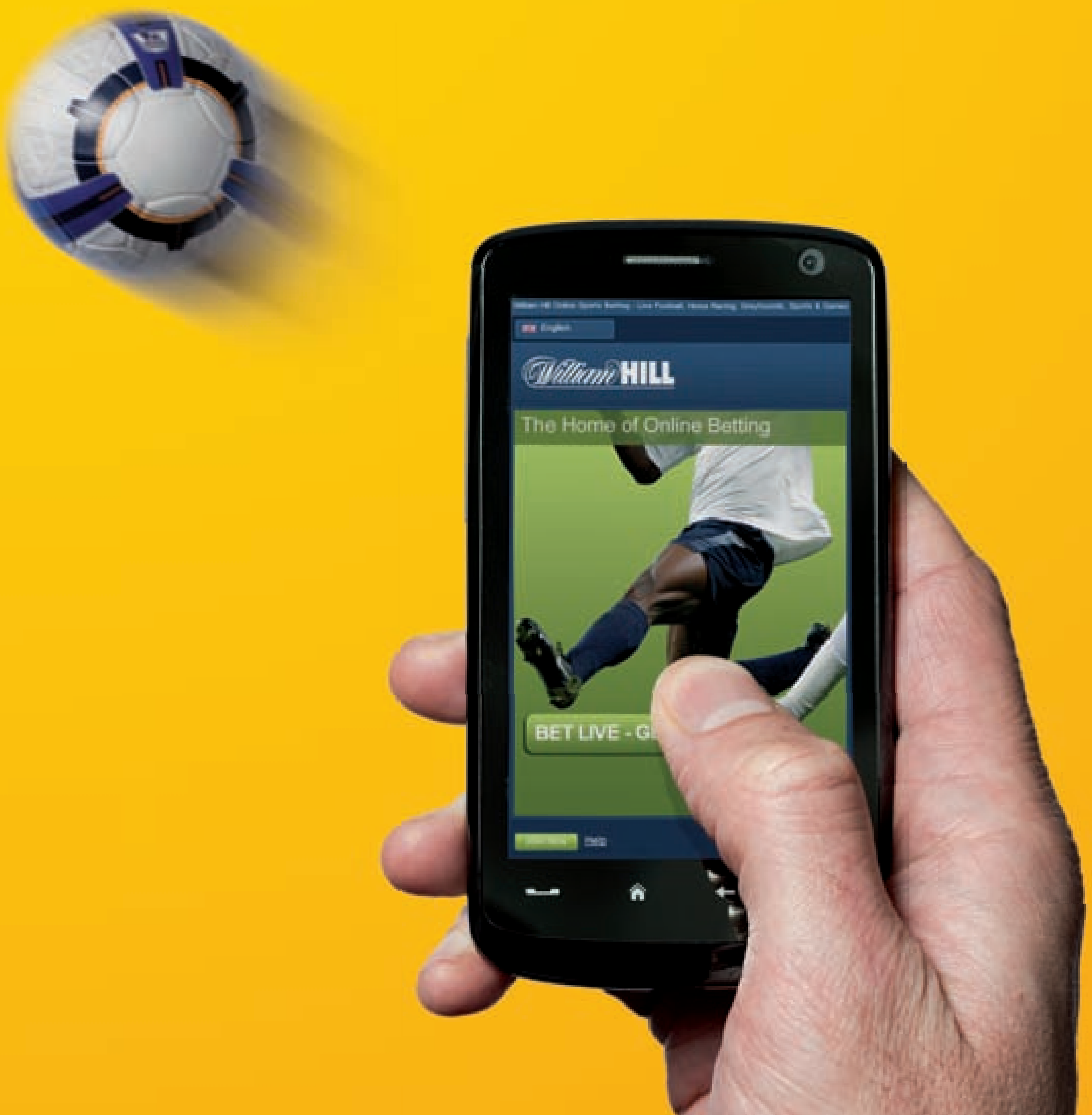
William Hill PLC
Annual Report and Accounts 2009

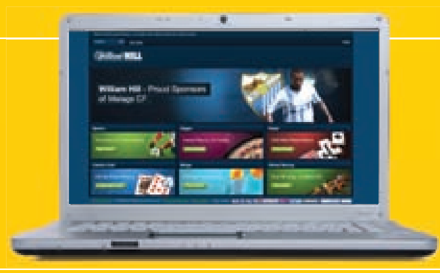
Transforming a trusted brand.



We are in the process of transforming the trusted William Hill brand across our three core channels…

Retail

Online



Telephone

Discover more online…

report2009.williamhillplc.co.uk

We are number one on the UK high street and we're extending and improving our retail offer further still.

We are growing our online business, which is going from strength-to-strength in attracting an increasingly international customer base.

We are one of the largest telephone betting businesses in the UK and we're currently reviewing ways to build on the strengths of our offer.

Inside this year's report…

Overview

Business review

Governance

Financial statements

A balanced business

£253.0m
£997.9m

During 2009, we generated a profit of £253.0m from revenue of £997.9m.

William Hill is one of the best-known and most trusted names in the gambling industry.

We provide gaming and betting services across Retail, Online and Telephone channels.

Retail

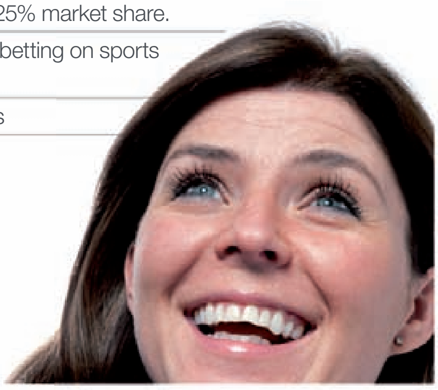
More detail on page **12**

The UK's leading high-street bookmaker

We are the UK's number one bookmaker with more than 2,300 shops across the UK and in Ireland, which equates to approximately 25% market share.

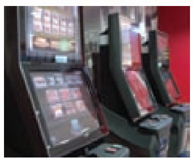
Over-the-counter betting on sports and other events

Gaming machines



£14m
Money invested in expanding and renovating UK estate.

55
New shops opened during 2009.

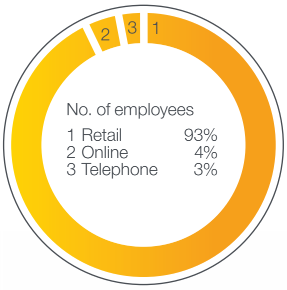


8%
Increase in gaming machine gross win.

16,600

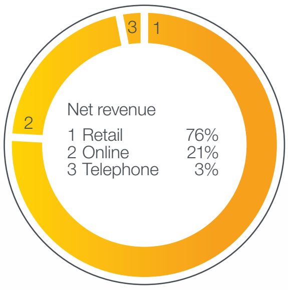
We employ approximately 16,600 people around the world with a presence in the UK, Ireland, Israel, Bulgaria and Gibraltar.

More about our people on page **40**



3

We offer our products to customers in three ways: on the high street, online and on the telephone.



46:54

Our business is evenly balanced between gaming (46%) and betting (54%).

Online

More detail on page **18**

A leading European operator

William Hill Online is one of Europe's leading online betting and gaming companies through williamhill.com and a series of other gaming websites.

- Sportsbook
- Casino
- Poker
- Bingo

Telephone

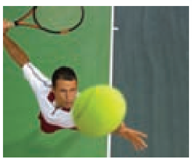
More detail on page **24**

One of the UK's largest telephone betting operators

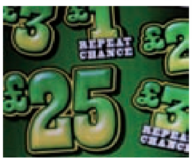
Telephone channel provides a personal service to around a quarter of a million customers from our call centres in Leeds and Sheffield.

- Sports-betting services

1.3m
Unique active players.

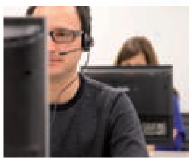


+28%
New accounts acquired in 2009.

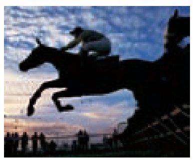


£157.8
Revenue per active player.

113,700
Unique active customers.



600
Calls that can be taken simultaneously.



£44
Average bet in the Telephone channel.

Charles Scott

Solid performance in a year of transformation

We have delivered a solid performance in a year characterised by significant volatility in sporting results and tough economic conditions. Group net revenue was up 4% to £997.9m and pre-exceptional earnings before interest, tax and amortisation (EBITA) was down by 7% to £258.5m. Earnings per share (EPS) was lower but reflects the increased number of shares in issue following the rights issue as well as the EBITA decline.

Overall, 2009 was a year of transformation across the Group. At William Hill Online we have integrated the assets acquired from Playtech, expanded our operations and transformed our product offering. In Retail, we will complete the roll-out of the 'Storm' cabinets in the first quarter of 2010, delivering state-of-the-art gaming machines across much of the estate. We also have a stronger balance sheet, with a substantially lower net debt position, diversified sources of funding and longer maturities.

£602.6m

Net debt was reduced by £419.5m to £602.6m through the rights issue and operating cash flow.

2.2

Our net debt: EBITDA ratio has reduced from 3.2 times to 2.2 times.

Results

Retail

Overall, our Retail business delivered a robust performance in the challenging economic environment. Over-the-counter (OTC) gross win/net revenue declined by 12% as a result of a fall in amounts wagered and a higher than usual margin in the 2008 comparator year. This was partially offset by a continuing good performance from gaming machines, up 8%, and continuing tight cost control. EBIT fell by 16% to £202.7m.

Online

William Hill Online made good progress in 2009, integrating the Uniplay assets we acquired from Playtech in December 2008, expanding these operations and building a competitive product portfolio. Against this backdrop, we delivered a good financial performance, with net revenue up 8% on a pro forma basis, and significant growth in new accounts and the number of unique active players. As we are investing in growing this business, operating and marketing costs increased by £18.5m. EBITA was 36% higher year-on-year but 2% lower on a pro forma basis at £74.4m.

Telephone

Telephone has continued to be impacted by an uneven playing field benefitting offshore competitors and betting exchanges. Net revenue declined by 25% and we recorded an operating loss of £1.8m. We are committed to continuing to operate this business and are reviewing our options for returning this channel to an acceptable level of profitability.

Net revenue £m

+4%

Group KPI

2007	933.6
2008	963.7
2009	**997.9**

Net revenue for Retail was lower because OTC amounts wagered declined as a result of the economic conditions. Telephone was impacted by the competitive position. However, William Hill Online's net revenue grew by 8% on a pro forma basis and by 63% compared with William Hill's standalone business.

Operating profit (pre-exceptional) £m

-9%

Group KPI

2007	286.7
2008	278.6
2009	**253.0**

Group operating profit declined as a result of the lower net revenue contributions from Retail and Telephone, partially offset by William Hill Online, and increased costs. This reflects the tough macro-economic environment.

Earnings per share (basic, adjusted) p

-35%

Group KPI

2007	33.4
2008	31.9
2009	**20.6**

The decline in EPS reflects a combination of the reduced operating profit and the increased number of shares in issue following the one-for-one Rights Issue. The number of average shares for 2009 was 641.3 million, compared with the adjusted number of 494.4 million in 2008.

Refinancing

During 2009, we completed a series of refinancing activities that have strengthened our balance sheet by reducing our debt levels and diversifying our sources of funding. In February 2009, we entered into new bank debt facilities and undertook a one-for-one Rights Issue to raise £350m, which filled the funding gap left by the reduced bank debt facilities. In November 2009, we completed our debut corporate bond issue, raising £300m that has been used to pay down bank debt to diversify our sources of funding. We reduced our net debt for covenant purposes by £419.5m to £602.6m.

Dividend

The Board has approved a second interim dividend, in lieu of a final dividend, of 5.0p per share (2008 – no final dividend), payable on 1 April 2010 to those shareholders on the register at 12 March 2010. This is calculated on the number of shares in issue at 29 December 2009 which, excluding shares held in Treasury and adding expected option maturities, totals 697.2 million. This brings the total dividend relating to the 2009 year to 7.5p per share (2008 – 7.75p per share). As we continue to be highly cash generative, our policy is to pay a dividend at approximately 2.5 times dividend cover, reducing over time to approximately 2.0 times.

Board changes

In May 2010, Neil Cooper will be joining us as Group Finance Director. He has highly relevant experience from his previous roles with Bovis Homes PLC and Whitbread plc, both in the leisure sector and in terms of managing the financial aspects of a complex, multi-site business. Neil succeeds Simon Lane, who was Group Finance Director for almost four years. I would like to thank Simon for his important contribution, particularly on the refinancing, and wish him every success.

In January 2010, we announced that I plan to stand down as Chairman by the end of 2010, once a replacement has been found. I have been with the Group as a director since 1999 and Chairman since 2004. The process is underway to find a new Chairman, who will work with the Board, Ralph and the William Hill team to build on the strong platform that has been established over recent years.

Finally, I would like to thank all our colleagues for their hard work in 2009 and for delivering a solid performance in challenging circumstances, and also to thank my Board colleagues for their support throughout my time as Chairman.

Charles Scott
Chairman

Our future focus...

...and how it will enable us to continue creating value.

In 2009, we celebrated our 75th birthday. William Hill is one of the most recognised and trusted names on the high street, known for gaming as much as betting. How do we build a business for the next 75 years? By embracing changing technologies, building a performance-led culture and giving our customers the right products at the right time in the right place – on the high street, on the telephone, online and, increasingly, on the move.

1 **Number one in the UK**

2 **A global brand**

3 **New technologies**

4 **Our future culture**

Ashley Highfield
Independent Non-Executive Director, William Hill PLC
Managing Director and Vice President of Consumer and Online UK, Microsoft

"William Hill has already delivered an incredible amount of change since I joined the Board in November 2008. Now, it's transforming its business and culture to become customer-focused, technology-led and innovative."

1 Number one in the UK

William Hill is already the UK's leading high-street bookmaker, with approximately 25% market share by number of licensed betting offices. We are a diversified business with almost half our revenues now coming from gaming. Our goal is to be the UK customer's number one choice, on the high street, on the phone, online and, increasingly, on the move. Whether the customer is a new punter or an old one, big or small, experienced or novice, we want to be the organisation that best understands their needs, the way they bet and the way they want to bet.

In Retail, we are the market leader in a mature, stable UK market. Competition law prevents us from doing major acquisitions of land-based bookmakers but we can continue to expand organically and through small bolt-on acquisitions. Retail has changed out of all recognition over the last decade. Customers enjoy longer opening hours, a broader product range and gaming on machines as well as sports-betting. They demand quick result products such as virtual racing and want to bet on a live event within minutes of entering the shop. They expect a friendly service from knowledgeable and efficient staff. We are constantly seeking innovative ways to deliver to them our ever-increasing product range and to engage with them through unique services such as our dedicated TV service, William Hill TV. This business is highly cash generative, delivering a high-quality earnings stream. The industry is capital intensive and highly regulated, requiring a specialist trading expertise, so increasingly favours those, such as William Hill, with a significant scale.

In Telephone, we have struggled against betting exchanges and offshore telephone operators which benefit from an uneven tax and regulatory environment but we remain one of the UK's leading operators. We have a core group of customers, many of whom have held accounts with William Hill for years, and we are committed to continuing to service their betting needs. During 2010 we are reviewing Telephone's customer base, cost base and location to determine how best to maximise the unique service this channel offers.

Online, we were originally the market leader in the UK, having launched one of the first Sportsbooks in 1998. Back then, we supplied a no-frills service that recognised the limitations of the technology and sought to deliver customers a rapid route to place their bets. Now, the technology has caught up and we are competing against aggressive, technology-driven online specialists. In 2008, we changed our strategic approach and started investing to build a leading online betting and gaming business. We're playing to our core strength – sports-betting – and turning it into a competitive advantage and differentiator in this highly competitive and fragmented industry. At the same time, we have acquired the skills and products we lacked in gaming to deliver high-quality poker, casino and bingo products able to compete with the very best gaming pure-play operators. Now, we're well-placed to compete, to regain UK market share and to become a dominant player.

Henry Birch
CEO, William Hill Online

"With our best-in-class products and marketing expertise, William Hill Online is now a serious competitor for the leading pure-play online companies in Europe, with the added benefit of a pedigree brand name."

2 A global brand

While we're already strong in the UK, we're only starting to tap into the potential for expansion elsewhere. Online is the most rapid and cost-effective route to deliver our products and services to millions of customers around the world.

The growth potential is huge and the structural factors are all in our favour: online betting and gaming is becoming more socially acceptable; increasing broadband penetration and mobile usage is making online entertainment more accessible; and countries around the world are starting to regulate online gambling, establishing a regulatory system and permitting advertising in return for tax revenues.

Kristof Fahy
Brand and Marketing Director

"The William Hill brand has an incredible heritage. We're transforming it into a modern classic, as relevant to customers tomorrow as it has been for the last 75 years."

The online gambling industry is highly fragmented. In Europe, there is no dominant player and only a handful of high-quality Sportsbook operators, such as William Hill. We believe this will be a key driver of change: the European sector is likely to consolidate into a small number of substantial players, each of which will be looking to offer Sportsbook, poker, bingo and casino. Across the industry, consolidation deals will look to fill product gaps, to expand into different geographies and to deliver cost synergies. We are well-placed, having addressed our gaming and marketing gaps through the Uniplay acquisition, software licensing deals and our own product development.

Outside the UK, our primary target is Europe. Currently, approximately 40% of William Hill Online's revenues come from outside the UK, predominantly from our gaming websites in Europe. We have transformed our willliamhill.com product offering and, from 2010, will start expanding our customer base in Europe by using our established and proven marketing channels to promote these enhanced products and by building our brand profile. At the same time, we are looking further abroad to opportunities outside Europe wherever other countries are regulating online gambling.

We have a range of options for targeting international markets: promoting our williamhill.com site; taking a local licence; establishing local partnerships; or acquiring established brands and operators. Our approach in each country is defined by many factors, including the risk/reward profile of the market, the nature of the tax and regulatory regime, the need for a locally based partner either legally or in terms of expertise, and the cost effectiveness of building a brand presence versus acquiring an established business.

Jamie Hart
Director of Sportsbook and Trading, William Hill Online

"The online space is crowded with technology and marketing companies. We're playing to our strengths to differentiate William Hill Online as the best sports-betting operator online."

Business review

Terry Pattinson
Head of In-Play Development

"We've used technology and our trading expertise to transform our in-play product. By the middle of 2010, we could be the best in the industry."

