of profit after taxation in associated undertakings	2.4	3.3

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):

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Net foreign exchange losses	**1.0**	0.4
Gain on disposal of fixed assets	**(0.3)**	(0.6)
Staff costs (note 6)	**299.5**	297.3
Impairment of property, plant and equipment (note 13)	**0.9**	–
Depreciation of property, plant and equipment (note 13)	**27.2**	26.9
Amortisation of software and trade names (note 12)	**14.2**	14.2

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

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.2**	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	**0.2**	0.8
Corporate finance services	**0.1**	0.3
Other services	**–**	–
Total fees payable to Deloitte LLP	**0.6**	1.4

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.

6. Staff costs

The average monthly number of persons employed, including directors, during the period was 15,937 (52 weeks ended 28 December 2010: 16,935) all of whom are engaged in the administration and provision of betting and gaming services and the operation of stadia. Their aggregate remuneration comprised:

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Wages and salaries	267.2	262.9
Social security costs	19.3	19.9
Share-based remuneration (inclusive of NIC provisions)	6.0	5.2
Other pension net costs	7.0	9.3
	299.5	297.3
Actuarial loss/(gain)	10.1	(6.1)
Total staff costs	309.6	291.2

The £10.1m relating to actuarial losses (52 weeks ended 28 December 2010: £6.1m gain) has been debited to other comprehensive income.

7. Investment income

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Interest on bank deposits	0.5	0.6
Expected return on pension scheme assets (note 31)	14.5	13.4
	15.0	14.0

8. Finance costs

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	29.6	35.1
Amortisation of finance costs	2.2	5.7
Fair value losses on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt	–	11.8
Net interest payable	31.8	52.6
Interest on pension scheme liabilities (note 31)	15.9	15.3
	47.7	67.9

9. Tax on profit on ordinary activities

The tax charge comprises:

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

The effective tax rate in respect of ordinary activities before exceptional items is 17.3% (52 weeks ended 28 December 2010: 20.1%). The effective tax rate in respect of ordinary activities after exceptional items was 21.8% (52 weeks ended 28 December 2010: 19.3%). The current period's charge excluding exceptional items is lower than the statutory rate of 26.5% mainly due to a lower effective tax rate on the income of William Hill Online (defined on page 17), a deferred tax credit resulting from the enacted reduction in the UK corporation tax rate to 25% and adjustments in respect of prior periods. The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	52 weeks ended 27 December 2011		52 weeks ended 28 December 2010	
	£m	%	£m	%
Profit before tax	**187.4**		193.3	
Tax on Group profit at standard UK corporation tax rate of 26.5% (2010: 28%)	**49.7**	**26.5**	54.1	28.0
Impact of changes in statutory tax rates	**(12.2)**	**(6.5)**	(6.0)	(3.1)
Lower effective tax rate of William Hill Online	**(9.4)**	**(5.0)**	(7.1)	(3.7)
Tax on share of results of associates	**(0.6)**	**(0.3)**	(0.9)	(0.5)
Adjustment in respect of prior periods	**(2.1)**	**(1.1)**	(6.0)	(3.1)
Permanent differences – non deductible expenditure	**15.5**	**8.2**	3.2	1.7
Total tax charge	**40.9**	**21.8**	37.3	19.3

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

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

10. Dividends proposed and paid

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

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

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and in treasury are given in note 26. The Company estimates that 703.0 million shares will qualify for the final dividend.

11. Earnings per share

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

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

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

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

12. Intangible assets

	Goodwill £m	Licence value £m	Trade names, affiliate relationships and NCA[1] £m	Computer software £m	Total £m
Cost:					
At 29 December 2010	959.2	484.6	19.9	71.8	1,535.5
Additions	–	–	–	14.6	14.6
Impairment of assets	(45.6)	–	–	(2.6)	(48.2)
At 27 December 2011	913.6	484.6	19.9	83.8	1,501.9
Accumulated amortisation:					
At 29 December 2010	41.6	–	9.1	38.6	89.3
Charge for the period	–	–	3.6	10.6	14.2
At 27 December 2011	41.6	–	12.7	49.2	103.5
Net book value:					
At 27 December 2011	**872.0**	**484.6**	**7.2**	**34.6**	**1,398.4**
At 28 December 2010	917.6	484.6	10.8	33.2	1,446.2

[1] NCAs are defined as Non–competition agreements.

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.

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 cash flow forecasts derived from the following period's budget to EBIT for each CGU. The budgets used have been approved by management. These cash flows are then extrapolated by a growth rate, approximating the long-term economic growth rate.

The discount rate applied in 2011 to the future cash flows of the CGU was 11.4% (2010: 11.4%) and cash flows beyond the budget period are extrapolated using a 2.4% growth rate (2010: 2.4%). The growth rate is estimated on the basis of real GDP growth in the UK over the last 60 years.