3 New technologies

The way people want to place a bet is changing rapidly, driven by continuous technological advances. Most of all, betting and gaming must be easy to do. Any time, any place, any sport, any game.

We have three major advantages: our brand, our sports-betting expertise and our marketing team. Gaming is marketing- and technology-led, with operators reliant on competitive offers to acquire customers motivated by sign-up deals and incentives. Through the Uniplay deal with Playtech we acquired the expertise we need to be effective in this area. Sports-betting is more complex. Online Sportsbook customers are brand-biased, price-sensitive and event-driven. They are also the lowest-cost customers to acquire, have the longest average lifespan and the greatest potential for cross-selling. The company that supplies the right product at the right time wins. We understand these customers and have the core expertise to deliver a vast product range, broad and deep enough to reach internationally, and we are recognised as one of the leading, most trusted brands in this space.

In 2010, we intend to become the market leader in football in-play betting, with more opportunities to bet on more matches than anyone else. This will differentiate William Hill Online and help to make it the place to bet online. With this breadth of product, effective delivery becomes critical. At last, the advances in technology and our product potential are now coming together. We want to deliver our products to the customer in a fast, efficient and tailored way. First, mobile betting, which is currently a very small part of our revenues but which, with the right technology, becomes an ideal medium for delivering products such as in-play betting. Second, personalisation. Our Online customers bet with us, on average, 16 times a week. We are building the technology systems to enable us to identify customers' preferred products and to deliver it to them at the right time in the right format. We will also capitalise on the increasing acceptance of gambling as a leisure activity, reaching out through mainstream media through media partnerships and through online media such as social networking sites.

4 Our future culture

Our culture needs to embrace change, to understand customers' changing needs and to use the latest innovations to reach more customers more often in a more effective way. We have a strong track record of internally grown talent but now we are supplementing that strength with new expertise from outside. Since I was appointed as Chief Executive in February 2008, I have made changes to the executive management team and some key appointments are shown on these pages.

Now, we're driving cultural change through the rest of the organisation focused on customers, colleagues and change. Retail customers now tell us service is more important than location. We are competing for customers' leisure pound, euro or dollar and we have to be more exciting, more interesting and more relevant than anywhere else they can spend their money. With colleagues, I want to reward passion, enthusiasm and results. Our new bonus schemes, introduced in 2010, now reward individual as well as Group results. We want to get the best out of our people, to inspire our teams to be fanatical, to hire the next generation of enthusiasts and to tackle performance head on. Change is our mantra. In fact, continuous change because standing still is going backwards. We want more innovation, more opportunities.

By embracing change, understanding our customers and having a performance-driven team, we will build the right culture to deliver continued growth.

Creating value in our key markets

Through our three channels, we are constantly adapting to the changing environment, with different strategies for each to capitalise on the opportunities available.

Constantly evolving and improving

William Hill is already the leader in UK high street betting and gaming, with approximately 25% of a mature, stable LBO market. We will continue to increase our market share by investing to improve and expand our estate, by enhancing the range of products we offer and by providing high-quality customer service. We maximise the cash flows from our Retail business through tight cost control and careful capital expenditure.

Maximising new opportunities

In creating William Hill Online, we established one of Europe's top three online betting and gaming companies. In the last year, we have built the necessary infrastructure and products to continue to be a market leader in this high growth market. We aim to grow our UK market share and to expand into new territories, particularly in Europe, using our strong brand name, sports-betting knowledge, market-leading gaming products and marketing expertise.

Focusing on the positives

Telephone is our most mature channel, serving loyal, long-standing and sophisticated customers. The competitive environment for Telephone has been changed by offshore operators and betting exchanges, affecting profitability in this channel. To return this channel to an acceptable level of profitability, we will focus on the needs of the core customer base for whom Telephone is the preferred channel and tailor the size and location of our operations appropriately.

Ralph Topping
Chief Executive

Retail

4

3

❶ **New fit-outs and locations for our customers**
We are constantly improving the fit-out and location of our shops to provide an attractive, welcoming environment.

❷ **Storm cabinets driving further machine growth**
Our state-of-the-art Storm machines are transforming our gaming offer, driving further net revenue growth and building on our market-leading reputation.

❸ **High-quality customer service**
Our knowledgeable and experienced shop staff are focused on delivering the best customer experience in UK high street betting and gaming.

❹ **Product range**
To appeal to a wide variety of customers, we provide a broad range of products and constantly innovate around new products such as virtual sports.

❺ **Expanding our estate**
By opening 40 to 50 new shops a year, we are reaching out to new customers across the UK and further increasing our market share.

Constantly evolving and improving.


JACKPOT
William HILL
This shop is open until 10pm*
*Not including Sundays

2
1
5

Retail (continued)

Sporting results and the economic climate made 2009 a tough year for Retail but we are focused on delivering the best customer experience on the high street to maintain our position as number one in this well-established and mature UK market.

Ian Chuter
Group Director of Operations, UK and Europe

Average profit per LBO £

-17%

Divisional **KPI**

2007	100,174
2008	104,469
2009	**86,476**

Our Retail business delivered a robust performance in 2009 in the challenging economic environment. Average profit per LBO fell as the economy impacted amounts wagered OTC. However, cost control was strong with costs increasing by only 3%.

Average gross win per machine per week £

+6%

Divisional **KPI**

2007	661
2008	716
2009	**758**

Machines have continued to perform strongly, benefiting from continued product innovation, staff training and in-store promotions. Further growth is expected in 2010 with the roll-out of the new 22-inch HD ‘Storm’ cabinets.

OTC gross win margin %

-0.6% points

Divisional **KPI**

2007	17.2
2008	18.3
2009	**17.7**

2009 was a turbulent year in terms of sporting results, from a 100-1 winner on the Grand National in April to losses on football in May and August as the leading Premier League clubs kept winning and there was a dearth of draws. In spite of these fluctuations, the OTC gross win margin returned to 17.7%, within the normal 17%–18%. The 2008 comparator was above average.

Marketplace

Licensed betting offices (LBOs) are the single largest part of the UK gambling market, larger even than the National Lottery. It is a mature market numbering approximately 8,500 shops. The market was created in the 1960s when the Government legalised off-course betting and at the peak in the 1980s there were around 14,000 shops. Over time, this has consolidated to the point where there are now five major players accounting for around 80% of revenues. Of these, William Hill is the largest with approximately 25% of the LBOs in the UK.

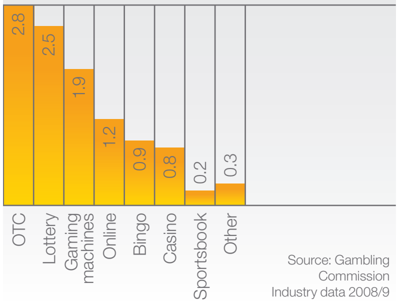
The Retail market is characterised by steady underlying growth, broadly in line with GDP, with step-changes driven by fiscal and regulatory change. The last decade has seen unprecedented change with the move to a more favourable gross profits-based tax regime, the introduction of gaming machines and liberalisation under the 2005 Gambling Act. At the same time, gambling is becoming more socially acceptable and customer habits are changing. Customers demand constant product availability and have a new preference for ‘entertainment’ products, which has led to the rapid growth of football betting, gaming products on machines and virtual sports.

Retail provides a high-quality revenue stream from a business with high barriers to entry and, as a cash-based business, minimal working capital requirements. Increasingly, businesses require a significant scale to operate effectively.

High barriers to entry:

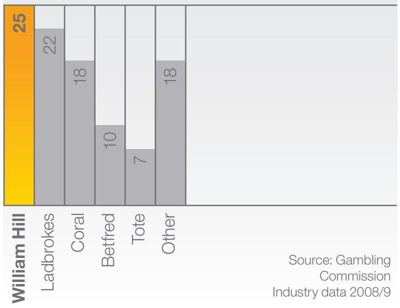
- Capital intensive estate management
- High regulatory compliance requirements
- Specialised trading infrastructure required
- Increasing costs for content

UK gambling market by product £bn



Source: Gambling Commission Industry data 2008/9

Split of UK LBOs by operator %



Source: Gambling Commission Industry data 2008/9

Strategic priorities

Our goal with Retail is to maintain our market-leading position, continuing to increase our market share by driving top line growth through management of the estate and our product range, and effectively controlling costs to maximise profitability.

Developing our estate

We have a well-sited and geographically diverse estate, which is critical given the importance of location in capturing customers. Typically, we invest around £40m in the estate each year with a target 15% average return on investment. We have four targets for our capital expenditure programme: new licences, refurbishments, re-sites and extensions. Between 2005 and 2009 we opened 210 new licences, increasing the estate by about 7%. With an estimated four LBOs a week going out of business at the bottom end of the industry, this investment incrementally increases our market share.

We continuously improve the quality of the existing estate through our 18-year refurbishment cycle, which involves minor improvements at years six and 12 and refurbishment at year 18. Our shops are modular and our designs use practical and durable materials, ensuring the shops are hard-wearing and the refurbishments are cost-effective. In 2009, we curtailed refurbishment activity while our balance sheet constraints were being addressed but plan to return to normalised investment in 2010.

Target returns on capital:

Refurbishments 10%
Re-sites and extensions 15%
New licences 20%

We manage the tail of our estate very effectively, taking multiple factors into account when deciding whether to change or close a shop. Has there been a big customer win? Has the local high street or competition changed? Is it still covering the costs of the shop lease? Can we re-site it or redevelop it? These shops can be good candidates for investment. Overall, that is why we typically close only five to ten shops a year.

Offering a broad product range

Over the last five years, we have seen a significant shift in the product mix in the shops, reflecting changing customer habits. Today, machines are our lead product, being constantly available, easy to use and popular with younger customers. Now accounting for around 40% of Retail, our machine revenue has grown rapidly throughout the last decade, initially through increasing the average number of machines in our shops and subsequently through effective product management and innovation. Since 2007, we have effectively been at maximum density with an average of 3.8 machines per shop, the maximum number allowed being four. Since 2008, we have had relationships with two suppliers, Inspired Gaming and Global Draw, on a revenue-share basis, which is helping to drive innovation and to maintain standards while minimising capital expenditure by William Hill.

In 2009, we started rolling out new 'Storm' cabinets, a 22-inch HD dual-screen unit, replacing 6,250 older cabinets across the estate. We will complete the roll-out by the end of March 2010 and the units are already proving very popular with customers.

2,342
William Hill is the UK's leading high street betting and gaming business with 2,342 shops as at the end of 2009.

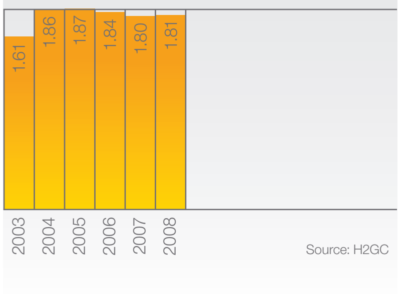
8,700
Within the shops, we operate more than 8,700 machines offering casino-style games such as roulette, blackjack and slots.

17.7%
Over-the-counter gross win margin was 17.7% in 2009, within the normal trading range of 17%–18%.

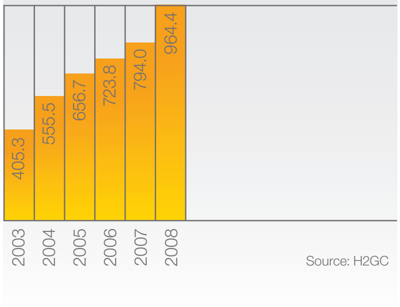
3.1%
Following the introduction of a wider range of games, machine gross win margin has increased to 3.1%.

Retail (continued)

UK Off-course betting gross win £bn



UK Gaming machines gross win £m



Horseracing remains a core and relatively stable product but the growth of other products means that it now accounts for about 30% of our Retail business whereas it was around 75% two decades ago. Football and virtual (computer-generated) sports in particular are becoming increasingly popular, now representing around 10% and 6% of Retail's net revenue, respectively. Football's rapid growth has been supported by a high media profile and virtual is an ideal product available-on-demand using exclusive content.

The changing product mix has led to a gradual improvement in our over-the-counter margin to the point where our normal trading range is now between 17% and 18%. This is primarily because the growth products deliver a higher margin than horseracing, particularly in football betting where multiple bets are more popular.

Managing our costs

Given the relatively high fixed costs necessary to operate this business effectively, changes in net revenue can have a significant effect on operating profit. We place considerable emphasis on cost control to maximise the bottom line benefit of any top line growth. In recent years, this has been challenging as we have been faced with additional costs such as a second supplier of television pictures from the racecourses. Our largest costs are employees and property, and we constantly review ways to improve our effectiveness. For instance, we are currently in the process of changing the shop staffing model to reflect our changing needs, which will help to contain staff costs over the coming years.

Performance

Our Retail business, comprising OTC betting and gaming machines, accounts for approximately 80% of the Group's EBIT. Gross win/net revenue[1] in Retail was down 4% compared with 2008, comprised of a 12% decline in OTC and an 8% increase in gaming machines. In spite of fluctuating sporting results, the OTC gross win/net revenue margin for the full year returned to normal trading levels at 17.7% (2008 – 18.3%). Operating profit fell by 16%.

Gaming machines continued to perform strongly in 2009. The average number of machines grew by 2% to 8,716 (2008 – 8,549). The gross win per machine per week increased by 6% to £758 (2008 – £716). We continued to promote higher margin category B3 games and category C content and increased the gross win margin from 3.0% in 2008 to 3.1%. By the end of 2009, 3,375 of the c. 6,300 new 'Storm' cabinets had been installed in a total of 866 shops.

We have continued to control costs rigorously, including implementing an all-employee pay-freeze since March 2009. Overall costs increased by 3% compared with 2008, in line with management expectations, but by only 1% on an underlying basis excluding development and one-off impacts. The overall cost growth included higher energy costs, an extra month of fees under the Turf TV contract, which started in February 2008, and estate development.

We invested £14.4m in estate development and completed 93 projects, which included opening 55 new shops and re-siting or extending 38 existing shops. We increased the average number of LBOs by 1% to 2,324 (2008 – 2,299). The total number of LBOs at 29 December 2009 was 2,342 (2008 – 2,319).

40%
Although Retail's customers are older than Online's, 40% of Retail customers are under the age of 45.

93
In total, we opened 55 new shops in 2009 and re-sited another 38 existing licences.

+8%
Gross win from gaming machines grew by 8% in 2009 and now accounts for around 40% of Retail.

[1] In Retail, gross win and net revenue in OTC are the same. For machines, net revenue reflects gross win less VAT. VAT rate was reduced to 15% in 2009. Machine performance is reported on the basis of gross win which more accurately reflects underlying performance.

Outlook

Given the macro-economic position, we expect trading conditions will continue to be challenging in 2010.

As 2010 is a World Cup year, we would expect some benefit in terms of traffic and, subject to results, net revenue. The last World Cup generated an estimated £5-6m contribution OTC in Retail, net of marketing costs and assuming a level of substitution.

We also expect Retail to benefit from continued growth in gaming machines revenues following the roll-out of the new 'Storm' cabinets which will be complete by the end of the first quarter of 2010. The return to 17.5% VAT will cost us approximately £8m in 2010 predominantly from machines. We aim to keep operating cost increases in Retail to approximately 4%, including estate development.

Risk factors

These are the current key risks that could impact Retail's performance in 2010:

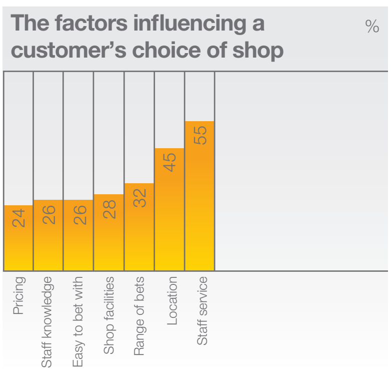
The challenging economic climate continues to impact trading

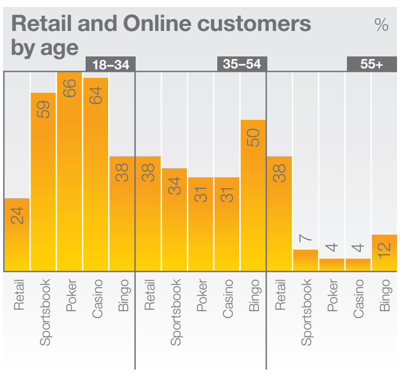
Change to a gross profits tax on machines at a rate higher than our tax neutral position

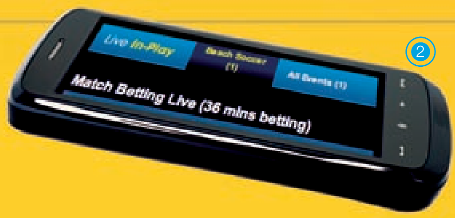
More detail on specific risk factors on pages **32–33**

Delivering best customer service

For the last 20 years, we have conducted regular customer surveys to understand customer behaviour. Throughout that time, location has been the primary reason for a customer choosing a particular shop. In 2009, however, customer service became the primary driver, reflecting changing customer requirements. Four years ago, we launched CBS, our Competition Beating Service strategy, throughout the estate, which focuses on friendly service and expertise, and we are focused on providing the best customer experience in high street betting. Our Retail business attracts a broad range of customers, with a different demographic from Online. Typically, customers are older in Retail, although 40% of customers are under the age of 45. Younger customers are being attracted by products such as machines and football, with the proportion of customers aged 18–25 years rising from 4% in 2006 to 11% in 2009. Retail customers are generally from social classes C2DE compared with ABC1 in Online. They are attracted by the community environment, the cash culture and the ability to bet anonymously. Cash is important in the shops: even Online customers use our shops to deposit cash into their accounts and to collect their winnings.







2

Online

1 A market-leading Sportsbook
We are building a world-leading sports-betting website with more markets, more live betting and more international sites than ever before.

2 Leading poker and casino
In 2009, we launched new poker and casino sites on williamhill.com using the world-class Playtech software, making us part of the highly liquid i-Poker network and vastly improving the quality of our casino offering.

3 Number one in live betting
We are massively expanding our live betting capability to target one of the fastest-growing sports-betting markets and to differentiate williamhill.com as a leading sports-betting website.

4 Internationally focused
We are focused on growing our customer base both inside and outside the UK and now have the operations in place to support that growth, with our headquarters in Gibraltar, marketing in Israel and customer services in Bulgaria.

5 A growing bingo community
Bingo is our fastest growing product online. We increased our revenues by 46% in 2009 and our customer base by 67%.

2

4

Maximising exciting new opportunities.

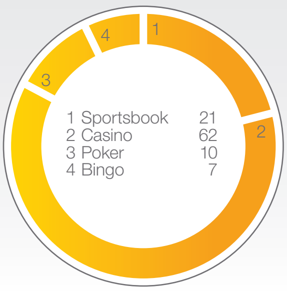

1
3
5
BINGO LINK
VAIO

Online (continued)

We have transformed our Online business. In the last year, we have built a new management team, established our headquarters in Gibraltar and redeveloped three of our four core products – Sportsbook, casino and poker – to offer our customers a best-in-class experience. As a result, we now have the platform in place for William Hill Online to be one of the leading online betting and gaming businesses in Europe.

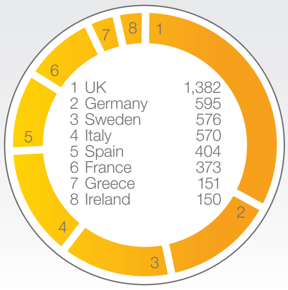
Henry Birch
CEO, William Hill Online

Split of revenues %



Following the Uniplay acquisition, gaming – particularly casino – has grown significantly as a proportion of net revenues. In addition, Sportsbook net revenues in 2009 were reduced by a weaker margin, which reduced its overall proportion of net revenues.

European online gambling market by country £m



Approximately 40% of William Hill Online's net revenues now come from outside the UK, predominantly from Europe. We are looking to build William Hill Online as an international brand and will focus on key territories in Europe in particular in 2010.

Source: H2GC

Marketplace

Online is the fastest growing part of the gambling industry. Europe is the largest market, and is estimated to grow between 2008 and 2012 by 17% a year on the back of social acceptance of gambling as a leisure activity, increased online and mobile usage and broadband penetration.

The key trend currently is changing regulation, with more countries establishing a legal framework for online gambling and for some the creation of a competitive market. 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 through competition. Industry growth projections for competitive markets far outstrip those forecast for non-competitive countries. 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 much more beneficial. In Europe, the UK has regulated online gaming since 2007 and Italy is currently rolling-out new regulation. France and Denmark are also developing licensing regimes for some gambling products. Across the world, other markets are also opening up, including South Africa and India.

Overall, this is a highly fragmented market with no dominant player. Low barriers to entry have encouraged many start-ups but, as the industry becomes increasingly sophisticated, barriers to success are becoming ever higher and consolidation is widely expected.

Strategy

We aim to offer customers the best products, wherever and whenever they want to play. We offer the full range of products – Sportsbook, poker, casino and bingo – using best-in-class software. Our goal is to maintain William Hill Online as one of the top three online betting and gaming companies in Europe. We aim to rebuild our market share in the UK, which was eroded between 2004 and 2008 by competitors who are benefiting from an uneven tax and regulatory playing field, and to establish a market-leading position in key European territories.

Market-leading Sportsbook

Our strategy centres on the Sportsbook, which plays to William Hill's core strength. Many of our competitors are marketing or technology companies but few are betting companies who understand the customer. This gives us a substantial advantage. The Sportsbook is the most effective way to attract and retain customers, with a lower cost per customer acquisition, the longest life span and the best cross-selling potential. A large proportion of our customers have been with us for more than two years and are still contributing significantly to our bottom line. Head-to-head, a casino customer will provide a higher yield but a Sportsbook customer who is cross-sold into gaming will out-strip a pure gaming customer.

In the course of 2010, we aim to have the best Sportsbook on the market, with market-leading live betting in key sports such as football. During 2009, we developed our own trading tools and proprietary algorithms and implemented new data feeds, enabling us to automate our live betting and giving us quicker prices, more events, more markets and better margins. The benefit of these new systems will start to come through in 2010. At the same time, we have improved our 'sticky content', including dedicated betting news, blogs and online radio and are enhancing our mobile betting capability.

High-quality gaming products

Sports-betting drives our brand, our traffic and our cross-sell but gaming drives the bulk of our revenue. We operate two main platforms: our Playtech-based download casino and poker and our proprietary 'Vegas' platforms, which offer Flash-based games that are particularly popular with Sportsbook customers.

Casino customers generate the highest yield of any product but they also have the shortest lifetime, being bonus-driven and inclined to switch sites frequently. In addition to williamhill.com, we have other brands we acquired through the Uniplay acquisition and apply a multi-brand strategy to these, cross-selling customers across different sites. We continue to add new games to our sites, including branded games such as 'Deal or No Deal', 'Gladiator' and 'Spiderman'.

In poker, we are well-placed having migrated our poker business onto Playtech's highly liquid i-Poker platform and our bingo business is growing rapidly, tapping into a different, mainly female, demographic.

The Uniplay acquisition

In December 2008, we acquired from Playtech a series of online gaming websites and an online marketing and customer services company under the umbrella of Uniplay.

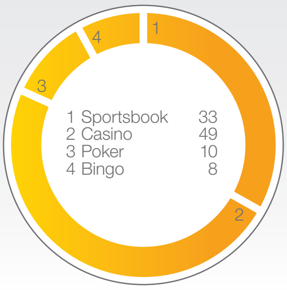
These websites served a customer base of approximately 65,000 and generated net revenues of £63m and EBITA of £20m in 2008. As William Hill's balance sheet was constrained at the time of the acquisition, we gave Playtech a 29% stake in William Hill Online in return for the acquired assets. We have call options to re-acquire that 29% stake in 2013 and 2015. William Hill Online also has a five-year licensing agreement for Playtech's market-leading casino and poker software.

Through these transactions with Playtech, we:

- established one of the top three European online companies by profitability;
- extended our reach beyond the UK and into Europe;
- gained access to best-in-class poker and casino software; and
- brought in a critical online marketing expertise and European customer services infrastructure that we had previously lacked.

Online (continued)

New accounts by product %



Sportsbook continues to be a key recruiter of new customers, with the benefit of a lower cost per acquisition and a longer average customer lifetime. Sportsbook, casino and bingo all grew their number of new accounts substantially in 2009 but poker declined after the migration to Playtech's i-Poker network. Overall, new accounts increased by 665,000 or 28%.

Sportsbook gross win margin %

6.6%

Divisional **KPI**

2008	7.5
2009	**6.6**

Weak in-play and horseracing margins impacted the Sportsbook gross win margin in 2009. The changes we have implemented, including automation and expansion of the product range, are already helping to improve margin performance.

17%
The European online betting and gaming market is expected to grow by 17% p.a. between 2008 and 2012.

$13.5bn
The European online gambling market is expected to grow from $7.2bn in 2008 to $13.5bn in 2012.

Building our international presence

Approximately 60% of our revenues currently come from UK customers. We aim to grow our international revenues substantially. Our portfolio approach to our international strategy mixes low risk, lower return countries with growth markets that offer much higher potential returns over a longer time-frame.

The assets we have to drive international growth include:

- casino and poker products in multiple languages;
- a Sportsbook localised in five countries, with another 21 translated sites due to be launched in 2010;
- multilingual product and marketing teams;
- the largest affiliate network in the industry driving customers to our site from across the world;
- existing marketing channels throughout Europe and beyond; and
- a dedicated customer service centre in Bulgaria currently covering 12 foreign languages.

Exploiting our specialist marketing capability

The Uniplay acquisition from Playtech substantially increased the scale and sophistication of our online marketing capability. We balance risk and reward, from risk-free, revenue-share affiliate marketing to investing in our own advertising and marketing campaigns, all of which are carefully managed on a return-on-investment basis. Our team leverages all the key areas of online marketing: affiliates, pay per click, search engine optimisation and media buying. Our affiliate network is believed to be the largest in the world, numbering around 70,000, and we now have the highest share of clicks on gambling-related searches of any gambling operator.

Performance

We successfully completed the extensive integration of William Hill Online in the second half of 2009, including transferring employees from the UK and Israel to Gibraltar, transferring our Sportsbook offshore and improving our product offering. Against this backdrop, William Hill Online performed well, increasing net revenue by 63% (pro forma – up 8%) and operating profit before amortisation and exceptionals by 36% (pro forma – decrease of 2%). We acquired 665,000 new accounts, up 28%, and increased our unique active players by 31% to 1.3 million. Amounts wagered on sportsbook grew by 19%, driven by the enhanced product range and improved bet-in-play offering. However, the margin was 6.6% (2008 – 7.5%), reflecting sporting results and weak racing and in-play margins. As a result, Sportsbook net revenue was flat year-on-year. The in-play margins are now improving as a result of the steps we have taken to increase our content and automate our systems. In August, we transferred the Sportsbook and our fixed-odds games from the UK to Gibraltar as part of the integration, saving approximately £4m in 2009. We expect to make a fully annualised saving of approximately £10m. We expanded our international team to support the international growth of the Sportsbook and launched a fifth localised site.

Unique active players No.

1,289,000

Divisional **KPI**

2008	987,100
2009	**1,289,000**

The Uniplay acquisition expanded our customer based substantially in 2008 and we have increased it by a further 28% in 2009 through successful marketing campaigns.

Revenue per unique active player £

£157.8

Divisional **KPI**

2008	190.6
2009	**157.8**

Customer yield was weaker across the online gambling industry in 2009 as the recession reduced customer spend. In spite of this weakness, our net revenue has grown by 8%.

+31%

We increased our number of unique active players by 31% in 2009.

+28%

We increased our number of new accounts by 28% in 2009.

1.3 million

We now have 1.3 million unique active customers on williamhill.com and our gaming websites.

21

We plan to launch 21 translated sites in 2010, including 16 new languages and five English-language sites.

Gaming performed strongly, achieving net revenue growth of 94% (pro forma – 11%). Casino and bingo/skill net revenue increased by 120% and 41%, respectively (pro forma – up 14% and 37% respectively), reflecting 39% and 63% growth in new accounts. Poker declined after we migrated onto the Playtech i-Poker network such that net revenue declined 14% on a pro forma basis. We are confident the benefits of this more liquid platform will be demonstrated in due course and have continued to enhance the product by adding Sterling- and Euro-based tables to the existing US dollar-denominated ones.

We invested in William Hill Online's expansion in 2009, increasing operating costs by £13.8m and marketing by £4.8m on a pro forma basis. The average cost per customer acquisition reduced by 12% on a full-year basis.

Outlook

We are continuing to enhance our product offering on williamhill.com, including launching a further 21 localised Sportsbook sites during 2010 and substantially expanding our in-play product offering. Having developed an internationally focused infrastructure and highly competitive products in 2009, we are increasingly focusing on building our brand awareness and market share both in the UK and across international markets. As part of this initiative, we intend to increase our investment in marketing from the current level of around 21% of net revenues. This investment will be a critical component in achieving our goal of enhancing William Hill Online's position as one of Europe's top three online betting and gaming companies and will, we believe, underpin our focus on driving revenue and profit growth over the coming years.

Risks factors

Theses are the current key risks that could impact performance in 2010:

- Ineffective brand identity hinders growth
- Failure to take advantage of online international markets
- Countries fail to regulate online gambling or do so in a way that prevents William Hill Online from operating effectively
- Failure to establish a market-leading in-play betting product

More detail on specific risk factors on pages **32–33**

Telephone

1 Niche channel for core customers
Telephone is a niche channel for a core group of sophisticated, higher-staking customers, who are looking for a personalised service when placing their bets, 80% of which are on horseracing.

2 Specialist and personal call-handling team
Our two call centres, based in the UK, offer a quick, friendly, professional service, able to take up to 600 calls simultaneously at peak times.

Focusing on the positives.

Our most mature channel, Telephone continues to offer a service to a core group of highly loyal, sophisticated customers. However, we face challenging market conditions. Betting exchanges and offshore operators benefit from an uneven playing field, which has led to a decline in the profitability of Telephone over the last three years. We are reviewing our options for establishing a competitive position and returning Telephone to profitability.

Ian Chuter
Group Director of Operations, UK and Europe

Gross win margin %

-1.5% points

Divisional **KPI**

2007	9.5
2008	7.3
2009	**5.8**

In 2009, our net revenue margin reduced by 150 basis points, primarily as a result of weakness in the horseracing margin as the economic climate is reducing the number of runners per race and increasing price competition at the racetracks where the starting price is set.

Net revenue £m

-25%

Divisional **KPI**

2007	53.0
2008	39.8
2009	**29.7**

Telephone net revenue has declined as offshore operators and betting exchanges have benefited from an uneven tax and regulatory playing field.

Marketplace

When William Hill started operating in the 1930s, the only way to place an off-course bet was by telephone or by post. For a core group of customers, Telephone continues to be the preferred channel, providing a quick, efficient and personal service.

Telephone betting is offered by several land-based operators. William Hill has one of the largest customer bases, with 113,700 active customers in 2009. Customers tend to be sophisticated horseracing punters, betting more, on average, than customers in the shops or online.

The current tax regime has created an uneven playing field among operators. UK-based operators, such as William Hill, pay 15% gross profits tax on gross win and a 10% statutory levy on any UK horseracing bets. Offshore operators pay neither. Betting exchanges pay 15% gross profits tax but not on gross win: instead, it is on the amount they take from customers, which is typically 2%–5% of the gross win generated by customers. This uneven playing field has severely hampered our ability to compete in recent years.

Strategic priorities

Telephone continues to be an important channel for servicing our customers and our goal for 2010 is to return Telephone to profitability. Telephone is our most expensive channel for taking a bet and we have call centres in Sheffield and Leeds that, at peak, can take 600 calls simultaneously. Given the competitive environment, we are reviewing how to service our customer base most effectively by optimising the customer base, reshaping our operations to meet the needs of those customers more efficiently and identifying where our operations should be located.

Performance

During 2009, telephone betting generated net revenue of £29.7m, a 25% decline from 2008, and an operating loss of £1.8m (2008 – profit of £5.9m). This included the impact of adverse sporting results but, more broadly, the effect of the uneven tax and regulatory playing field.

Building a strong balance sheet

We transformed our balance sheet during 2009, refinancing the bank debt, raising £350m through a rights issue, completing our debut corporate bond and generating £280m in operating cash flow.

Simon Lane
Group Financial Director

Net revenue

Group net revenue in 2009 was £997.9m (2008 – £963.7m), an increase of 4% that was attributable, primarily, to the expanded online business.

Cost of sales

Cost of sales includes taxes, levies and royalties relating to the operation of a betting and gaming company such as the horseracing levy, greyhound racing levy and gross profit tax on the Group's net revenue, Amusement Machine Licence Duty (AMLD) payable on gaming machines and royalties to third parties for software. Costs of sales decreased by 5% to £158.2m (2008 – £166.2m).

Net operating expenses

Net operating expenses, excluding exceptional items but including operating income, were £586.4m, an increase of 14%. Of this increase, approximately half relates to the Uniplay assets aquired from Playtech.

Staff costs, which represent approximately half of our total costs, increased by 4%, with increased staff costs in William Hill Online partially offset by rigorous cost control in Retail.

Other increases include property costs, reflecting the higher average number of LBOs trading, depreciation, which now includes the costs of the Sportsbook investment, and marketing investment in William Hill Online.

Other operating income

Other operating income in 2009 was £6.1m (2008 – £6.9m), which includes revenues from the rental of properties and vending.

Exceptional operating expenses

There were exceptional operating expenses of £53.2m in the period (2008 – £5.4m), of which £47.0m are non-cash items. These exceptional expenses comprise £10.2m for William Hill Online integration costs, a write-off of £34.8m of the goodwill held on the balance sheet for Telephone and an £8.2m impairment relating to our estate in the Republic of Ireland. The integration costs are in line with previous guidance.
The Telephone and Republic of Ireland charges reflect weaker trading in both areas. We closed 15 shops in the Republic of Ireland during the course of 2009 and are reviewing the remaining 35 shops. As stated above, we are reviewing ways to return Telephone to profitability during the course of 2010.

Interest cover times
(bank covenant purposes)

5.2 times

Group KPI

2007	5.2
2008	5.1
2009	**5.2**

Interest cover continues to be well ahead of debt covenant of interest cover greater than three times. Although earnings fell in 2009, interest costs also reduced as net debt was £419.5m lower at £602.6m.

Effective tax rate %

24.5%

Group KPI

2007	25.2
2008	26.6
2009	**24.5**

The effective tax rate reduced in 2009 as a result of an increased proportion of profits coming from William Hill Online, which is headquartered in Gibraltar, and from its customers outside the UK.

Share of results of associates and joint ventures

These relate to the Group's share of profit from our associate SIS and our share of losses in respect of the joint venture in Spain. In January 2010, the Group completed the sale of our share in the joint venture to our partner, Codere S.A., for €1. The operating loss recorded from the Spanish joint venture was £3.1m in 2009 (2008 – £5.8m). Our share of profit from SIS was £2.8m (2008 – £2.9m).

Non-operating exceptional items

We recorded exceptional costs of £23.4m (2008 – exceptional profit of £88.0m) in 2009. This included £20.5m fair value loss on our legacy hedging arrangements, of which £2.4m was recorded in the first half and £18.1m in the second half as a result of completing our £300m corporate bond. This is in line with the expected range highlighted at the time of the corporate bond announcement. In addition, £2.9m in exceptional finance costs were incurred as a result of the rights issue and bond issue.

Finance costs

Pre-exceptional net finance costs in 2009 were £55.5m (2008 – £62.5m), reflecting the reduction in our average net debt.

Taxation

Tax on profit in the year was £39.7m (2008 – £59.3m) or £48.5m pre-exceptional (2008 – £58.3). The Group's effective tax rate reduced to 24.5% as a result of a greater proportion of operating profit coming from online activities based outside the UK. The effective tax rate post-exceptional items is 32.8%. This is above the expected rate due to the fact that there is no tax relief for many of the exceptional items. Going forward, the Board expects the Group's pre-exceptional effective tax rate to be similar to the 2009 effective rate of 24.5%, reflecting the lower tax rate for William Hill Online.

Earnings per share

Basic pre-exceptional earnings per share decreased to 20.6p against 31.9p in 2008. On a post-exceptional basis, basic earnings per share fell to 9.5p against 47.3p in 2008. The 2008 earnings per share has been restated to reflect the discounted rights issue in April.

Cash flow and net debt

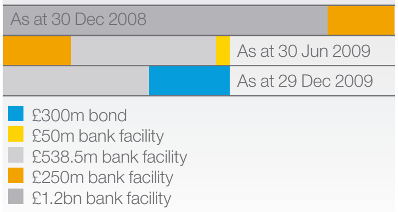
The Group generated net cash inflow from operating activities before financing and tax of £279.9m, a reduction of £27.5m or 9% on 2008. This decrease was a result of a lower pre-exceptional operating profit.