12. Intangible assets (continued)

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

Cash generating unit	Reportable segment	Impairment losses 2011 £m	Impairment losses 2010 £m
Retail	Retail	–	–
Online	Online	–	–
Telephone	Telephone	46.6	–
Stadia	Other	–	–
		46.6	–

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

Cash generating unit	Reportable segment	Segment tangible and intangible assets £m	Excess of estimated recoverable amount over carrying value £m
Retail	Retail	1,394.0	800.5
Online*	Online	283.4	638.1
Telephone	Telephone	–	–
Stadia	Other	14.1	1.1
		1,691.5	1,439.7

* William Hill Share only.

Sensitivity Analysis

A 20% fall in projected segment profit across all segments (with all other assumptions remaining constant) would result in a write-down of approximately £1.9m in the Stadia segment. All other CGUs would be unaffected.

A 1% increase in the discount rate across all segments (with all other assumptions remaining constant) would result in a write-down of approximately £0.4m in the Stadia segment. All other CGUs would be unaffected.

13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost:				
At 29 December 2010	305.4	142.0	0.3	447.7
Additions	34.8	11.5	–	46.3
Disposals	(9.1)	(2.1)	(0.1)	(11.3)
Impairment of assets	(0.9)	–	–	(0.9)
At 27 December 2011	330.2	151.4	0.2	481.8
Accumulated depreciation:				
At 29 December 2010	132.6	116.5	0.3	249.4
Charge for the period	19.7	7.5	–	27.2
Disposals	(7.7)	(2.2)	(0.1)	(10.0)
At 27 December 2011	144.6	121.8	0.2	266.6
Net book value:				
At 27 December 2011	**185.6**	**29.6**	**–**	**215.2**
At 28 December 2010	172.8	25.5	–	198.3

The net book value of land and buildings comprises:

	27 December 2011 £m	28 December 2010 £m
Freehold	**39.8**	40.2
Long leasehold	**7.5**	7.8
Short leasehold	**138.3**	124.8
	185.6	172.8

Of the total net book value of land and buildings, £2.6m (28 December 2010: £2.3m) relates to administrative buildings and the remainder represents licensed betting offices. The gross value of assets on which depreciation is not provided amounts to £5.7m representing freehold land (28 December 2010: £6.0m).

The carrying amount of the Group's fixtures, fittings and equipment includes an amount of £0.3m (28 December 2010: £0.4m) in respect of assets held under finance leases.

At 27 December 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £5.2m (28 December 2010: £13.4m).

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
William Hill Credit Limited[1]	Great Britain	100%	Telephone betting
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Retail betting
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
WHG Trading Limited	Gibraltar	71%	Online betting and gaming
WHG (International) Limited	Gibraltar	71%	Online betting and gaming
William Hill (Malta) Limited	Malta	71%	Online betting and gaming
Eurotech Services Limited	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.

[1] In February 2011 the UK Telephone Betting business was closed and William Hill Credit Limited ceased to trade.

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.

	27 December 2011 £m
At 28 December 2010	9.9
Share of profit before interest and taxation	3.5
Share of interest	(0.4)
Share of taxation	(0.7)
Dividend received	(1.4)
At 27 December 2011	**10.9**

Associates

At 27 December 2011, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (28 December 2010: 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 2011 and management accounts thereafter.

Goodwill relating to the acquisition of shares in SIS of £24m was fully provided against in 1999 to recognise an impairment in the carrying value. The following financial information relates to SIS:

	27 December 2011 £m	28 December 2010 £m
Total assets	**171.9**	165.6
Total liabilities	**(116.1)**	(113.8)
Total revenue	**235.3**	281.3
Total profit after tax	**8.7**	16.7

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. Investments

During the period, the Group signed binding agreements to acquire three businesses operating in the USA. Convertible loans advanced to those businesses of £4.1m have been presented as investments in accordance with the Group accounting policy, notwithstanding that the loans do not legally entitle the Group to voting rights over any shares, equity distributions or a share of net assets until conversion. The loans are expected to convert and capitalise in 2012, when the Group expects to complete the licensing process in Nevada and acquire the businesses.

Upon acquisition, the Group will pay further cash consideration of up to US$46.2m (of which US$1.5m is contingent upon the future results of one of the businesses acquired), along with the settlement of US$4m of debt and preference shares.

The acquisition of the three businesses is contingent on the Group and certain Group senior managers obtaining gaming licences in Nevada. Should the Group's licence applications not be successful, break fees will be payable to the businesses of US$4.9m.

17. Inventories

	27 December 2011 £m	28 December 2010 £m
Raw materials, consumables and bar stocks	**0.2**	0.3

18. Other financial assets

Trade and other receivables

Trade and other receivables comprise:

	27 December 2011 £m	28 December 2010 £m
Trade debtors	**2.6**	4.2
Other debtors	**7.9**	10.0
Prepayments	**39.6**	32.8
	50.1	47.0

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. The carrying amount of these assets approximates their fair value. This includes £49.1m (2010: £43.4m) of client funds that are matched by liabilities of an equal value as disclosed in note 19.