We invested £36.5m in capital expenditure in 2009, including £14.4m in our LBO estate development programme and £14.0m in William Hill Online integration and product development. We paid £60.2m in net debt service costs, £49.3m in corporation tax, £17.5m in dividends and £17.4m in minority interest to Playtech.

Net debt for covenant purposes decreased to £602.6m at 29 December 2009 (30 December 2008 – £1,022.1m) as a result of using the proceeds of the rights issue and operating cash flow to pay down debt.

Changing debt profile £m

Group KPI



Changing maturity profile £m

Our refinancing activities in 2009

Our debt position prior to the refinancing

At the end of 2008, we had debt facilities totalling £1.45bn with two maturities – £1.2bn in March 2010 and £250m in July 2011. As our net debt:EBITDA ratio was 3.5 times, the only market available to us was bank debt. The average margin on our two facilities was 67 basis points above LIBOR.

Bank debt refinancing

Following six months of extensive negotiations, we finalised new debt facilities that, together with our existing £250m facility, gave us bank debt facilities totalling £838.5m.

Rights issue

To fill the funding gap left by the bank debt refinancing, we undertook a one-for-one Rights Issue to raise £350m. The issue was priced at 105p per share, a 57% discount to the closing middle market price per Ordinary Share on 26 February 2009, the last business day prior to the announcement of the rights issue, and a 40% discount to the theoretical ex-rights price. Acceptances were received from 97.41% of shareholders and the remaining 2.59% of shares were placed in the market. The proceeds of the rights issue were used to pay down debt.

Debut corporate bond

We committed at the time of the rights issue to seek to diversify our sources of debt and, in November 2009, announced the launch of our debut corporate bond. The £300m, seven-year bond was issued with a coupon of 7.125% discounted to yield 7.25% to maturity. The proceeds of the bond were used to pay down debt, in effect to cancel the £50m and £250m facilities due in 2011.

Our average cost of debt

For those banks who entered into the forward-start facility, the margin on the bank debt was increased to LIBOR +300 bps in 2009 and LIBOR +250 bps from March 2010 (depending on the Group's leverage ratios). Our average cost of debt in 2009 was 7.7% and is expected to increase to approximately 10% in 2010 and 2011 as a result of the bond, amortisation of the refinancing fees and our legacy hedging arrangements.

Our net debt position

As at 29 December 2009, our net debt for covenant purposes had been reduced by £419.5m to £602.6m, giving us a net debt to EBITDA ratio of 2.2 times.

Simon Lane
Group Financial Director

Maintaining strong relationships

William Hill – and the wider bookmaking industry – have a voice with the UK Government because we make a major contribution to the UK, both economically and as a significant employer.

David Steele
Corporate Services Director

We operate our business in a highly regulated environment where there is continual focus on the issue of social responsibility and delivery of our betting and gaming products in a fair and open way.

Both our operations and our managers have undergone rigorous scrutiny to satisfy the authorities of their suitability and financial reliability to operate a gambling business. We value our brand highly and recognise the contribution of regulation in making sure that only those who meet these exacting suitability tests should operate in this sector.

Regulation is a core part of our business and that means making sure that we comply with the applicable regulatory regime whilst reminding government that regulation should be proportionate and risk-based to facilitate operations that make a considerable contribution to the relevant country.

Our industry's contribution to the UK

William Hill – and the wider bookmaking industry – have a voice with Government because the industry makes a major contribution to the UK, both economically and as a significant employer. Our industry is:

- a contributor of almost £1bn in central and local taxes, and levies in the UK;
- a direct employer of 40,000 full-time equivalents in the UK;
- suited to the requirements of a flexible, diverse and part-time workforce;
- supporting a further 60,000 UK jobs, such as those employed in horseracing and the supply chain; and
- paying very significant gambling duties, corporation and local taxes, and levies to horseracing and greyhound racing.

Our relationship with Governments

We regularly liaise with UK Government ministers and officials both directly and through various industry trade bodies. We use Open Road, a government affairs agency, and during 2009 we have strengthened our in-house team in this area. William Hill delegates have also this year made a significant contribution to UK Ministerial-appointed panels on betting shop safety and security and integrity in sports-betting.

In 2009, we transferred our remaining UK-based online products to Gibraltar for commercial reasons. While this decision has attracted some negative media and political comment, we believe that this move was critical to enabling us to compete in the online global market. We enjoy a constructive relationship with the Gibraltar Government and the Gibraltar Regulatory Authority.

Our relationships with UK local authorities

With more than 2,300 betting shops licensed by some 400 local authorities, we recognise the important regulatory role played by those authorities in both the UK health and safety and gambling fields. We have close links with local authority representative bodies such as LACORS. In many areas, betting shops are at the heart of vibrant communities, providing local employment, attracting footfall for other retailers and ensuring that gambling takes place within a regulated environment, thus preventing the proliferation of illegal gambling in pubs, clubs and other establishments. The family expenditure survey shows that total gambling spend as a percentage of household income varies between 0.4% in London and 1.2% in the north-east of England. We are, therefore, surprised that some inner London boroughs are seeking to link the issue of 'sustainable communities' with the issue of betting shop numbers. The objective evidence does not support the views of those who suggest that licensing legislation needs to be tightened.

Current industry issues in the UK

Sensitivity to tax and regulatory burdens

Around 30% of the UK high-street sector constitutes small shops, which exist in all the major estates as well as the independent sector. These are particularly susceptible to a relatively small change in their cost base and are in danger of closing if increasing costs are not offset by equivalent incremental revenue. The industry has made a clear case to Treasury ministers and officials that if the HM Government were to increase the tax burden significantly then resultant marginal shop closures could result in the loss of up to 10,000 industry jobs.

Betting exchanges

Exchanges are a haven for unregulated, commercial bookmaking activities and we believe that the exchange mechanism results in a loss of income to the Treasury in the form of GPT and to the horseracing industry in the form of the levy. There is also increased integrity risk with individuals being able to offer prices on a losing outcome.

We accept that betting exchanges have a place in the market but we have a legitimate interest in seeing commercial users of exchanges taxed and levied appropriately. The current regime does not produce tax receipts in proportion to the increasing betting volumes that are traded through exchanges and these volumes will continue to increase whilst exchanges are allowed to distort prices on the wider UK betting market. We, therefore, continue to campaign for a level regulatory playing field in this area.

UK dual licensing

In January 2010, the Department for Culture, Media and Sport (DCMS) announced a proposed policy change that online operators who are outside the UK but contract with or target UK consumers should be licensed by the Gambling Commission. This is intended to ensure that offshore operators comply with the reporting requirements of the Gambling Commission and contribute to the funding of the GREaT (Gambling Research, Education and Treatment) Foundation. A 12-week consultation with the industry is expected to start in the first quarter of 2010. William Hill as a group already makes a very significant contribution to GREaT and William Hill Online would have no issues with meeting GB regulatory standards.

Gaming machines

Gaming machines received significant attention during 2009, with a Gambling Commission review of 'high stake and high prize' machines, a Treasury review of taxation and the DCMS announcing a forthcoming review of stakes and prizes.

Gaming machines and problem gambling

Between 2002 and 2007, the number of B2 gaming machines in UK betting shops grew to around 30,000. However, the Gambling Commission's 2007 Prevalence Study showed no rise in the level of problem gambling (0.6%) between 1999 and 2007 despite there being a significant rise in overall gambling spend. This study, which did not deal with the issue of causality, suggested that 11% (of the 0.6%) of problem gamblers utilised B2 gaming machines. These data were subsequently qualified further by the Gambling Commission, which placed B2 machines much further down the risk scale.

In October 2008, the Minister for Sport charged the Gambling Commission with reviewing the available data on machines and problem gambling and, in June 2009, the Gambling Commission wrote to the Minister confirming that:

- there were no published data to link machines to problem gambling;
- generally, the range of permitted stakes and prizes on British machines is relatively low by international standards;
- the levels of stakes and prizes on their own are not the only important considerations so reviews should continue to look at a wide range of structural machine characteristics, environmental factors and gamblers' personal motivations;
- better data on gaming machine player participation and patterns of play would allow for more robust monitoring of the impact of future changes to stakes and prizes; and
- the existing regulatory framework already contains a number of measures to protect players.

This was a positive outcome for the industry: it signalled that an informed and data-driven approach should be taken when making decisions about problem gambling.

A further prevalence study is due to report in autumn 2010 and emerging individual pieces of research are likely to influence policy makers.

High stakes, high prizes review

During the scoping stage for this consultation, we have reiterated the findings from the initial research by the Gambling Commission. It has been made clear that there is no objective evidential basis for imposing additional regulatory restrictions on B2 gaming machines. We await publication of the consultation.

Proposed change to gross profits tax

In 2009, the Treasury proposed to simplify the gaming tax regime by replacing VAT and AMLD on machines with GPT. Treasury indicated that it aimed to effect this transition on a tax neutral basis and consulted with the gambling industry to identify tax neutral rates. William Hill assisted in econometric modelling, which identified a betting sector tax neutral rate of around 18%. However, other parts of the gambling industry are believed to have a tax neutral rate closer to 15% and the bookmakers have lobbied for a single industry-wide rate of 15% to support a low margin business in recessionary times. The consultation closed in October 2009 and a decision is still awaited.

Funding for sport

We strongly oppose the position that sports are entitled to further voluntary or compulsory levies to run integrity functions or to support grass-roots sport. Sporting bodies are seeking to gain more control of the betting product by claiming dubious 'rights' over betting markets to bolster their declining, though substantial, commercial revenues. There is no connection between grass-roots sport and betting and the arguments that sporting bodies are putting forward are intellectually and evidentially weak.

Our key messages to the UK Government

We need proportionate taxation for land-based operators that will facilitate growth while increasing tax yield and a tax system that allows remote gambling operators in the UK to be competitive in a global gaming market.

Commercial operators on betting exchanges should be taxed and regulated proportionately, with the Gambling Commission and HMRC carrying out a proper assessment of the risks posed by betting exchanges, the licensing of those who trade by way of betting exchanges and non-discriminatory taxation of all business users.

To be effective, the regulatory regime should be based on the implementation of a pragmatic risk-based approach and an evidence-based approach to problem gambling.

Government should support development of a proper commercial relationship between racing and betting.

Government needs to rule out the possibility of further subsidies funded by bookmakers to support sports governing bodies' integrity functions or grass-roots sports.

The UK Government should lead the way in seeking to establish a European framework for cross-border remote gambling, overturning unlawful gambling restrictions in the European Union.

Managing our risks

Potential risk	What's the issue?
→ The challenging economic climate continues to impact trading.	In 2009, the economy reduced yields in Online and amounts wagered in Retail OTC. With economists expecting unemployment across the UK and elsewhere in Europe to continue to increase in 2010, this could continue to affect our performance.
→ Change to a gross profits tax on machines in Retail at a rate higher than our tax neutral position.	Gaming machines are taxed at 17.5% VAT plus AMLD. HM Treasury has proposed changing to a gross profits tax. It indicated it plans to do this at a neutral rate but the tax rate has yet to be defined. For bookmakers, a tax neutral is around 18% but for other parts of the gambling industry the rate is different, with bingo and casino industries at 15%–16%. This is making it difficult for Government to implement a tax neutral rate without hurting some part of the industry.
→ Ineffective brand identity hinders growth, particularly in online.	The William Hill brand is well-recognised and trusted in the UK but has limited traction elsewhere. Brand is a key driver in attracting and retaining Online customers and will be an important factor in our international expansion efforts.
→ Failure to take advantage of online international markets.	International growth is part of our Online strategy. At this point, 40% of our revenues come from gaming customers outside the UK but our Sportsbook is still UK-centric.
→ Countries fail to regulate online gambling or do so in a way that prevents William Hill Online from operating effectively.	The regulatory position on online gambling is rapidly changing, particularly in Europe where various countries are moving towards regulation. We currently target countries through our new .com site but greater potential exists in regulated markets that are open to competition.
→ Failure to establish a market-leading in-play betting product online.	As part of our efforts to expand Online, we aim to leapfrog our competitors in the breadth and depth of our in-play product, which is a rapidly growing market.

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 key risks are described here.

A full list of risks is provided in the investor relations section of our corporate website at www.williamhillplc.co.uk. Summarised in the table below are the key risks identified through our corporate risk matrix, which is produced following a detailed review by Internal Audit and senior management, and is approved annually by the Audit and Risk Management Committee. For more details, see the Statement on Corporate Governance on page 59.

What could this mean for the business?	What are we doing to address the issue?
A top-line decline in Retail has a disproportionate effect on EBIT as we have a high fixed-cost base. Lower yields in Online increases competition for new customers.	Through targeted product development and marketing activities, we aim to compensate for the economic effect. In addition, we tightly control our Retail operating costs, including optimising opening hours and shop staffing, renegotiating key supplier contracts and, if necessary, closing unprofitable shops.
For William Hill, a tax neutral rate would be 18–19%. For each 1% above or below our tax neutral rate, this would increase or decrease our EPS by approximately 2%.	The bookmakers, through the ABB, have made the case for a 15% rate for the whole industry to stimulate growth. Senior management are responsible for regulatory issues and work with a lobbying agency, Open Road, on relationships with political decision-makers. We are also involved in various industry bodies making representations to Government, including how significant tax changes risk shop closures and redundancies.
If we were unable to establish a strong brand presence in Europe, it could hinder our ability to expand rapidly in markets outside the UK.	We have appointed a new senior manager responsible for brand across the Group. We plan to increase our investment in marketing activities in 2010 to enhance brand awareness, particularly Online.
We expect significant growth in Online to come from international markets over the coming years.	William Hill Online conducts extensive market opportunity analysis and applies a portfolio approach, mixing lower growth, more developed markets with higher risk, higher growth opportunities. We use four routes to target markets: (a) take a licence; (b) operate through our .com site; (c) establish a partnership with a local supplier; or (d) acquire an existing company. We also have established marketing and distribution channels through our gaming operations that we can use for the whole of Online.
Regulation can bring certainty and the opportunity to advertise in a country, which typically drives faster market growth. However, it can have a short-term impact from taxation and competitive restrictions.	We continually monitor the changing legal landscape for online gambling and adapt our international strategy appropriately on a country-by-country basis. We do not take customers from the US and Turkey, and we operate across the European Union under the principle of freedom to provide services across borders.
A significant amount of Online revenue growth is projected to come from in-play betting. Failure to deliver could reduce our ability to hit EBIT targets.	We established new trading teams, proprietary algorithms and new price feed mechanisms in 2009 to automate our in-play product, enabling us to expand our markets and improve our margins. Further enhancements are being rolled-out in 2010.

Being a responsible business

During 2009, we sought to improve our interaction with all our key stakeholders. For customers, we have reinforced our measures to prevent under 18s gambling. For our employees, as we are undergoing considerable change in our culture and our management team, we have introduced new measures for effective engagement and have also further improved our security measures for shop staff. For shareholders, we have established a dedicated investor relations resource in-house and are improving our corporate reporting. For the wider community, we have continued to engage with Government and regulators, and sought to minimise further our environmental footprint through recycling measures and adapting our car policy.

David Edmonds
Chairman of CRRI Committee

Objectives and targets for 2010

In 2010, the Group intends to continue to progress initiatives that are already ongoing and will concentrate on the following:

Objective	Target date
Changing the objectives-based Senior Management Operating Bonus Scheme to improve alignment of individual performance with the Group's business targets, and performance and contribution amongst the senior management team and reward them accordingly.	**June 2010**
Establish an Employee Share Incentive Plan for all eligible UK employees.	**September 2010**
Roll-out a mixed-use recycling programme across the Retail estate.	**December 2010**
Continue to review and further improve our procedures for preventing potential under-age gambling.	**December 2010**

Board commitment

The Board is committed to taking steps to improve continuously its practices in the Corporate Responsibility area and to embedding these practices into its corporate governance and operating framework. We aim to:

- comply with existing laws, regulations and codes of conduct relating to responsible gambling;
- train, develop and motivate employees to retain the widest possible range of talented staff;
- provide a safe and healthy workplace; and
- provide a competition-beating level of service to customers.

Members of the CRRI Committee

The Corporate Responsibility and Regulatory Issues Committee (CRRI Committee) was established in its current form in 2008. The members of the CRRI Committee during 2009 and at the date of this report are:


David Edmonds
(Chairman of the CRRI Committee)


Ashley Highfield


Thomas Murphy


Charles Scott


Ralph Topping

Role of the CRRI Committee

The CRRI Committee meets five times a year to monitor a range of Corporate Responsibility issues and reports regulatory to the Board.

Until 2008, our Corporate Responsibility activities were reviewed and developed by a Corporate Responsibility Working Group, overseen by the Board. It was chaired by the Company Secretary and comprised the functional heads for key operational areas responsible for employees, management of the Retail estate, security, customer services and regulatory compliance. The Working Group acted as a forum for operational management to discuss specific issues on the Corporate Responsibility agenda and oversaw implementation of an action plan from 2004 to 2008. Since then, a number of those items have become regulatory requirements and been embedded in operational line management. Health and Safety is now managed by a Health and Safety Steering Group, which reports to the CRRI Committee. Other issues are dealt with by executive management and reported to the Board and the CRRI Committee.

Risk management

Risks relating to key stakeholders are reviewed as part of the biannual risk management process, which is led by the Internal Audit team. Risks are reviewed by executive management, the Audit Committee and the Board to consider their potential impact on strategy and annual objectives, and mitigation steps are taken as appropriate. As the Board remunerates management on the basis of achieving strategic goals and specific annual objectives, it uses this method to ensure corporate responsibility risks are reflected in management remuneration.

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.

Employees
We are a major employer, with over 16,600 people working in five countries internationally. 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. Over the last year, we have invested in establishing an investor relations function to provide a dedicated resource for shareholder engagement and to improve our corporate reporting.

The wider community
Our business has far-reaching effects. As a large employer and taxpayer, we make a significant contribution to the 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. We will run our business so as to protect vulnerable persons, to ensure our business is not a source of distress to individuals or a source of crime or disorder and to ensure our services are provided in a fair and open way.

Customers

William Hill is committed to high standards of customer service and to conducting our gambling operations in a fair and open way.

Customer service

Customers are at the heart of what we do. We strive to deliver a high standard of customer service and to be fair and open in our dealings with customers.

We have dedicated customer service departments for each of our main operations, who handle enquiries on a large range of issues relating to our business. Service complaints are given serious consideration and consistent procedures are in place across all of our operations to ensure that complaints are dealt with effectively. The issues raised are closely reviewed and we are committed to continual improvement in this area.

We have a comprehensive set of rules that detail the terms and conditions under which all transactions placed with William Hill are accepted. A copy of the betting rules is available in our LBOs, online or from our Customer Relations department. Rules relating to our online gaming products are available online. We endeavour to resolve all betting disputes in a fair, consistent and equitable manner. However, if we are unable to resolve a dispute to the customer's satisfaction they are entitled to refer the matter to the Independent Betting Adjudication Service (IBAS).

Since 2007 we have operated our Competition Beating Service (CBS) programme, aimed at delivering the best possible service to customers around:

- friendly service;
- famous expertise;
- creating a great in-shop experience; and
- effective management of in-shop operations.

We use CBS to measure our performance, using a mystery shopper programme provided by Retail Eyes, an international company specialising in customer service, and questionnaires completed by shop teams to test their knowledge on subjects as varied as the Grand National and Gambling Commission compliance.

Customer complaints

We operate dedicated customer services for each of our channels: Retail, Telephone and Online.

Our Retail customer helpline, which also supports staff, receives around 250,000 calls and 2,500 letters and e-mails a year, operating 12 hours a day on Monday to Saturday and across opening hours on Sunday. The majority of calls are general enquiries, with only 10–20 serious complaints a month. Since 2007, all complaints have been recorded on our tracking system, enabling us to track any persistent issues. Serious complaints are followed up by Area Operations Managers, who are required to report the outcome to the customer within 21 days.

Disputes referred to IBAS

394

2007	274.0
2008	306.0
2009	**394.0**

In 2009, 394 disputes were referred to IBAS. Although the number has increased, the percentage of cases found in the customers' favour is unchanged year-on-year at just 5%.

Disputes are handled by an expert panel. We endeavour to resolve all disputes in a fair, consistent and equitable manner. However, if these are unable to be resolved to the customer's satisfaction, they can refer the matter to the IBAS. We have agreed to abide by any ruling made by IBAS.

Although gambling transactions in Great Britain are now legally enforceable contracts and are subject to relevant consumer contract legislation, the majority of disputes continue to be adjudicated by IBAS, the acknowledged industry expert.

Protecting vulnerable persons

Gambling is an exciting form of entertainment that can be experienced in a range of environments with William Hill, from the racetrack and our licensed betting offices to telephone and the internet.

Our relationship with customers is underpinned by operating standards set by the Gambling Commission, which was established in 2007. Many of these standards were based on existing standards being applied by major operators such as William Hill. In 2009, we moved our remaining UK-based online activities to Gibraltar, where we are regulated by the Gibraltar Regulatory Authority, whose standards are similar to those applied by the Gambling Commission.

We work closely with the Gambling Commission in the UK in furthering its three objectives as defined by the 2005 Gambling Act (see bottom left of this page). We encourage a socially responsible attitude both within our organisation and within the wider betting and gaming industry. We work closely with the Gambling Commission in the UK and regulators in Gibraltar and Malta to ensure that we continue to adhere to the highest industry standards in responsible gambling. We are also committed to listening to the views of relevant stakeholder groups and have an active dialogue with GamCare, the national centre for information, advice and practical help for anyone with a gambling problem.

Helping problem gamblers

The Gambling Commission estimates that approximately 0.6% of the UK's adult population has a propensity to be problem gamblers[(1)]. 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.

Although there is no one set of behaviours that identify such customers, we encourage our employees to use their experience and to be aware of customers whose behaviours may indicate problem gambling. We have procedures in place to escalate any concerns and to consider whether or not it is appropriate to raise the issue with a customer. When a customer is approached, we provide them with contact details of a gambling support charity and with detailed information on the tools available to control their gambling. We also provide customers with information to enable them to make informed decisions about their level of gambling but respect the fact that, ultimately, those decisions rest with the customer.

In our shops, on our websites and through our customer services department, we provide information on the tools available to monitor or control someone's gambling.

We provide a self-exclusion facility for customers designed to prevent them transacting with specific parts of the business for a period of their choice running for at least six months and up to five years. Customers who wish to resume business with us at the end of their chosen self-exclusion period are required to complete a further 24-hour 'cooling off' period before they will be permitted to use our gambling facilities.

The Gambling Commission's objectives:

to prevent gambling from being a source of crime or 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.

GAMBLING COMMISSION

(1) Gambling Commission Prevalence Study, 2007

Customers (continued)

Self-exclusions

Retail

2007	1,563
2008	3,382
2009	**4,488**

Telephone/Online

2007	1,826
2008	3,163
2009	**2,810**

We also provide a facility for telephone and online customers to limit the amounts they are able to deposit with us in any 24-hour period. Once set, a deposit limit can only be increased after a 24-hour 'cooling off' period.

We train all our customer-facing employees to have an awareness of our social responsibilities and the detailed procedural knowledge they need for their role. We continue to monitor best practice in the area of responsible gambling as it develops and review our policies and procedures on a regular basis in light of guidance from regulators, gambling charities and our own practical experience.

Problem gambling research, education and treatment

Following publication in October 2008 of a Gambling Commission report on the review of research, public education and treatment (RET) of problem gambling, the Minister for Sport agreed to institute plans for a statutory levy on operators licensed in Great Britain, which would come into effect in the 2009/2010 financial year if the industry did not reach agreement on the target levels of funding for the next three years and to the proposed improved voluntary arrangements. We strongly supported a voluntary system and played a significant role in industry efforts to establish a workable framework for funding. With a number of other operators, we guaranteed a total gambling industry contribution for RET of £15m over three years. The Minister accepted that funding should continue on a voluntary basis.

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.

Recently William Hill received a Gold award from the GREaT Foundation for our significant contribution to the 2009/10 funding campaign.

Under-age gambling

We can only accept customers over the age of 18 in our shops, at the racetrack, on our websites and via the telephone. To help enforce this age restriction, we have adopted a 'Think 21' approach in our shops and at the racetrack, which requires our staff to seek proof of age from any customer who appears to them to be under 21. For Online and Telephone customers, we use an external agency to verify the ages of customers who open new accounts using deposit methods that may be available to under 18s.

We take particular care not to target advertising at people under the age of 18. All our advertising in Great Britain is carefully considered in light of the Gambling Commission's licensing objectives, the specific requirements of the Gambling Commission's licence conditions and codes of practice, and the Committee of Advertising Practice and Broadcast Committee of Advertising Practice codes. In addition, we adhere to an industry code of practice designed to promote socially responsible advertising and the 'Gamble Aware' information website. The advertising agencies we use are fully briefed on our responsible gambling requirements.

Data protection

With well-established Telephone and Online business, 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. Our equipment for sensitive systems is built to internationally accepted security standards. At the time of publication, we are over 90% through a programme of compliance with the Payment Card Industry Data Security Standards, by which we carefully restrict access to sensitive systems and data and encrypt card data to protect it in storage. In 2010, we will also complete roll-out of a proactive monitoring system that alerts us to suspicious activities.

Review of our under-age gambling procedures

In May 2009, the Gambling Commission undertook a mystery shopper exercise to test the effectiveness of the industry's measures for preventing under-age gambling. The result of this exercise was disappointing: across the industry, 98% of the 100 shops tested and all 25 of the William Hill shops tested, failed to challenge the individual on their age.

We take this failure very seriously and undertook a wholesale review of our policies and procedures to assess what had gone wrong and how we could improve. All our staff who were involved in the Commission's mystery shopper exercise were interviewed to identify how they failed to challenge the mystery shopper. As a result of the review, we took the following steps to improve our systems.

A letter was sent to all Retail employees stressing the importance of Think 21, the key practical points and explaining that failure to follow the Company's Think 21 procedure is an act of gross misconduct.

A briefing on Think 21 was cascaded throughout Retail, delivered personally by senior management through Area Managers to District Managers and then on to every member of Retail staff.

All job offer letters to new employees now include a statement on the importance attached to Think 21 and compliance with regulations.

All Retail training material on Social Responsibility was revised and reissued.

Consultation with the Staff Council was undertaken to enable staff views on how to implement Think 21 to be taken into consideration.

In December 2009, the Gambling Commission undertook a further mystery shopper exercise, at which point our success rate rose to 68%. This is good progress and comparable with the levels usually achieved by the drinks industry on its 'Think 21' programmes. However, we are not complacent and have instituted our own third-party testing systems to monitor our effectiveness on an ongoing basis.

Avoiding 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. Whilst the principal tool to keep crime out of gambling is the regulatory licensing process by ensuring only legitimate operators are licensed, we are proactive in both the UK and Gibraltar in ensuring that our business is not subject to external attack by criminals, including those who seek to cheat at gambling.

As well as having extensive reporting obligations to both the Gambling Commission and the Gibraltar Regulatory Authority, our own risk management systems are designed to identify unusual betting activity. Where appropriate, suspicious betting transactions are reported to the regulator and the relevant sports 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 and it has been our experience that the majority of these are not progressed further, in terms of investigations or voiding action, by the relevant authorities.

Whilst betting does not fall within the regulated sector for the purposes of money laundering, we also remain focused on active compliance with the Proceeds of Crime legislation. We have internal controls and specialist staff, including a Money Laundering Reporting Officer, to deal with disclosures to the relevant authorities and to service requests for assistance from law enforcement and regulators. All staff are trained on their obligations to report money laundering and how to handle cash and cash equivalents safely. Online gaming products fall within the requirement of the 3rd EU Money Laundering Directive, and we have systems and procedures in place to ensure compliance with those requirements.

More in 'Protecting our employees' on page **40**

Employees

Our employees are critical 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, flexible working and a safe workplace. Our emphasis is on growing our own talent internally, where possible, and recruiting externally where we need skills not otherwise available in the business.

16,600

There are over 16,600 employees working for William Hill across our Retail, Telephone and Online divisions including our central fuctions.

Employee policies

Our comprehensive set of human resources policies defines the work environment that we operate for our employees. This covers health and safety (including specific policies on stress management and smoking), equal opportunities, harassment, disability, flexible working, training and development, the acceptance of gifts and hospitality, and whistleblowing.

Key employee policies are published on our website at www.williamhillplc.co.uk/wmh/cr/policies/. The Group Director of Human Resources has overall responsibility for ensuring the effective operation of these policies.

Flexible working

We employ a high proportion of part-time workers, particularly in the Retail estate, where our flexible working regime is very attractive, for instance, to people with childcare needs. We offer a range of options, including job sharing and career breaks.

Protecting our employees

We take the safety and security of our staff very seriously, particularly in our shops, and are committed to protecting the welfare of our staff as far as possible by taking proactive measures. Through our Security Department, we undertake regular risks assessments of all our shops, considering their vulnerability to potential robberies and violence in the workplace. 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 our shops, we have significant crime prevention measures that we use to minimise the risk, including the fitting of security screens, installation of digital closed circuit television (CCTV) systems and fitting electronic and magnetic door locks. In January 2010, we completed the installation of digital CCTV in all our shops, which gives us high-quality images and a remote access system that enables us to deliver footage to the police much more quickly. Employees also have access to a security support line, which they can use whenever they have concerns or questions about their safety.

Minimising risk

In our shops, we have significant crime prevention measures that we use to minimise the risk, including the fitting of security screens, installation of digital closed circuit television systems and fitting electronic and magnetic door locks.

Counter Plan initiative

William Hill was nominated as a finalist at the Security Excellence Awards held in October 2009 for our Counter Plan training initiative. Counter Plan helps to protect staff and has led to us having the lowest levels of cash loss in the industry.

In the event of an incident occurring, affected shops are reassessed by the Security Department and steps are taken to address risks.

In 2007, we introduced 'Counter Plan', a bespoke training initiative developed in-house and designed to provide staff with the tools needed to deal effectively with events that may happen prior to, during and after a robbery. The aim of Counter Plan is to create a culture where staff are in control of their environment. The training places a high priority on cash management to minimise the likelihood of shops being targeted. All new starters are trained in Counter Plan off-site for two days and the training is revisited within three months of them joining the Group. In addition, our Security team regularly use our in-shop video systems to provide updates to existing shop staff. Over the last 18 months, 8,500 shop staff have attended training sessions, some 70% of the front-line Retail employees. By taking decisive action, the potential danger to staff is greatly reduced, cash loss is minimised and our ability to assist police investigations is enhanced.

Having introduced Counter Plan, we are now part of the 'Safe Bet Alliance', which has established a minimum set of standards for the betting industry to use to prevent robberies. This is being applied within the Metropolitan Police's area and is being used by Environmental Health Officers to assess staff safety. We are now working through the Association of British Bookmakers to introduce this as a national set of standards.

We liaise closely with a number of local authority environmental health departments, local authority licensing officers and police crime prevention officers. We are also a member of the Crimestoppers scheme which, in conjunction with the Association of British Bookmakers reward scheme, enables us to encourage the public to provide information on offences committed against our staff and property.

Health and safety

We are committed to ensuring the health, safety and welfare of all persons in our employment and all other persons who use our facilities or are affected by the way in which we conduct our business, including customers, visitors, contractors, neighbours and the general public.

Ultimately, the Chief Executive, Ralph Topping, is responsible for health and safety at William Hill, including reviewing the health and safety policy and ensuring systems are in place for monitoring and measuring the effective implementation of the health and safety policy. The Group's executive directors participate in the periodic review of the health and safety policy such that it remains suitable for the business and ensure that health and safety responsibilities are clearly communicated to managers and employees.

We undertake and continuously review a programme of risk assessments in all significant areas of our business and address any areas of deficiency as appropriate. Employees are provided with information and training, and we monitor our effectiveness through a system of safety audits, health and safety co-ordinators and the Health and Safety Steering Group.

The Health and Safety Steering Group meets regularly to review compliance with applicable health and safety legislation and regulation, to keep up-to-date with best practice and to review and maintain compliance with health and safety procedures. The Steering Group includes senior managers from the Group's Human Resources, Security, Property departments, together with representatives of operational management. An external health and safety consultant advises the Group. During 2009, we reviewed, updated and reissued our Health and Safety policy.

12%

As a result of our Counter Plan initiative, the number of substantive robberies decreased by 12% in 2009 compared with 2008.

Employees (continued)

458

There are 458 employees who are currently seconded to another function or project around the business.

35

There are 35 employees across all various management grades currently in the talent pool.

11

A total of 11 employees completed the Academy programme in 2009 and a further 14 started it.

54

The four core management workshops were attended by 54 District Operations Managers in 2009. In addition, 89 DOMs underwent a development centre review of their individual development needs.

27

The equivalent to 110 senior managers attended core management programmes in 2009, totalling 27 days of training.

16

A formal mentoring programme was launched in 2009. It attracted 25 trained mentors and there are 16 active relationships under the programme.

55

The Group Management Development team ran 55 workshops in 2009 attended by 606 people, covering topics such as performance management, coaching and influencing.

Developing our employees

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 and to progress employees with ability and commitment into management roles. As such, we are committed to investing in training and development for our employees.

We provide training for employees throughout their career with the Group, from an extensive induction programme at the start of their employment through any skills-training relevant to their particular role to further training and development opportunities such as secondments and special projects. In addition, we aim to identify individuals who demonstrate the personal drive and ability to operate at a more senior level. Our Talent Pool develops individuals with the potential to be senior managers and our Talent Academy develops individuals into management roles, supported by mentoring either by senior managers or external advisers. We develop operational excellence through management development workshops for our operations managers and, in 2009, introduced a new employee programme, *Innovate*, to encourage sharing of best practice and new ideas. Last year, we also introduced online training solutions to make the training more adaptable to people's work situations and to make monitoring more effective.

All senior managers are encouraged to maintain a good understanding of our customers, from their induction programme when they are required to spend time in the shops, through helping out on the frontline on high-volume events such as the Grand National to 'Back to the floor' events such as the one we conducted in Retail in 2009.

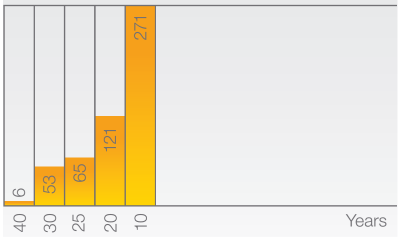
Remunerating and retaining our employees

As we aim to develop talent internally, motivating key individuals through their remuneration and various retention tools is critical. We value and recognise long service, which helps to maintain the knowledge base in the business, with rewards for 10-year, 20-year, 25-year, 30-year and 40-year service. Around the country, we also run local recognition events and our annual national awards event recognises the best performers in our 'Competition Beating Service' programme.

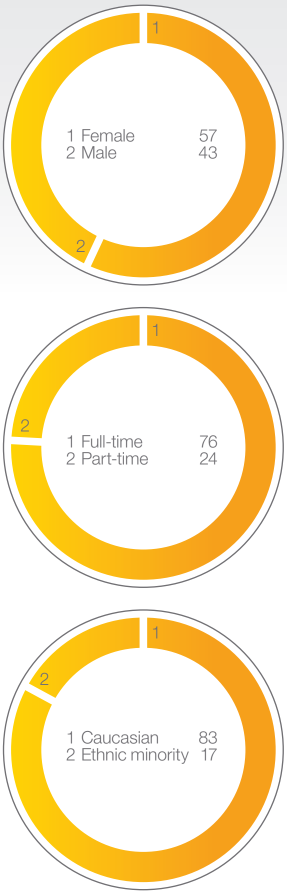
We are building a culture of 'pay for performance', rewarding the people who make the greatest contribution to the business. During 2009, we reviewed our performance appraisal and remuneration systems and, in 2010, are introducing a new management bonus scheme linked to Group performance and achievement of individual objectives. This is a key step in aligning individual performance with our business targets, to differentiate levels of performance and contribution amongst the senior management team and to reward them accordingly.

We provide an extensive benefits package tailored to the needs of different levels of people within the business. During the year, we extended the package with some Corporate Responsibility-related incentives, including the 'Cycle to work' scheme, which offers a tax-efficient way to purchase a bicycle, a new car policy and a Give-As-You-Earn tax-efficient charitable donations system.

Long-term service awards in 2009



Composition of workforce %



Employee engagement

We know that our employees are most effective when they are engaged with what we aim to achieve. We are committed to providing effective communication on matters that affect employees, including the development and performance of the Group. This is achieved through formal and informal meetings, and our in-house magazine, *Will2Win*, which is distributed six times a year to all employees. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests and are encouraged to raise any issues or concerns. In 2010, we are establishing a dedicated internal communications function to improve our communication and engagement with employees.