19. Trade and other payables

Trade and other payables comprise:

	27 December 2011 £m	28 December 2010 £m
Trade creditors	**69.2**	59.1
Other creditors	**11.4**	8.1
Accruals and deferred income	**104.8**	81.7
	185.4	148.9

The average credit period taken for trade purchases is 15 days (period ended 28 December 2010: 17 days).

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

Included in trade creditors is an amount of £49.1m (28 December 2010: £43.4m) 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

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

Bank facilities

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

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

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

The upfront participation and other fees plus associated costs incurred in arranging the RCF have been capitalised and offset against the loans in the Consolidated Statement of Financial Position and are being amortised on a straight-line basis over the life of the facility.

Corporate bonds

As part of its strategy to diversify its funding sources, the Company issued £300m of corporate bonds to investors in 2009. These bonds mature in November 2016 and are guaranteed by William Hill Organization Limited, a principal subsidiary of the Company. The bonds carry a coupon of 7.125% but together with the discount on issue of the bonds bear an effective interest rate of 7.25%. Finance fees and associated costs incurred on the issue of the bonds together with the discount on issue have been capitalised in the Consolidated Statement of Financial Position and are being amortised over the life of the bonds.

Obligations under finance leases

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

20. Borrowings (continued)

Overdraft facility

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

Weighted average interest rate

	52 weeks ended 27 December 2011 %	52 weeks ended 28 December 2010 %
The weighted average interest rates paid were as follows:		
Bonds	**7.2%**	7.3%
Bank loans	**4.0%**	4.0%
Bank loans including hedging arrangements	**4.9%**	7.4%

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 £309m.

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 Corporate Finance Department 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 36. 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.

21. Financial risk management (continued)

	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
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**
28 December 2010						
Finance leases	1.0%	0.1	0.1	0.2	–	0.4
Bond including interest	7.1%	21.4	21.4	64.1	319.6	426.5
Bank loans including interest	3.4%	11.9	11.9	294.7	–	318.5
Impact of interest rate hedging	3.3%	17.8	8.1	1.5	–	27.4
Other liabilities	–	148.9	–	–	–	148.9
Total		200.1	41.5	360.5	319.6	921.7

Capital management and financing risk

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

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.

21. Financial risk management (continued)

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.

Credit risk from customers is managed through the use of credit verification procedures and regular ongoing monitoring of customer receivables.

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 27 December 2011 approximately 64% of the Group's gross borrowings were at fixed rates and 36% were at floating rates.

Historically the Group has managed its interest rate exposure through the use of interest rate derivatives. At 27 December 2011, the Group had in place hedging instruments covering £200m of notional principal, expiring in 2012. As a consequence of the Group's transition to its new £550m Revolving Credit Facility in December 2010, these hedging arrangements were deemed to be ineffective for accounting purposes, although for cash purposes they remain in place.

Based on the current level of borrowings and hedge arrangements, 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
(Decrease)/increase in profit	(0.5)	1.2
(Decrease)/increase in equity reserves	(0.5)	1.2

Currency risk

The Group's currency risk arises from transactions undertaken in foreign currencies, foreign currency assets and liabilities and from the translation into sterling of the results and net assets of overseas operations. The Group's objective when managing currency risk is to minimise any material impact on the Group's results from changes in exchange rates.

Forecast transactional exposures are reviewed regularly and foreign currency forwards are entered into to hedge a proportion of any significant foreign currency exposures. Currently only transactions in Israeli Shekels arising from the Group's online operations are hedged.

Foreign currency liability exposures arise from customer account balances deposited in currencies other than sterling. This risk is mitigated as far as possible by maintaining matching foreign currency client cash balances.

Exposures arising from the translation into sterling of the results and net assets of overseas operations denominated in foreign currencies are not deemed to be material to the Group and are not hedged.

The directors believe that any changes in exchange rates would not have had a material impact on the Group at 27 December 2011.

At the period-end, the Group held a net £7.5m of foreign-currency denominated monetary assets. The largest component of this was £4.1m of USD-denominated loans to businesses in the USA, as described in note 16. The remainder comprises Euro-denominated debtors of £2.5m, Israeli Shekel-denominated cash balances of £1.1m and other balances held by the Group's online operations.

During the next year, the Group expects to acquire three businesses in the USA, with cash consideration of approximately US$55m and related expenditure of approximately US$8m. The sterling value of these outflows will vary in line with exchange rate movements.

21. Financial risk management (continued)

Revenue by currency

Revenue by currency is analysed below.

	52 weeks ended 27 December 2011 %	52 weeks ended 28 December 2010 %
Sterling	**91.1**	91.4
Euro	**6.8**	7.0
Other currencies	**2.1**	1.6
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 2011 the Group made additional cash contributions of £9.2m to the scheme over and above its normal contributions. The scheme was closed to further accrual on 31 March 2011.