For our Retail staff, who represent more than 90% of our employees, we operate staff councils in each of our geographic regions and at Group level. Each council meets four times a year with the aim of providing an additional channel of consultation between directors, management and staff and to make the fullest use of employees' experience and ideas. Representatives from the retail staff councils attend the National Staff Conference, held at least three times a year, which is chaired jointly by the Retail Operations Director and the Group Director of Human Resources.

As part of our efforts to encourage employee engagement, we have operated an annual employee share save scheme since we floated in 2002. Staff have the opportunity to join the schemes for a period of three, five or seven years. The 2009 scheme attracted 1,453 staff savers (2008 – 1,797).

During 2010, we will be undertaking an employee engagement survey, which was last conducted in 2008.

Transfer of Online operations offshore

In 2009, we relocated Online's Sportsbook and fixed-odds games from the UK to Gibraltar where the headquarters of William Hill Online is located. As part of this process, we transferred key operations to Gibraltar, which impacted 168 employees across various functions based in Leeds. Of these, 79 employees transferred to Gibraltar, 5 were redeployed elsewhere and 71 were made redundant. We provided extensive support for employees throughout the process, including in the relocation of employees' families to Gibraltar.

Corporate citizenship

FTSE4Good Index

Since 2005, William Hill has been part of the FTSE4Good Index, which measures the performance of companies against globally-recognised Corporate Responsibility standards to facilitate investment in those companies.

FTSE4Good

£924,848

Charitable donations made by the Group in 2009, including a donation to GREaT Foundation for problem gambling research, education and treatment.

£54,297

Charitable donations made under the employee matching scheme to support employee fundraising efforts.

Environment

A copy of our environment policy is available on our corporate website. As a retail and service organisation, our main impact on the environment is through the buildings we operate and the resources used by staff in their day-to-day work. In addition to complying with environmental laws and regulations, we aim to minimise waste through recycling and re-use of materials, to ensure efficient use of energy and water and to raise awareness of environmental issues within the Group. Our Property Department takes primary responsibility for identifying environmental issues within the Group's Retail estate, Head Office and regional office buildings, and to identify opportunities for improvement. As a cost-efficient business, many environmentally beneficial improvements have already been introduced across our Retail estate as these changes also drove cost benefits.

Managing our environmental footprint

Our shop estate is refurbished on a highly-efficient 18-year cycle, with full partial improvements at years six and 12 and refurbishments at year 18. We use durable materials to minimise the need for replacements. We now fit high-frequency light fittings in all new development and refurbishment projects, thereby reducing the number of lamps requiring disposal. Our air-conditioning and fascia lighting are controlled by time clocks and movement-sensitive light systems are used at our Head Office to reduce electricity consumption. New-style fascias are being rolled-out as shops are upgraded and more energy-efficient (inverter) air-conditioning units continue to be installed on new projects and when replacements are required, which brings further benefits.

Across the Retail estate, we have established water management systems for toilet facilities to reduce water consumption and an increasing proportion of the LBO estate is fitted with water meters.

We are fully compliant with all current legislative guidelines regarding the disposal of hazardous waste and comply with the Waste, Electrical and Electronic Equipment Directive, which was introduced in 2007.

In 2009, as part of our car policy review we introduced CO2 emission caps for cars being used by employees. For cars required for work, the cap is 140g per kilometre. For senior managers for whom company cars are a contractual benefit, a wider range of cars is offered and the cap is 160g per kilometre. The company car fleet is entirely diesel-powered.

During 2010, we are rolling-out recycling of mixed waste to all shops in our Retail estate. By the end of 2010, all shops will be able to recycle paper, newspapers, shop display papers and drinks cans. Thereafter, we aim to address recycling at our office locations where, currently, facilities for recycling paper and toner cartridges are in place. All departments can order recycled paper through our stationery supplier.

£265m
Gaming and corporation taxes and levies paid by William Hill in 2009.

£18.2m
Levy paid to UK horseracing in 2009.

£2.5m
Voluntary levy paid to British Greyhound Racing Fund.

Suppliers

We aim to ensure that our purchasing practices are conducted in a manner that ensures compliance with good labour and environmental standards within the supply chain. Our major suppliers have been asked to adhere to or to improve towards meeting the following specified standards, within both their own companies and those of their suppliers:

- supporting and acting in a manner consistent with the principles in the UN Declaration of Human Rights;
- ensuring adherence to all employment laws within the country of operation;
- not employing children within the supply chain who are below the local legal minimum age;
- meeting local industry benchmarks and national minimum requirements for employees' wages and benefits;
- operating a comprehensive policy of equal opportunity in employment;
- ensuring compliance with all national and local health and safety regulations and procedures in the countries of operation;
- ensuring compliance with environmental laws and regulations; and
- encouraging the development of environmentally friendly working practices.

Supporting sports-related and other bodies

We seek to support the communities in which we operate through charitable donations and other relevant payments.

Levies

We pay the economic subsidy to British horseracing via a statutory levy charged at 10% of 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, 389 greyhounds have been successfully re-homed. Every trainer affiliated to a William Hill track is required to complete a weekly return, listing dogs available for racing, injured dogs and those dogs that have left the trainer's kennels. Trainers must provide full details of any individual to whom care of a dog has been passed.

Charitable donations

We use our charitable donations to support groups close to our business, including those that:

- promote a responsible approach to gambling, undertake research into problem gambling and provide information, advice and help to those who are at risk or are experiencing difficulties with their gambling;
- support greyhound and racehorse welfare; or
- support disadvantaged individuals in horseracing and greyhound racing.

We are also support our employees' fundraising efforts by matching the funds they raise. We made charitable donations of £924,848 in 2009, the largest proportion of which was £737,444 paid to the Responsibility in Gambling Trust (now the GREaT Foundation).

William Hill does not make donations to political parties.

UK horseracing levy £
£18.2m

2007	26.6m
2008	23.9m
2009	**18.2m**

The British Horseracing Levy Board uses the levy to fund prize money, integrity services and racecourses.

Matching donations supporting employee activies
£54,297

2007	25.4
2008	29.4
2009	**54.3**

During 2009, the nominated charities of 91 staff benefited from the matching scheme with staff endeavours including marathon running and parachute jumps.

Wide-ranging experience

Charles Scott
Chairman (appointed 2004)

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
InTechnology PLC (Non-executive director)
Emcore Corporation (Non-executive director)
Flybe Group Limited (Non-executive director)

Former roles
Chairman, Saatchi & Saatchi PLC
Chairman, Cordiant Communications Group PLC
Chairman, Robert Walters PLC
Non-executive Director, Adidas-Salomon AG
Senior Independent Non-executive Director, TBI PLC
Chief Financial Officer, IMS International

Qualifications
Chartered Accountant

Year of appointment
2002

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

Simon Lane
Group Finance Director

Responsibilities
Finance, strategic planning, investor relations and internal audit

Former roles
Finance Director, Center Parcs (UK) Group plc
Group Finance Director, Albert Fisher Group plc
Director of Corporate Finance, Safeway plc
Financial Controller, Mars Confectionery

Qualifications
Chartered Accountant

Year of appointment
2006

Neil Cooper
Incoming Group Finance Director

Responsibilities
Finance, strategic planning, investor relations and internal audit

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

Expected year of appointment
May 2010

David Allvey
Senior Independent Non-Executive Director

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

Current directorships
Costain Group PLC (Chairman)
Intertek Group PLC (Non-executive director)
Thomas Cook Group PLC (Non-executive director)
Arena Coventry Ltd (Chairman)
Friends Provident Ltd (Non-executive director)

Former roles
Group Finance Director, BAT Industries PLC
Group Operation Officer, Zurich Financial Services PLC
Group Finance Director, Barclays Bank PLC
Non-executive director, McKechnie Group PLC
Member of the UK Accounting Standards Board
Member of International Accounting Standards Insurance Group
Chairman of the Fiscal Committee of the 100 Group of UK Finance Directors

Qualifications
Chartered Accountant

Year of appointment
2002

David Edmonds CBE D.LITT
Independent Non-Executive Director

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

Current directorships
Wincanton plc (Chairman)
Hammerson plc (Non-executive director)

Other organisations
Chairman, NHS Shared Business Services
Chairman, Legal Services Board
Board Member, Olympic Park Legacy Company

Former roles
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

Year of appointment
2005

Ashley Highfield
Independent Non-Executive Director

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

Current directorships
Managing Director and Vice President of Consumer and Online UK at Microsoft.

Other organisations
Member of BAFTA
Fellow of the Royal Society of Arts
Director of the British Film Institute

Former roles
CEO of Project Kangaroo, proposed three-way joint venture between the BBC, ITV and Channel 4. Director, New Media & Technology and a member of the executive board and management board at the BBC.

Managing Director of Flextech Interactive Limited and an executive board member of Flextech plc.

Qualifications
Chartered Engineer

Year of appointment
2008

Thomas Murphy
General Counsel and Company Secretary

Board committees
Corporate Responsibility and Regulated Issues Committee

Responsibilities
Legal, secretariat and regulatory

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

Qualifications
Solicitor

Year of appointment
2007

Governance

The directors present their Annual Report on the activities of the Group, together with the Financial Statements and Auditors' Report, for the 52 weeks ended 29 December 2009 (the period).

Principal activities

The principal activities of the Group during the period continued to be the operation of licensed betting offices, and the provision of Telephone and Internet betting, 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 Financial Statements.

Business review

For a fair review of the Group's business during the period, a description of the principal risks and uncertainties it faces and the position of the Group at the end of the year, see the following:

Results and dividends

The Group's profit on ordinary activities after taxation and exceptional items for the period was £81.2m (52 weeks ended 30 December 2008 – £234.0m). The directors have approved a second interim dividend of 5.0p per share, in lieu of final dividend, to be paid on 1 April 2010 to ordinary shareholders on the Register of Members on 12 March 2010. Together with the interim dividend of 2.5p per share paid on 7 December 2009, this makes a total of 7.5p per share for the year.

Directors

The directors who served during the period and up to 26 February 2010 comprise:

Charles Scott	Non-Executive Chairman
Ralph Topping	Chief Executive
Simon Lane	Group Finance Director
Ian Spearing	Executive Director (Resigned 31 December 2008)
David Allvey	Independent Non-Executive Director
Barry Gibson	Senior Independent Non-Executive Director (Resigned 10 May 2009)
David Edmonds	Independent Non-Executive Director
Ashley Highfield	Independent Non-Executive Director

Mr Allvey was appointed Senior Independent Non-Executive Director on 1 July 2009.

Details of committee membership are set out on pages 46 – 47.

Details of the directors' interests are set out in note 1 to the Parent Company Financial Statements on page 123.

As previously announced to the London Stock Exchange, Simon Lane will be leaving the Group on 31 March 2010 and will be replaced as Finance Director by Neil Cooper, who is due to take up his position on 10 May 2010.

Directors' and Officers' liability insurance

Pursuant to Article 155 of the Articles of Association and subject to the provisions of the Companies Act 2006, 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 his favour or in which he is acquitted or in connection with any application in which relief is granted to him 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' liability 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 proposed for re-election

David Allvey and Ralph Topping retire by rotation at the next Annual General Meeting and offer themselves for re-election.

Neil Cooper is expected to join as Group Finance Director in May 2010 and would be appointed to the Board on his start date. If appointed, he will retire at the AGM, and being eligible, would offer himself for re-election.

Please refer to pages 46–47 for biographies of the current directors.

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, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 29 December 2009 were equivalent to 20 days' purchases (30 December 2008 – 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 £924,848 (52 weeks ended 30 December 2009 – £773,000), principally to industry-related charities serving the communities in which the Group operates.

Substantial shareholdings

Where not provided elsewhere in this Directors' Report, the following provides the additional information required for shareholders as a results of the implementation of the Takeovers directive into English Law.

The Company has one class of share capital, ordinary shares. All the ordinary shares rank pari passu. Details of the ordinary share capital can be found in note 26 to the Group Financial Statements. There are no restrictions on transfer of the ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the ordinary shares. On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote for every ordinary shares held in treasury are suspended. The notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. The rules governing the appointment and replacement of Board members and changes to the Articles of Association accord with usual English company law provisions. Subject to the Company's Memorandum of Association, the Articles of Association, and statute or subordinate legislation for the time being in force concerning companies and affecting the Company, and directions given by special resolutions, the business of the Company shall be managed by the Directors, who may exercise all the powers of the Company.

On 26 February 2010, 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
Massachusetts Financial Services Company	8.63
FMR LLC	5.18
Schroder PLC	5.15
AXA S.A.	5.00
FIL Limited	4.99
BlackRock, Inc.	4.83
Legal & General Group PLC	3.97

Change of control provisions

The Group's bank facility agreements contain provisions that in some cases automatically require prepayment and in others grant the lender discretion to require prepayment of the loans on a change of control. The Group's framework agreement with Playtech Software Limited dated 19 October 2008 also contains change of control provisions. With the exception of these agreements, there are no significant agreements outside the ordinary course of business to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company. There are no agreements providing for compensation for the Directors or employees on a change of control.

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 members of staff 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 (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.

At the AGM, to be held on 11 May 2010, the Company is proposing to introduce a Share Incentive Plan to all eligible employees to further its aim to encourage employee share ownership.

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 (AGM), 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, 11 May 2010 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.

Auditors and disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

The confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Going concern

The directors have prepared the financial statement on a going concern basis consistent with their views, formed after making appropriate enquiries, as outlined in the Statement of Group Accounting Policies, on page 81 of the Group financial statements.

By order of the Board.

Thomas Murphy
General Counsel and Company Secretary

26 February 2010

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

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 Committee has, in preparing this report, also considered the guidance issued by the National Association of Pension Funds and the ABI. 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 auditors 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.

Unaudited information

Remuneration Committee

The Company has established a Remuneration Committee (the Committee), which is constituted in accordance with the recommendations of the Combined Code. It determines and agrees with the Board the Company's policy and framework for the remuneration of executive directors and the Chairman, and determines 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 Remuneration Committee changed during 2009 as Mr Barry Gibson retired from the PLC Board and was replaced as Chairman of the Remuneration Committee by Mr David Edmonds. Mr Charles Scott also joined the Committee during 2009.

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	2005
David Allvey	2003
Ashley Highfield	2008
Charles Scott	2009

No director plays a part in any discussion about his own remuneration.

In determining the directors' remuneration, the Committee appointed Towers Watson to provide advice on structuring remuneration packages for the executive directors and senior management. The Committee also consulted Mr Topping, Chief Executive, and Mr 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.

Remuneration policy

This report sets out the Group's policy on senior management remuneration for 2010 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. The current executive and senior management remuneration policy is designed to support the business needs of the Group, ensure that the Group has the ability to attract and retain senior managers of an appropriate calibre and align the long-term interests of the 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 policy is to position on-target total pay of the senior management around the median of the relevant market, to ensure they remain competitive, with a substantial proportion of their remuneration being performance-related. Total pay benchmarks 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. As a result the Committee considers benchmarks from companies of a similar size and scope to William Hill by reference to factors such as Group revenue, 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 2010 will be described in future Directors' Remuneration Reports, which will continue to be subject to shareholder approval.

In 2009 the Committee continued with the operation of the Executive Bonus Matching Scheme (EBMS) described later in this report. As per the commitment undertaken at the time of the introduction of the EBMS, the Committee undertook a review of the continued appropriateness of the EBMS in 2010 in light of the growing strategic and long-term importance of William Hill Online. Following this review, the Company is in consultation with shareholders on the introduction of replacement long-term incentive arrangements for 2010 and onwards. Details of the replacement arrangement are set out in the Annual General Meeting (AGM) circular accompanying this report with awards in 2010 under a new plan, subject to shareholder approval at our AGM in May.

Basic annual salary and benefits

The salaries of senior management are reviewed on 1 March each year. Positioning of individual pay levels around competitive mid-market norms are determined by reference to individual performance, experience and criticality to the business. The Committee's decisions are also influenced by the performance of the Company and pay decisions elsewhere in the Company.

In respect of 2009, the Committee froze base salaries for executive directors and all other senior management in light of the current economic environment. This meant that Mr Topping's base salary since appointment in early 2008 has remained at £475,000 and Mr Lane's salary has remained at its 2008 level of £325,000. In respect of 2010, the Committee has decided to continue to freeze base salaries for executive directors and all senior management until there is more certainty about the economic environment and market conditions. The Committee intends to re-visit salaries for executive directors and senior management in the final quarter of the year, subject to performance and economic conditions at that time.

Bonus payments

Executives are eligible to participate in a senior management bonus scheme that is reviewed by the Committee on an annual basis to determine the most appropriate performance measures and targets for that year. For 2009, this comprised the Group's financial performance as measured by profit on ordinary activities before exceptional items, finance charges and taxation (PBIT) as well as other key operational results. The EBMS provided for a target payment of 90% 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.

Bonus payments for Messrs Topping and Lane for the 52 weeks ended 29 December 2009 reflecting both strong financial performance and achievement of key operational goals were 90% and 60% of base salaries, respectively. Ordinarily, 30% of executive director bonuses are payable in cash with the remaining 70% payable in shares in March 2013. In view of Mr Lane's intended departure from the Company, his bonus payment will be in cash.

The performance measure for the 2010 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 2010 bonus will be determined according to the Company PBIT and 25% will be based on corporate objectives for the year.

Long-term incentives

Long-term incentives are provided to drive performance, align the long-term interests of executives with those of shareholders and aid retention.

Under the EBMS, which was approved by shareholders in 2007, executive directors receive 70% of their annual bonus, on a pre-tax basis, in the Company's shares on deferred terms. Other senior executives who participate in the EBMS are required to compulsorily invest one half of their annual bonus, again on a pre-tax basis, in deferred shares. At the same time as granting the deferred shares, the Committee grant a matching award to the executive directors on a ratio of not more than one-for-one. If the executive director remains in service for three years, he will 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 will be dependent on the Company's earnings per share performance (the EPS Tranche) and the other half will be related to the Company's relative Total Shareholder Return (the TSR Tranche).

Under the EPS Tranche, target performance is Consumer Price Index (CPI) plus 3% per annum, at which 50% of the relevant the matching shares will vest. For maximum performance (CPI plus 9% per annum), 100% of the relevant the matching shares will vest. No shares under the EPS Tranche will vest if EPS growth is less than CPI plus 3%.