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 the triennial valuation in 2011 the Group has agreed a recovery plan with the Trustees for eliminating the 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:

	27 December 2011 £m	28 December 2010 £m
Loans and receivables		
Cash and cash equivalents	**114.3**	109.4
Receivables	**14.6**	14.2
Total financial assets	**128.9**	123.6
Other non-financial assets	**1,679.4**	1,703.7
Total assets	**1,808.3**	1,827.3
Fair value through the Income Statement		
Held for trading (ante-post bets and interest rate hedges)	**(17.7)**	(32.7)
Liabilities at amortised cost		
Borrowings	**(460.6)**	(548.5)
Trade and other payables	**(185.4)**	(148.9)
Total financial liabilities	**(663.7)**	(730.1)
Other non-financial instruments	**(245.0)**	(242.5)
Total liabilities	**(908.7)**	(972.6)
Net assets	**899.6**	854.7

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 at 27 December 2011 is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities held at fair value				
Antepost bet liabilities	–	–	6.7	**6.7**
Interest rate hedging instruments	–	11.0	–	**11.0**
Total	–	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.

Interest rate hedging instruments are classified as level 2 in the hierarchy, as their fair 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.

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 total £6.7m (2010: £5.8m) and are classified as current liabilities.

Interest rate swaps and hedges

The Group has entered into a number of interest rate swap and collar arrangements as at 27 December 2011, under which the LIBOR element of the interest payable is swapped or capped for fixed rate payments, details of which are given below:

	Average contract fixed interest rate[1]		Notional principal amount[2]	
	27 December 2011 %	28 December 2010 %	**27 December 2011 £m**	28 December 2010 £m
Less than 1 year	**5.3**	5.3	**200.0**	370.0
1 to 2 years	**5.3**	5.3	**200.0**	200.0
2 to 5 years	**–**	5.3	**–**	200.0
After 5 years	**–**	–	**–**	–

[1] Calculated as fixed rate for swaps and capped rate for collars.

[2] The total of Notional Principal amounts represents the total value of contracts in existence at 27 December 2011 (excluding those which expire on 31 December 2011, as set out in the narrative below). This is higher than the effective notional principal of £200.0m at 27 December 2011, as a number of contracts expire and are replaced by other contracts starting in future periods.

	Fair value	
	27 December 2011 £m	28 December 2010 £m
Less than 1 year	**(9.3)**	(17.5)
1 to 2 years[1]	**(1.7)**	(8.0)
2 to 5 years	**–**	(1.4)
After 5 years	**–**	–
	(11.0)	(26.9)

[1] Settlement of this amount (or its equivalent on 31 December 2012) will occur during the next financial reporting period as FY 2012 is a 53 week period ending 1 January 2013. Accordingly this balance will have been settled at that point. As this period exceeds 365 days it has been shown as greater than one year.

The notional principal hedged under the swaps varies between £185m and £100m over the period to 31 December 2012, at which time it drops to zero. At 27 December 2011 the notional principal outstanding under these arrangements was £185m. This amount dropped to £100m on 31 December 2011, the full amount of which will expire on 31 December 2012.

The fixed interest rate under the swaps varies from 5.0% to 5.2%.

In addition, the Group has also entered into interest rate collar arrangements expiring between 31 December 2011 and 31 December 2012, under which the floating LIBOR rate is capped at rates of 5.5% with floors of 4.50%. The collar profile mirrors the swap profile with notional principal outstanding under these arrangements at 27 December 2011 being £185m, dropping to £100m on 31 December 2011 with complete expiry on 31 December 2012.

The fair value of swaps and collars entered into at 27 December 2011 is estimated as a liability of £11.0m (28 December 2010 liability: £26.9m). At 27 December 2011, none of the swaps or collars was effective for hedge accounting purposes.

The fair value of forward foreign currency contracts at period end was £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 28 December 2010 £m	Adjustments in respect of prior years £m	Amount charged to reserves £m	Amount credited/ (charged) to income £m	Amount charged to Statement of Comprehensive Income £m	**At 27 December 2011 £m**
Fixed asset timings differences	(21.7)	(0.2)	–	2.0	–	**(19.9)**
Held over gains	(7.8)	–	–	0.6	–	**(7.2)**
Retirement benefit obligations	8.4	–	–	(0.8)	0.9	**8.5**
Licences	(128.4)	–	–	9.4	–	**(119.0)**
Affiliate relationships	(1.1)	–	–	0.4	–	**(0.7)**
Share remuneration	2.4	–	1.5	0.9	–	**4.8**
Derivatives	5.4	–	–	(3.6)	–	**1.8**
	(142.8)	(0.2)	1.5	8.9	0.9	**(131.7)**

The enacted future rate of UK corporation tax of 25% (52 weeks ended 28 December 2010: 27%) and the Gibraltar statutory income tax rate of 10% (2010: 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:

	27 December 2011 £m	28 December 2010 £m
Deferred tax liabilities	**(146.8)**	(159.0)
Deferred tax assets	**15.1**	16.2
	(131.7)	(142.8)

25. Called-up share capital

	27 December 2011		28 December 2010	
	Number of shares	**£m**	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**701,646,200**	**70.2**	701,646,200	70.2
Shares issued	**551,447**	**0.1**	–	–
At end of period	**702,197,647**	**70.3**	701,646,200	70.2

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

26. Own shares

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

Own shares held comprise:

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

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

27. Non-controlling Interest (NCI)

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

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

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

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

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

28. Notes to the cash flow statement

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

29. Operating lease arrangements

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Minimum lease payments under operating leases recognised as an expense in the period:		
– plant and machinery	**1.0**	1.0
– other (including land and buildings)	**52.6**	54.6
	53.6	55.6

29. Operating lease arrangements (continued)

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:

	27 December 2011 £m	28 December 2010 £m
Within one year	**46.1**	47.6
In the second to fifth years inclusive	**162.3**	160.9
After five years	**216.7**	231.7
	425.1	440.2

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 2003 to 2011; 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 2011.

Details of these schemes are provided on pages 45 and 46 in the Directors' Remuneration Report.

The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £5.5m in the 52 weeks ended 27 December 2011 (52 weeks ended 28 December 2010: £4.7m).

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

The PSP and EBMS provides 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 option lapses. The William Hill Online LTIP provides conditional awards dependent on William Hill Online achieving a specified operating profit target for the financial year 2012.

The RA 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.

	27 December 2011 Number	28 December 2010 Number
Outstanding at beginning of the period	**13,670,960**	6,646,524
Granted during the period	**4,410,564**	7,790,983
Forfeited during the period	**(3,537,430)**	(38,490)
Exercised during the period	**(834,827)**	(728,057)
Outstanding at the end of the period	**13,709,267**	13,670,960
Exercisable at the end of the period	**48,698**	56,904

The PSP, LTIP, William Hill Online 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 £1.83 (52 weeks ended 28 December 2010: £2.01). The RA scheme is conditional on continued employment and has no exercise price.

The awards under these schemes outstanding at 27 December 2011 had a remaining weighted average contractual life of 6.1 years (28 December 2010: 8.0 years).

The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP, LTIP, William Hill Online LTIP, EBMS and RA schemes in the 52 weeks ended 27 December 2011 was £4.6m (52 weeks ended 28 December 2010: £6.6m).

30. Share-based payments (continued)

SAYE scheme for grants made in the years from 2004 to 2011

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.

	27 December 2011		28 December 2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	**7,029,617**	**1.68**	7,523,268	1.78
Granted during the period	**2,048,807**	**1.51**	1,864,922	1.60
Forfeited during the period	**(1,616,087)**	**1.90**	(2,182,999)	3.10
Exercised during the period	**(634,214)**	**1.87**	(175,574)	1.28
Outstanding at the end of the period	**6,828,123**	**1.56**	7,029,617	1.68
Exercisable at the end of the period	**241,386**	**2.52**	265,066	3.44

The exercises price for the 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 SAYE schemes, following the rights issue were £2.77, £3.23, £3.25, £3.49, £1.98, £1.39, £1.60 and £1.51 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £1.84 (52 weeks ended 28 December 2010: £1.74). The options outstanding at 27 December 2011 had a remaining weighted average contractual life of 2.27 years (28 December 2010: 2.56 years). The expense recognised in respect of relevant SAYE schemes in the 52 weeks ended 27 December 2011 was £0.9m (52 weeks ended 28 December 2010: £1.9m credit).

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	
	27 December 2011	28 December 2010	27 December 2011	28 December 2010
Weighted average share price at date of grant	**£1.79**	£2.13	**£1.81 – £2.00**	£1.75 – £2.00
Weighted average exercise price	**£1.51**	£1.60	**Nil**	Nil
Expected volatility	**26%**	35–37%	**26–38%**	35–38%
Expected life	**3–6 years**	4–6 years	**1–4 years**	1–4 years
Risk free interest rate	**2.2%**	4.3%	**1.2–4.9%**	1.2–4.9%
Expected dividend yield	**4.7%**	3.7%	**4.7%**	3.7–4.3%

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 between 12.5% and 25% for the 52 weeks ended 27 December 2011 (52 weeks ended 28 December 2010: 25% to 42%).

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 £1.50 per option (28 December 2010: £1.35). The weighted average fair value of the options granted under SAYE grants at the date of grant was £0.16 per option (52 weeks ended 28 December 2010: £0.34).