The number of matching shares that a participant will receive under the TSR Tranche, depends on the Company's TSR performance relative to a comparator group of 29 companies from the retail and leisure sector. No shares will vest if the TSR ranking is below the 50th percentile, 25% of the relevant matching award will vest at the 50th percentile and at the 75th percentile, the TSR Tranche will vest in full.

The matching shares will vest on a straight-line basis between target and maximum performance. For 2010, subject to shareholder approval at the AGM, matching shares will be replaced by awards under a new Performance Share Plan (PSP) arrangement, the details of which are provided in the AGM circular accompanying this report.

Aside from the EBMS, the last awards made under a prior PSP arrangement remained in existence in 2009. This prior PSP provided for conditional awards of shares to the value of a percentage of basic salary. Under that PSP there were two performance conditions, relating to:

- the Group's real (i.e., over and above inflation) earnings per share (Real EPS) growth, which is calculated excluding exceptional items; and
- total Shareholder Return (TSR) performance.

In 2006, the Committee awarded Mr Lane shares to the value of 200% of salary and Mr Topping shares to the value of 100% of salary (the 2006 Awards). The vesting of one half of the 2006 Awards (the EPS Tranche) depended on the Company's growth in Real EPS, measured in terms of the compound annual growth in Real EPS achieved over the three financial years 2006 to 2008 by comparison with Real EPS for 2005. No shares vest if Real EPS growth is below 4% per annum, for 4% per annum growth 25% will vest and for above 12% growth per annum the EPS Tranche of the 2006 Awards will vest in full. The vesting of the remaining half of the 2006 Awards (the TSR Tranche) depends on the Company's TSR relative to the companies ranked 31–100 in the FTSE 100 index on 1 January 2006. No shares will vest if the TSR ranking is below the 50th percentile, 25% will vest at the 50th percentile and at or above the 90th percentile, this half of the 2006 Awards will vest in full. In addition no part of the TSR Tranche will vest if Real EPS of at least 3% per annum is not achieved.

For the 2006 Awards under this plan, the Group's TSR performance was below the 50th percentile and, therefore, no shares vested under this portion of the plan. However, EPS growth over the period was such that 34% of the overall award vested. As a result 6,772 and 21,164 shares vested under the plan to Mr Topping and and Mr Lane, respectively.

The Company also operates SAYE Share Option Schemes for eligible employees under which options are granted with an exercise price up to 20% below the prevailing share price. Senior management is eligible to participate. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Pension and other benefit arrangements

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

In April 2008, it was agreed that Mr Topping could draw his pension and continue working. As a result he ceased to be an active member of the Retirement Plan Section of the William Hill Pension Scheme and neither he nor the Group makes any contributions to the Scheme on his behalf. In 2009 Mr Topping was instead paid a supplement of 25% of base salary in lieu of ceasing to participate as an active member of the Pension Scheme.

The current final salary scheme is closed to new entrants and has been replaced by a money-purchase scheme, the Pensions Savings Plan in 2001, in respect of new joiners, including any future appointments of executive directors. The employer contributions under the money-purchase scheme are 20% of pensionable salary for executive directors, subject to the same earnings limit as in the 'Retirement Plan'.

Mr Lane is a member of the Pensions Savings Plan and he receives a further £32,500 per annum of pension contribution in compensation for the loss of benefit above the Earnings Cap. The Company contributed £24,420 to Mr Lane's defined contribution pension fund between 31 December 2008 and 29 December 2009.

The normal retirement age is 63 (final salary) and 65 (money purchase). However, in view of the Age Discrimination legislation introduced in October 2006, individuals can opt to continue working until 65, the Group's recognised normal retirement age.

In addition to 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.

Policy regarding minimum shareholding

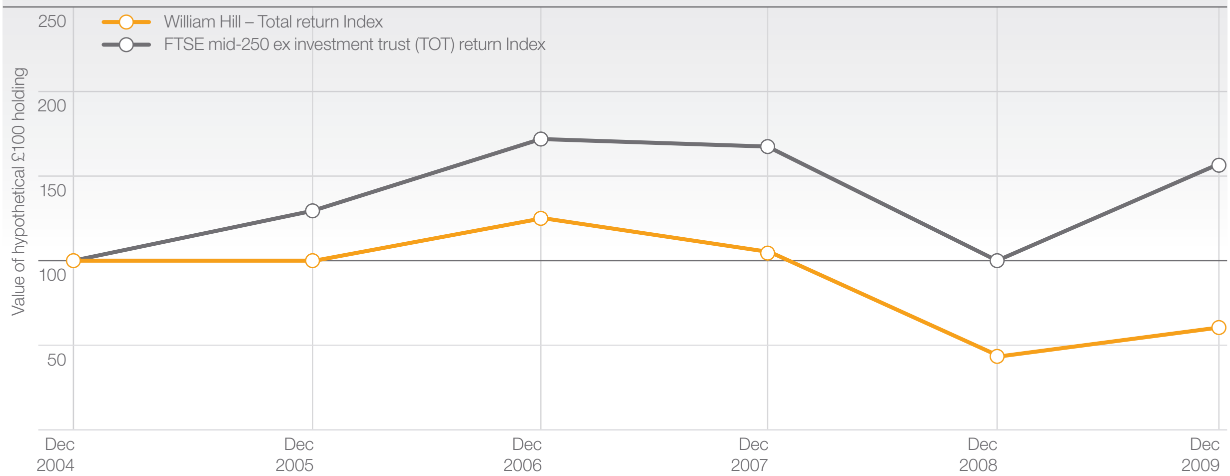
It is the Board's policy to require executive directors and certain members of senior management to hold a minimum shareholding in the Company equal to one year's basic salary. Whilst not contractually enforceable, the Committee expects to exercise its discretion so as not to extend participation in 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 by the end of 2009 met their minimum shareholding requirement.

Policy on external appointments for executive directors

Executive directors are required to obtain the Board's prior written consent to accept external appointments. Mr Topping was appointed Non-Executive Chairman of the Scottish Premier League on 15 October 2009 and is also a Board member of the Scottish Football Association. He did not receive any fees in 2009 in relation to these appointments.

Total shareholder return

Historical TSR Performance Growth in the value of a hypothetical £100 holding over five years.
FTSE mid 250 (excluding investment companies) index comparison based on 30 trading day average values.



As required by the Regulations, the graph above shows the Company's performance, measured by TSR, compared with that of the performance of the FTSE 250 (excluding investment companies) 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 2004 in the Company and the FTSE 250 (excluding investment companies) Index, respectively. The change in value of the index holding reflects changes in the value of the constituent companies over the period. The closing values at 31 December 2009 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.

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.

Mr Topping is employed under a service contract dated 21 February 2008. He is entitled to a basic annual salary, participation in the Company's bonus scheme, a cash allowance in lieu of pension equivalent to 25% of basic annual salary, a company car (or cash allowance in lieu), permanent health insurance and private medical insurance cover. Mr Topping's contract is for an indefinite term ending automatically on his retirement date (age 63) but may be terminated by 12 months' notice given by either party.

Mr Lane is employed under a service contract with the Company dated 20 March 2006 in the same format that applies to Mr Topping, other than in respect of pension. Mr Lane's contract is for an indefinite term ending automatically on his retirement date (age 65) but may be terminated by 12 months' notice given by either party. Mr Lane has informed the Board of his intention to leave the Company and will depart in 2010, a leaving date has yet to be agreed. Mr Neil Cooper has been appointed as his successor and he will join the Company in 2010.

The service contracts of Messrs Topping and Lane 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 he is 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 1/12th 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 similar companies. Remuneration is set taking account of the commitment and responsibilities of the relevant role. The non-executive directors do not have service contracts.

Mr Scott was appointed a non-executive director on 15 April 2002 and Non-Executive Chairman on 1 January 2004 under an appointment letter dated 28 October 2003 and his initial term of office expired on 31 December 2006. Following a review by the Nomination Committee, chaired by the Senior Independent Non-Executive Director, and agreement by the Board, his term of office was extended by a letter dated 5 December 2006 for a further three-year term ending on 31 December 2009. Mr Scott's basic annual fee was increased to £262,500 with effect from 1 March 2007 in respect of all services rendered to the Company, including chairing the Nomination Committee. Following a review of fee levels by Towers Watson in July 2008, his basic fee was increased to £273,000 and this arrangement has remained the same during 2009.

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 Audit Committee. Also, with effect from 1 March 2008, the Senior Non-Executive Director was paid an additional fee of £5,000. These arrangements remained in place during 2009.

Non-executive directors are appointed for an initial term of three years and, in normal circumstances and subject to satisfactory performance and re-election at AGMs, they would be expected to serve for an additional three-year term. 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 relevant director.

Messrs Allvey's and Gibson's appointment letters were dated 17 May and 22 May 2002, respectively and their terms of office were extended by letters dated 12 April 2005 for a further three-year term to expire on 17 May 2008 and 22 May 2008, respectively. Mr Allvey's term of office has been further extended for three years to end in May 2011 and Mr Gibson's by a further year to end in May 2009. Mr Gibson retired from the Board at the end of this extension in May 2009. Mr Edmonds was appointed as an independent non-executive director in January 2005 by an appointment letter dated 22 December 2004 and his term of office was extended by a letter with effect from 1 January 2008 for a further three-year term to expire in 2011. Ashley Highfield was appointed as an independent non-executive director in November 2008 by an appointment letter dated 17 November 2008. 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 Company's incentive schemes and are not eligible to join the Group's pension scheme.

Audited information

Aggregate directors' remuneration:

	2009 Total £	2008 total £
Emoluments	**2,126,274**	3,302,277
Gains on exercise of share options	**–**	20,701
Gains arising on shares transferred	**–**	7,020
	2,126,274	3,329,998
Pension contributions	**24,420**	55,972

Directors' emoluments:

Name of director	Fees/basic salary £	Benefits in kind £	Annual bonuses[2] £	In lieu of pension[1] £	**2009 Total £**	2008 Total £
Executive directors						
Ralph Topping	475,000	34,264	427,500	118,750	**1,055,514**	1,295,522
Simon Lane	325,000	24,315	195,000	32,500	**576,815**	866,185
Ian Spearing	–	–	–	–	**–**	672,904
Non-executive directors						
Charles Scott	273,000				**273,000**	282,333
David Allvey	70,500	–	–	–	**70,500**	60,250
David Edmonds	69,500	–	–	–	**69,500**	57,750
Barry Gibson	24,862	–	–	–	**24,862**	61,250
Ashley Highfield	56,083	–	–	–	**56,083**	6,083
Aggregate emoluments	1,293,945	58,579	622,500	151,250	**2,126,274**	3,302,277

1 Included in lieu of pension for Mr Topping was £118,750 paid as supplement in lieu of pension contributions to the Company Scheme. Included for Mr Lane was £32,500, paid as a salary supplement in lieu of pension benefit lost due to the Earnings Cap.

2 As stated on page 53, 30% of the annual bonus is normally payable in cash, with the remaining 70% paid in shares on a deferred basis. However in view of Mr Lane's intended departure his bonus will be paid in cash.

The executive directors are the highest paid employees within the Group.

There were no payments made to executive directors by the Company during the financial year for compensation for loss of office or payments in connection with the termination of qualifying services. The non-cash elements of the executive directors' remuneration packages consist of the provision of a company car or car allowance, private health cover, travel card and permanent health insurance.

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	**Gains on exercise 2009 £**	Gains on exercise 2008 £
Ian Spearing	–	–	–	–	**–**	20,701

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

Name of director	Scheme	Number of shares at 31 December 2008	Granted during the period	Exercised during the period	Rights issue adjustment	Lapsed/ forfeighted	**Number of shares at 29 December 2009[1]**	Exercise price	Date from which exercisable	Expiry date
Simon Lane	PSP 2006[2]	72,013	14,943	–	6,221	–	**21,164**		Mar 2009	Mar 2016
	EBMS 2007	60,500	–	–	25,184	–	**85,684**		Mar 2010	Mar 2017
	EBMS 2008	87,780	–	–	36,440	–	**124,220**		Mar 2011	Mar 2018
	EBMS 2009	–	507,226	–	–	–	**507,226**		Mar 2012	Mar 2019
	SAYE 2008	3,428	–	–	–	(3,428)	**-**	280p	Aug 2011	Jan 2012
	SAYE 2009	–	6,582	–	–	–	**6,582**	139p	Aug 2012	Jan 2013
Ralph Topping	Operating bonus[2,3]	3,312	–	–	1,379	–	**4,691**		N/A	N/A
	PSP 2005[2]	9,487	–	–	3,949	–	**13,436**		Mar 2008	Mar 2015
	PSP 2006[2]	23,044	4,782	–	1,990	–	**6,772**		Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	21,208	–	**72,156**		Mar 2010	Mar 2017
	EBMS 2008	104,720	–	–	43,590	–	**148,310**		Mar 2011	Mar 2018
	EBMS 2009	–	741,330	–	–	–	**741,330**		Mar 2012	Mar 2019
	SAYE 2008	3,428	–	–	–	(3,428)	**-**	280p	Aug 2011	Jan 2012
	SAYE 2009	–	6,582	–	–	–	**6,582**	139p	Aug 2012	Jan 2013
Ian Spearing[1]	PSP 2006	5,081	–	–	–	–	**5,081**		Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	–	–	**50,948**		Mar 2010	Mar 2017
	EBMS 2008	97,020	–	–	–	–	**97,020**		Mar 2011	Mar 2018
David Allvey	n/a	–	–	–	–	–	**–**	–	–	–
David Edmonds	n/a	–	–	–	–	–	**–**	–	–	–
Barry Gibson	n/a	–	–	–	–	–	**–**	–	–	–
Ashley Highfield	n/a	–	–	–	–	–	**–**	–	–	–

[1] Or in the case of Mr Spearing, his date of resignation as a director.

[2] Fully vested but not exercised.

[3] Represents deferred bonus shares issued to Mr Topping before his appointment as a director.

Options granted under the SAYE Share Option Schemes 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 29 December 2009 was 190.8p, and the range during the period from 31 December 2008 to 29 December 2009 was 160.5p to 269.25p

Governance

Directors' pension entitlements

Mr Spearing was the only director who is a member of the Group's defined benefit pension scheme during 2009. Mr Spearing retired on 31 December 2008.

In accordance with the Regulations, the following table shows the member's contributions, the increase in accrued entitlement during the period and the accrued entitlement at the date of retirement:

Name of director	Pension b/f at 31 December 2008 £	Reduction for early retirement £	Commuted for cash at retirement £	Pension in payment at date of retirement £
Ian Spearing	58,800	(5,175)	(1,980)	51,645

There was no change in the transfer value of the accrued benefits for Mr Spearing between 30 December 2008 and the date of his retirement, the accrued benefits being £1,138,709. The transfer value of the director's accrued benefits is calculated in a manner determined by the Trustee of the Scheme having taken advice from the Scheme Actuary. It does not make any allowance for the portion of his scheme pension which was commuted at retirement for a cash lump sum of £30,704.

Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above tables.

The Company contributed £24,420 to Mr Lane's defined contribution pension fund between 31 December 2008 and 29 December 2009.

Approval

This report was approved by the Board of directors on 26 February 2010 and signed on its behalf by:

David Edmonds
Chairman of the Remuneration Committee

Compliance with the Combined Code

During the year, the Company has been in full compliance with the June 2008 issue of the Combined Code on Corporate Governance (the 'Code'), published by the Financial Reporting Council and available on its website www.frc.org.uk.

The Board

The Chairman, Senior Independent Non-Executive Director and other directors, including those considered by the Board to be independent, are listed on pages 46–47. Details of Board and committee attendance are set out on this page. Appropriate insurance cover is in place in respect of legal action against directors.

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 on pages 51 and 64–65. Papers for Board and committee meetings are circulated in advance of the relevant meeting and where a director is unable to attend he 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 reviewed and approved by the Board annually. 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; and
- 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;

	Board					
	Scheduled	Ad hoc	Audit and Risk Committee Management	Corporate Responsibility and Regulated Issues Committee	Nomination Committee	Remuneration Committee
Number of meetings held	12[1]	7	6	5	5	7
Meetings attended						
Charles Scott	12	7	n/a	5	5	4
David Allvey	12	6	6	n/a	5	7
David Edmonds	12	7	6	5	5	7
Barry Gibson	5	2	2	n/a	2	3
Ashley Highfield	12	2	4	5	2	3
Simon Lane	12	7	n/a	n/a	n/a	n/a
Ralph Topping	12	4	n/a	5	n/a	n/a

Notes:
[1] The Board held 12 scheduled meetings (including an off-site Strategy Day, with senior managers) during the year and seven ad hoc meetings held to consider specific issues during the year.

[2] With the exception of Mr Gibson who retired as a director on 12 May 2009, all other directors attended all of the 12 scheduled Board meetings. The figures shown in the table include both attendances in person and by telephone.

- 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.

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

During the year, the Chairman met with the non-executive directors without the executive directors being present and as part of the process to appraise the Chairman's performance the Senior Independent Director met with Mr Edmonds and Mr Highfield.

Chairman and Chief Executive

The Chairman, Charles Scott, is 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.

Mr Scott satisfied the independence criteria detailed in provision A.3.1 of the Code on his appointment as Chairman and details of his other significant commitments are set out on page 46.

Board balance, independence and appointments

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 the policy for multiple Board appointments for executive and non-executive directors.

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

The Nomination Committee and the Board will continue to monitor the Board balance and skills at least annually.

As at 29 December 2009, the Board comprised four non-executive directors and two executive directors. 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.

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 Group's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Information and professional development

The Board receives detailed reports from executive management on the performance of the Group at monthly Board meetings and other information as necessary, and senior management regularly make presentations to the Board on their areas of responsibility. 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. The Board has approved an information and professional development policy for directors.

A formal induction programme has been developed by the Company Secretary and approved by the Chairman. A range of both general and company-specific information is provided in hard copy and this is supplemented by a series of meetings with external advisers and employees. Induction programmes are in place for appointment to the Board, the Audit and Risk Management Committee, the Remuneration Committee and the Corporate Responsibility and Regulated Issues Committee.

All directors have access to the advice and services of the Company Secretary. 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.

Performance evaluation

A process of performance evaluation of the Board, its committees and directors is undertaken on an annual basis and the process undertaken for 2009 involved the following:

- the four Board committees conducted a review of their terms of reference and continued to assess committee performance;
- one-to-one meetings were held between the Chairman and each director to assess individual director performance and to allow any other issues to be raised: and
- the performance evaluation process concluded with an assessment by the Board of its own performance, feedback to the Board from the chairman of each committee and the Board, and the approval of action to address issues raised.