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:

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

Defined contribution schemes

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

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

Defined benefit scheme

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

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

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

Disclosure of principal assumptions

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

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

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

31. Retirement benefit schemes (continued)

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

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

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

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

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

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

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

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

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

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

31. Retirement benefit schemes (continued)

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

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

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

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

History of experience gains and losses:

	52 weeks ended 27 December 2011	52 weeks ended 28 December 2010	52 weeks ended 29 December 2009	52 weeks ended 30 December 2008	53 weeks ended 1 January 2008
Difference between the actual and expected return on scheme assets:					
Amount (£m)	**(1.8)**	12.5	22.6	(62.1)	(0.1)
% of scheme assets	**0.1%**	4.8%	9.8%	32.8%	0.0%
Experience gains and (losses) on scheme liabilities:					
Amount (£m)	**–**	–	2.6	–	4.9
% of the present value of the scheme liabilities	**–**	–	1.0%	–	2.1%
Changes in assumptions underlying the present value of the scheme liabilities	**(8.3)**	(6.4)	(49.4)	30.6	8.1
% of the present value of the scheme liabilities	**2.7%**	2.2%	18.0%	14.2%	3.4%
Cumulative losses[1] (£m)	**(82.7)**	(72.6)	(78.7)	(54.5)	(23.0)

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

The actual return on scheme assets was £12.7m (2010: £25.9m).

31. Retirement benefit schemes (continued)

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 £16.3m
Rate of increase in inflation	Increase by 0.25% p.a.	Increase of £14.0m
Life expectancy	Members assumed to live one year longer	Increase of £7.4m

If the change in assumptions is in the opposite direction to that shown above, the impact on the defined benefits liabilities would be of a similar magnitude, again 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 £274.8m and £308.9m respectively are held on the Group's Consolidated Statement of Financial Position as at 27 December 2011. 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 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.

During the period, 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.

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 £37.4m (52 weeks ended 28 December 2010: £34.8m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 27 December 2011 the amount receivable from Satellite Information Services Limited by the Group was £3.8m (28 December 2010: £nil).

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

32. Related party transactions (continued)

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'.

	52 weeks ended 27 December 2011 £m	52 weeks ended 28 December 2010 £m
Short-term employee benefits (including salaries)	**2.0**	2.3
Post-employment benefits (employer's contribution)	**–**	0.1
Share-based payment (IFRS 2 charges)	**0.9**	0.9
	2.9	3.3

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 the 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 2012, 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.

During the period, the Group announced three separate binding agreements to acquire businesses in the USA, being American Wagering Inc., Cal Neva Sportsbook and Brandywine Bookmaking, LLC. The Group expects these acquisitions to complete in 2012. In the event that these acquisitions do not complete the Group would incur US$4.9m in break fees.

34. Events after the reporting period

In January 2012, the Group established a US$1.0m letter of credit on behalf of American Wagering Inc. and to the benefit of the Nevada Gaming Control Board. The directors consider it unlikely that the Group will incur any cash outflows as a result of this arrangement.

To the members of William Hill PLC

We have audited the Parent Company financial statements of William Hill PLC for the 52-week period ended 27 December 2011, which comprise the Parent Company Balance Sheet, Parent Company Statement of Accounting Policies and the related notes 1 to 15. 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 27 December 2011 and of its profit for the 52-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.

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 52-week period ended 27 December 2011.

Robert Matthews (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
24 February 2012

Parent Company Balance Sheet

as at 27 December 2011

	Notes	27 December 2011 £m	28 December 2010 £m
Fixed assets			
Investments	4	**38.2**	38.2
		38.2	38.2
Current assets			
Debtors			
Due within one year	5	**2,299.7**	2,084.1
Due after more than one year	6	**1.8**	5.4
		2,301.5	2,089.5
Creditors: amounts falling due within one year	7	**(730.2)**	(541.5)
Net current assets		**1,571.3**	1,548.0
Total assets less current liabilities		**1,609.5**	1,586.2
Creditors: amounts falling due after more than one year	8	**(462.0)**	(557.5)
Net assets		**1,147.5**	1,028.7
Capital and reserves			
Called-up share capital	10,12	**70.3**	70.2
Premium on ordinary shares	11,12	**318.3**	317.3
Capital redemption reserve	12	**6.8**	6.8
Own shares held	12	**(1.5)**	(1.9)
Profit and loss account	12	**753.6**	636.3
Shareholders' funds	12,13	**1,147.5**	1,028.7

The Parent Company financial statements of William Hill Plc, registered number 4212563, were approved by the Board of directors and authorised for issue on 24 February 2012 and are signed on its behalf by:

R J Topping
Director

N Cooper
Director

Parent Company Statement of Accounting Policies

for the 52 weeks ended 27 December 2011

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 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

Derivative instruments utilised by the Company are interest rate swaps and collars. 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. Amounts payable or receivable in respect of interest rate swaps and collars are recognised as adjustments to interest expense over the period of the contracts.

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 of the Group financial statements.

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

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 39 to 51, 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:

	27 December 2011 Number[1]	28 December 2010 Number[1]
Chairman		
Gareth Davis	**94,000**	–
Executive directors:		
Ralph Topping	**106,594**	65,393
Neil Cooper	**2,345**	–
Non-executive Directors:		
David Allvey	**26,666**	26,666
David Edmonds	**24,000**	24,000
David Lowden	**10,000**	–
Ashley Highfield	**5,848**	5,848
Georgina Harvey	**10,000**	–
Imelda Walsh	**10,000**	–

[1] As at the period end or date of resignation.

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 50 and 51, which are described as having been audited.

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 52 weeks ended 27 December 2011 of £178.2m (52 weeks ended 28 December 2010: £137.6m).

The auditor's remuneration for audit and other services is disclosed in note 5 to the Group Financial Statements.

3. Dividends proposed and paid

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

Further details of dividends paid and proposed are shown in note 10 of the Group financial statements.

4. Investments

	£m
Cost and net book value:	
At 28 December 2010 and 27 December 2011	**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

	27 December 2011 £m	28 December 2010 £m
Amounts owed by Group undertakings	**2,299.7**	2,084.1

6. Debtors: amounts falling due after more than one year

Deferred tax

	27 December 2011 £m	28 December 2010 £m
At start of period	**5.4**	10.3
Deferred tax on hedging movement	**(3.6)**	(4.9)
At end of period	**1.8**	5.4

7. Creditors: amounts falling due within one year

	27 December 2011 £m	28 December 2010 £m
Amounts owed to Group undertakings	**717.0**	519.2
Accruals and deferred income	**3.9**	4.8
Derivative financial instruments (note 9)	**9.3**	17.5
	730.2	541.5

8. Creditors: amounts falling due after one year

Bank overdrafts, loans and derivative financial instruments	27 December 2011 £m	28 December 2010 £m
Borrowings at amortised cost		
Bank loans	**170.0**	260.0
£300m 7.125% Guaranteed Notes due 2016	**300.0**	300.0
	470.0	560.0
The borrowings are repayable as follows:		
Amounts due for settlement within one year	**–**	–
In the second year	**–**	–
In the third to fifth years inclusive	**470.0**	260.0
After more than five years	**–**	300.0
	470.0	560.0
Less: expenses relating to bank loans	**(5.1)**	(6.5)
Less: discount on bond issue £300m issued at £297.9m	**(1.5)**	(1.8)
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(3.1)**	(3.6)
	460.3	548.1
Derivative financial instruments (note 9)	**1.7**	9.4
Amount due for settlement after 12 months	**462.0**	557.5

As at 27 December 2011, the Group had a committed bank loan facility of £550m provided by a syndicate of banks. This facility is structured as a Revolving Credit Facility ('RCF') and it expires in November 2015. Borrowings under the RCF are unsecured but are guaranteed by the Company and by William Hill Organization Limited, a subsidiary 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 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 of the Group Financial Statements.

9. Derivatives and other financial instruments

The Company holds 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 27 December 2011 was £nil (28 December 2010: £nil).

10. Called-up share capital

	27 December 2011		28 December 2010	
	Number of shares	£m	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**701,646,200**	**70.2**	701,646,200	70.2
Shares issued to employees under sharesave schemes	**551,447**	**0.1**	–	–
At end of period	**702,197,647**	**70.3**	701,646,200	70.2

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
Executive Benefit Matching Scheme (2009)	3,846,084	nil	March 2012
Executive Benefit Matching Scheme (2010)	1,056,053	nil	Between 2011 and 2013
Executive Benefit Matching Scheme (2011)	2,566,429	nil	March 2014
William Hill Online Long Term Incentive Plan	2,773,662	nil	Between 2013 and 2020
SAYE 2005	20,768	£3.23	Between 2008 and 2013
SAYE 2006	114,907	£3.25	Between 2009 and 2014
SAYE 2007	81,854	£3.49	Between 2010 and 2013
SAYE 2008	394,869	£1.98	Between 2011 and 2014
SAYE 2009	3,288,323	£1.39	Between 2012 and 2015
SAYE 2010	1,115,312	£1.60	Between 2013 and 2016
SAYE 2011	1,793,666	£1.51	Between 2014 and 2017

Note 30 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

11. Share premium

	£m
At 29 December 2010	317.3
Shares issued in the period	1.0
At 27 December 2011	**318.3**

12. Reserves

	Called-up share capital £m	Premium on ordinary shares £m	Capital redemption reserve £m	Own shares held £m	Hedging reserve £m	Profit and loss account £m	Total £m
At 29 December 2010	70.2	317.3	6.8	(1.9)	–	636.3	1,028.7
Retained profit for the financial period	–	–	–	–	–	178.2	178.2
Transfer of own shares to recipients	0.1	1.0	–	0.4	–	–	1.5
Dividends paid	–	–	–	–	–	(60.9)	(60.9)
At 27 December 2011	**70.3**	**318.3**	**6.8**	**(1.5)**	**–**	**753.6**	**1,147.5**

13. Reconciliation of movements in shareholders' funds

	27 December 2011 £m	28 December 2010 £m
Opening shareholders' funds	**1,028.7**	930.4
Profit for the financial period	**178.2**	137.6
Dividends paid	**(60.9)**	(52.3)
Change in fair value of hedging derivatives	**–**	(8.4)
Hedging losses transferred to profit and loss account	**–**	11.8
Charged to profit and loss account on de-designation	**–**	14.2
Deferred tax on change in fair value of derivative	**–**	(4.9)
Movement on reserves due to transfer of own shares to recipients	**1.5**	0.3
Net increase to equity shareholders' funds	**118.8**	98.3
Closing shareholders' funds	**1,147.5**	1,028.7

14. Financial commitments

The Company had no capital commitments at 27 December 2011 (28 December 2010: £nil).

The Company had no commitments under non-cancellable operating leases at 27 December 2011 (28 December 2010: £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.

Five-Year Summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Summarised results:					
Amounts wagered	**17,911.4**	16,519.8	15,070.0	14,810.1	14,370.8
Revenue	**1,136.7**	1,071.8	997.9	963.7	933.6
Profit before interest, tax and exceptional items (including associates)	**272.1**	273.2	253.0	278.6	286.7
Profit before interest and tax and after exceptional items (including associates)	**221.9**	272.7	199.8	267.8	265.8
Profit before tax	**187.4**	193.3	120.9	293.3	209.2
Profit for the financial period	**146.5**	156.0	81.2	234.0	157.4
Summarised statements of financial position:					
Assets employed:					
Non-current assets	**1,643.7**	1,670.6	1,674.4	1,727.3	1,595.2
Current assets	**164.6**	156.7	176.0	108.6	107.5
Current liabilities	**(257.8)**	(224.9)	(552.7)	(175.6)	(148.5)
Non-current liabilities	**(650.9)**	(747.7)	(541.4)	(1,302.7)	(1,321.1)
Net assets	**899.6**	854.7	756.3	357.6	233.1
Financed by:					
Equity attributable to equity holders of the parent	**887.8**	843.2	744.1	348.1	233.1
Minority interest	**11.8**	11.5	12.2	9.5	–
Total equity	**899.6**	854.7	756.3	357.6	233.1
Key statistics:					
Operating profit (£m)[1]	**275.7**	276.8	258.5	278.6	286.7
Adjusted basic earnings per share	**24.2**	21.7	20.6	31.9	33.4
Diluted earnings per share (post-exceptionals)[2]	**16.3**	18.4	9.4	47.1	31.2
Dividends per share (paid)[3]	**8.7p**	7.5p	2.5p	23.3p	22.2p
Share price – high	**£2.48**	£2.17	£2.65	£5.00	£6.76
Share price – low	**£1.68**	£1.56	£1.61	£1.55	£4.80

All amounts are stated on an IFRS basis.

[1] Operating profit is defined as profit before interest, tax and amortisation relating to trade names, affiliate relationships and non-competition agreements as described in note 12 to the Group Financial Statements, excluding exceptional items.

[2] Earnings per share for the periods 2005 to 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.

Reconciliation of profit before interest and tax to operating profit

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

* Amortisation for this purpose refers only to the amortisation of trade names, affiliate relationships and non-competition agreements as set out in note 12 to the Group financial statements.

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

2011 Final Results	24 February 2012
2012 Q1 Interim Management Statement	April 2012
2012 Interim Results	July 2012
2012 Q3 Interim Management Statement	October 2012

AGM

08 May 2012

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.

Professional advisers

Auditor:
Deloitte LLP
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London EC4A 3BZ

Financial adviser and
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Registrars:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Abbreviations and Glossary

ABB
Association of British Bookmakers

AGM
Annual General Meeting

BAGS
Bookmakers Afternoon Greyhound Services Limited, a non-profit making company set up by various bookmakers, including William Hill

CBS
Competition Beating Service

CCTV
Closed circuit television

Company
William Hill PLC, the ultimate holding company of the William Hill Group

CR
Corporate responsibility

CRRIC
Corporate Responsibility and Regulated Issues Committee

DCMS
Department of Culture, Media and Sport

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

Horseracing 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

KPI
Key performance indicators

LBO
Licensed betting office

LTIP
Long-term incentive plan

MLRO
Money Laundering Reporting Officer

Net revenue
Gross win less fair-value adjustments for free bets, bonuses and goodwill gestures

Operating profit
Operating profit is now defined as pre-exceptional profit before tax, interest and amortisation of £3.6m (2010: £3.6m) relating to trade names, affiliate relationships and non-competition agreements

OTC
Over The Counter

PBIT
Profit before interest and tax (described as operating profit in prior periods)

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

VLT
Video Lottery Terminal

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%

Design and production
Radley Yeldar | www.ry.com

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Pureprint Group

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