The Senior Independent Non-Executive Director led the process for the evaluation of the Chairman's performance, involving discussions with each other director, a meeting with the other independent non-executive directors and feedback to the Chairman.

Re-election

All directors are subject to election at the first AGM following their appointment by the Board. The Company's Articles of Association state that each year one-third of directors should retire by rotation but that if a director has at the start of the AGM been a director for more than three years since his last re-appointment, he shall retire. In practice, this means that every director stands for re-election at least once every three years.

The Board explains the reasons why it believes each director should be elected or re-elected in the Notice of Meeting for the next AGM. As referred to above, those directors who held office during the year have been subject to formal performance evaluation and the Board believes that their performance continues to be effective and to demonstrate commitment to their relevant role. Their re-election is also consistent with the Board's evaluation of the size, structure and composition of the Board.

Remuneration

The Directors' Remuneration Report is set out on pages 51–58.

Relations with shareholders

The Board remains committed to maintaining good relationships with both institutional and private shareholders. There continues to be 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 final and interim results are made available on the Group's corporate website, www.williamhillplc.co.uk.

The Chairman is available to discuss strategy and governance issues with shareholders and Mr Allvey, 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.

The Group obtains feedback from its brokers, Citi 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. As a matter of routine, the Board receives a monthly report from its brokers 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.

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 2009 meeting and intend to attend the forthcoming meeting 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 2009 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 Notice of Meeting and explanatory notes. A separate resolution was proposed on each substantially separate issue. It is intended to continue with these practices for 2010 and future shareholder meetings. It is planned to disseminate the Notice of the 2010 AGM to shareholders with the Annual Report and Accounts at least 20 working days, prior to the date of the meeting.

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.co.uk) and are reviewed at least annually by the relevant committee and the Board. All committees have access to independent expert advice. Appointments to Board committees are for three-year terms extendable by no more than two additional three-year terms.

Audit and Risk Management Committee

The role and operation of the Audit and Risk Management Committee is set out in its report on pages 65–67.

Nomination Committee

The role and operation of the Nomination Committee is set out in its report on page 64.

Remuneration Committee

The role and operation of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 51–58.

Corporate Responsibility and Regulated Issues Committee

Details of the membership and areas of key focus of the Corporate Responsibility and Regulated Issues Committee are set out in the Corporate Responsibility report on pages 34–45.

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 a database recording the system of 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 October 2005, 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; and
- reports to the Audit and Risk Management Committee on the results of internal audit reviews and work undertaken by other departments.

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 matrix has been developed and has been updated following detailed review by Internal Audit and senior management during the year. The matrix is approved annually by the Audit and Risk Management Committee and the Board. The matrix 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 typically 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 34–45.

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 Group Finance Director 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.

This report was approved by the Board of Directors on 26 February 2010, signed on its behalf by

Charles Scott
Chairman

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. Barry Gibson retired as a director on 12 May 2009 and Ashley Highfield was appointed to the Committee during 2009. All members of the Committee are independent non-executive directors and the Committee is chaired by the Board Chairman.

Director	Year of appointment
Charles Scott, Chairman	2002
David Allvey	2002
David Edmonds	2005
Ashley Highfield	2009

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 five occasions during 2009.

Role of the Nomination Committee

A full copy of the terms of reference for the Committee can be obtained via the corporate website www.williamhillplc.co.uk or by request to the Company Secretary. Its principal function is to carry out a formal selection process for executive and non-executive directors and subsequently to propose to the Board any new appointments.

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.

Main activities during 2009

During the year the Committee made recommendations to the Board regarding its size, structure and Board and Committee composition.

During 2009, the Committee also:

- reviewed and approved extensions to the contracts for the non-executive directors;
- reviewed the performance effectiveness of the Board;
- instigated an evaluation of the Board by an external consultant;
- recommended to the Board that Neil Cooper be appointed Group Finance Director of the Company following the resignation of Simon Lane;
- approved the directors who would offer themselves for re-election at the 2010 AGM in accordance with the Articles of Association; and
- approved the Report of the Nomination Committee contained in the Annual Report and Accounts.

Charles Scott
Chairman of the Nomination Committee

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 Allvey, Chairman	2002
David Edmonds	2005
Ashley Highfield	2009

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 auditors, Chief Executive, Group Finance Director, Head of Internal Audit and the Head of Financial Planning and Control would usually attend meetings to report to the Committee and provide clarification and explanations where appropriate. The Corporate Finance Manager, Head of Information Services and Head of Security have attended meetings as requested. The Committee also meets with the external auditors without executive management present on a regular basis. The Committee met on six occasions during the year and details of attendance at committee meetings is set out on page 59.

Mr Allvey has recent and relevant financial experience. He is a chartered accountant, a former Group Finance Director of Barclays PLC and BAT Industries PLC and a former member of the UK Accounting Standards Board. Mr Edmonds and Mr Highfield 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 46–47.

Role of the Audit and Risk Management Committee

A full copy of the terms of reference for the Committee can be obtained via the corporate website www.williamhillplc.co.uk or by request to the Company Secretary. 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 auditors including making recommendations to the Board regarding their appointment or removal and developing a policy regarding the provision of non-audit services to the Group;
- meet with the executive directors and management, as well as privately with both the external and internal auditors; and
- report to shareholders annually on its role and responsibilities.

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

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

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

Main activities during 2009

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 auditors. 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 control on page 62.

External auditors

The Committee has responsibility for overseeing the relationship with the external auditors and approves the external auditors' engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external auditors attend each Committee meeting and meet at least annually with the Committee without executive management. The Chairman of the Committee also meets privately with the external auditors. Letters of representation are reviewed prior to signature by executive management.

During the year, the Committee received regular reports from the external auditors including a formal written report dealing with the audit objectives; the auditors' 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 auditors' 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 new audit partner was appointed following interviews with the Committee chairman and the Group Finance Director and subsequent approval by the Committee. Any decision to open the external auditor to tender is taken on the recommendation of the Group's committee. There are no contractual obligations that restrict the Group's current choice of external auditor.

During the year, the Committee reviewed the Group's written policy regarding the employment by the Group of former employees of the external auditors and the policy on non-audit services provided by the external auditors. The Committee approves any non-audit work to be undertaken by the external auditors involving fees in excess of £25,000. Fees in excess of £75,000 are put to tender before appointment, unless otherwise agreed by the chairman of the Audit Committee. 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 auditors are reported to the Committee at its next scheduled meeting. The external auditors are 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 external auditors should be engaged to undertake non-audit services with the aim of safeguarding the external auditors' objectivity and independence.

The Committee is satisfied with the performance of the external auditors 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:

- review of the joint venture exit strategy in Spain;
- a review of customer payments;
- a review of IT capacity planning and resilience;
- a review of IT infrastructure security;
- an internal audit review of balance sheet management; and
- an internal audit review of the online trading migration.

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

David Allvey
Chairman of the Audit and Risk Management Committee

Statement of Directors' Responsibilities

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

Group

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly, for each financial year, the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Boards 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

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.

Company

The directors 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). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company 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.

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the Group financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole: and
2. the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By the order of the Board

R J Topping
26 February 2010

S P Lane
26 February 2010

To the members of William Hill PLC

We have audited the Group financial statements of William Hill PLC for the 52 weeks ended 29 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Group Accounting Policies and the related notes 1 to 38. 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 auditors' 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 auditors

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 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.

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 29 December 2009 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

Separate opinion in relation to IFRS

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

In our opinion the Group financial statements comply with IFRS as issued by the IASB.

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 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:

- the part of the Directors' Remuneration Report to be audited is 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.

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 June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of William Hill PLC for the 52 week period ended 29 December 2009.

Robert Matthews (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
26 February 2010

Consolidated Income Statement

for the 52 weeks ended 29 December 2009

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 29 December 2009 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 30 December 2008 Total £m
Continuing Operations							
Amounts wagered	2	15,489.1	–	15,489.1	15,553.9	–	15,553.9
Revenue	1,2	997.9	–	997.9	963.7	–	963.7
Cost of sales	2	(158.2)	–	(158.2)	(166.2)	–	(166.2)
Gross profit	2	839.7	–	839.7	797.5	–	797.5
Other operating income	1	6.1	–	6.1	6.9	–	6.9
Other operating expenses		(592.5)	(53.2)	(645.7)	(522.9)	(5.4)	(528.3)
Share of results of associates and joint ventures	4	(0.3)	–	(0.3)	(2.9)	(5.4)	(8.3)
Operating profit	5	253.0	(53.2)	199.8	278.6	(10.8)	267.8
Profit on disposal of non-current assets	3	–	–	–	–	88.0	88.0
Investment income	7	11.0	–	11.0	27.0	–	27.0
Finance costs	3,8	(66.5)	(23.4)	(89.9)	(89.5)	–	(89.5)
Profit before tax	2	197.5	(76.6)	120.9	216.1	77.2	293.3
Tax	3,9	(48.5)	8.8	(39.7)	(58.3)	(1.0)	(59.3)
Profit for the period	32	149.0	(67.8)	81.2	157.8	76.2	234.0
Attributable to:							
Equity holders of the parent		128.4	(67.3)	61.1	157.8	–	234.0
Minority interest	33	20.6	(0.5)	20.1	–	–	–
		149.0	(67.8)	81.2	157.8	–	234.0
Earnings per share (pence)							
Basic (as restated)	11			9.5			47.3
Diluted (as restated)	11			9.4			47.1

Consolidated Statement of Recognised Income and Expense

for the 52 weeks ended 29 December 2009

	Notes	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Loss on cash flow hedges	31	(20.0)	(32.0)
Charged to income statement on de-designation	31	18.5	–
Actuarial loss on defined benefit pension scheme	37	(24.2)	(31.5)
Tax on items taken directly to equity	25	1.3	20.5
Net loss recognised directly in equity		(24.4)	(43.0)
Charged to income statement on cash flow hedges	31	21.2	(9.6)
Profit for the period		81.2	234.0
Total recognised income and expense for the period		78.0	181.4
Attributable to:			
Equity holders of the parent		57.9	181.4
Minority interest		20.1	–
		78.0	181.4

Consolidated Balance Sheet

as at 29 December 2009

	Notes	29 December 2009 £m	30 December 2008 £m
Non-current assets			
Intangible assets	12	**1,446.1**	1,491.5
Property, plant and equipment	13	**197.6**	209.6
Interest in associates and joint ventures	15	**6.6**	6.6
Deferred tax asset	25	**24.1**	19.6
		1,674.4	1,727.3
Current assets			
Inventories	16	**0.3**	0.5
Trade and other receivables	17	**55.9**	31.6
Cash and cash equivalents	17	**119.8**	76.5
		176.0	108.6
Total assets		**1,850.4**	1,835.9
Current liabilities			
Trade and other payables	18	**(109.2)**	(109.2)
Current tax liabilities		**(57.0)**	(61.1)
Borrowings	19	**(375.0)**	(0.8)
Derivative financial instruments	23	**(11.5)**	(4.5)
		(552.7)	(175.6)
Non-current liabilities			
Borrowings	19	**(294.2)**	(1,068.4)
Retirement benefit obligations	37	**(43.2)**	(25.9)
Derivative financial instruments	23	**(36.0)**	(37.0)
Deferred tax liabilities	25	**(168.0)**	(171.4)
		(541.4)	(1,302.7)
Total liabilities		**(1,094.1)**	(1,478.3)
Net assets		**756.3**	357.6
Equity			
Called-up share capital	26	**70.2**	35.4
Share premium account	27	**317.3**	–
Capital redemption reserve	28	**6.8**	6.8
Merger reserve	29	**(26.1)**	(26.1)
Own shares held	30	**(23.9)**	(31.1)
Hedging and translation reserves	31	**(12.8)**	(26.2)
Retained earnings	32	**412.6**	389.3
Equity attributable to equity holders of the parent		**744.1**	348.1
Minority interest	33	**12.2**	9.5
Total equity		**756.3**	357.6

The financial statements of William Hill PLC, registered number 4212563, were approved by the Board of directors and authorised for issue on 26 February 2010 and are signed on its behalf by:

R J Topping
Director

S P Lane
Director

Consolidated Cash Flow Statement

for the 52 weeks ended 29 December 2009

	Notes	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Net cash from operating activities	34	**170.4**	209.9
Investing activities			
Dividend from associate	15	**2.8**	2.9
Interest received	7	**1.1**	12.9
Proceeds on disposal of property, plant and equipment		**1.5**	1.6
Proceeds on disposal of shares in joint ventures and associates		**–**	2.1
Proceeds on exceptional sale of freehold properties		**–**	4.5
Purchases of property, plant and equipment		**(22.4)**	(28.0)
Purchases of betting licences		**–**	(0.4)
Expenditure on computer software	12	**(14.1)**	(25.0)
Acquisition of subsidiaries		**–**	(1.5)
Investment in joint ventures	15	**(3.1)**	(6.2)
Net cash used in investing activities		**(34.2)**	(37.1)
Financing activities			
SAYE share option redemptions		**1.4**	0.7
Dividends paid	10	**(17.5)**	(80.8)
Minority dividends paid	33	**(17.4)**	–
Repayments of borrowings		**(693.0)**	(85.6)
New Finance raised from bond issue	21	**297.9**	–
Bond issue finance costs	21	**(4.0)**	–
New debt facility issue costs		**(12.4)**	–
Proceeds on issue of shares	26	**365.3**	–
Costs related to issue of shares	26	**(13.2)**	–
Net cash used in financing activities		**(92.9)**	(165.7)
Net increase in cash and cash equivalents in the period		**43.3**	7.1
Cash and cash equivalents at start of period		**76.5**	69.4
Cash and cash equivalents at end of period		**119.8**	76.5

Statement of Group Accounting Policies

General information

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The nature of the Group's operations and its principal activities are set out on page 48, in the Directors' Report, 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 the policies set out below.

Adoption of new and revised standards

In preparing the Group financial statements for the current year the Group has adopted the following new International Financial Reporting Standards (IFRS), amendments to IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations, which have not had a significant effect on the results or net assets of the Group:

IFRIC 12	Service Concession Arrangements;
IFRIC 13	Customer Loyalty Programmes;

At the date of authorisation of these Group financial statements, the following Standards and Interpretations, which have not been applied in these Group financial statements, were in issue but not yet effective:

IFRS 1 (amended)	IAS 27 (amended) – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
IFRS 2 (amended)	Share-based Payment – Vesting Conditions and Cancellations;
IFRS 3 (revised 2008)	Business Combinations;
IFRS 8	Operating segments;
IAS 1 (revised 2007)	Presentation of Financial Statements;
IAS 20 (amended)	Accounting for Government grants and disclosure of Government assistance;
IAS 23 (revised 2007)	Borrowing Costs;
IAS 24 (revised 2007)	Related Party Disclosures;
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements;
IAS 32 (amended)	IAS 1 (amended) – Puttable Financial Instruments and Obligations Arising on Liquidation;
IAS 38 (amended)	Intangible assets;
IAS 39 (amended)	Financial instruments: Recognition and measurement;
IAS 40 (amended)	Investment property;
IFRIC 15	Agreements for the Construction of Real Estate;
IFRIC 16	Hedges of a Net Investment in a Foreign Operation;
IFRIC 17	Distributions of Non-cash Assets to Owners;
IFRIC 18	Transfers of Assets from Customers; and
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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 principal accounting policies adopted are set out below.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 29 December 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combination

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Investment in associates and joint ventures

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more venturers under a contractual agreement.

The results and assets and liabilities of associates and joint ventures are incorporated in these Group financial statements using the equity method of accounting. Investments in associates and joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in the value of individual investments. Losses of the associates and joint ventures in excess of the Group's interest in those entities are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the entity at the date of acquisition (i.e. discount on acquisition) is credited to the income in the period of acquisition.

Where a Group company transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant entity. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment.

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, Telephone, Online sportsbook businesses 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 market 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 represents the gross takings receivable from customers in respect of individual bets placed in the period on events for LBO, Telephone and Online sports businesses, net winnings on gaming activity completed by period end for online casinos and net income earned from poker games completed by period end.

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

Investment income

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Fair value gains on interest rate hedges

Amounts are recognised in the income statement on a received basis in line with the terms of the 'hedge' contract.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group makes every effort to match its foreign currency assets and liabilities, and where necessary the Group takes out Foreign currency hedges.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the spot rate for significant items is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Finance costs

Finance costs of borrowings are recognised in the profit and loss account over the term of those borrowings at a constant rate on the carrying amount.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to profit and loss over the expected useful lives of the assets concerned.

Operating profit

Operating profit is stated after charging exceptional operating items and after the share of results of associates and joint ventures but before investment income and finance costs.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The interest cost and the expected return on assets are included in finance costs and investment income as appropriate.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Exceptional items

Exceptional items are those items the Group considers to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

Internally generated intangible assets – computer software and systems

Expenditure on initial investigation and design of computer software and systems is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of computer systems is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives, generally between three and ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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.

Intangible assets – trade names, affiliate relationships, and non-competition agreements

Trade names, affiliate relationships, and non-competition agreements (NCA) are recorded at cost, or if arising in an acquisition, at their fair value.

Amortisation is provided on Trade names, affiliate relationships and NCA at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Trade names	– five years
Affiliate relationships	– five years
Non-competition agreements	– over the life of the agreement

Property, plant and equipment

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the balance sheet at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	– 50 years
Long leasehold properties	– 50 years
Short leasehold properties	– over the unexpired period of the lease
Fixtures, fittings and equipment and motor vehicles	– at variable rates between three and 10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its goodwill, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows, which are based on the budgeted figures for the following year and subsequently an annual growth rate of 2.4%, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories represent stocks of consumables in stores and goods for resale within the greyhound stadia. They are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payment' from 31 December 2003. In accordance with the transition provisions included in IFRS 2, its provisions have been applied to all grants after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees and operates an Inland Revenue approved Save As You Earn (SAYE) share option scheme open to all eligible employees which allows the purchase of shares at a discount. The cost to the Group of share-based payment plans 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.

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.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Further descriptions of the Group's share-based payment plans are given in note 36.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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.

Trade receivables

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

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 trade and other payables.

Trade payables

Trade payables are not interest-bearing and are initially measured at their fair value, and subsequently at their amortised cost.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the risks of changes in interest rates and foreign currency exchange rates. The Group uses a mixture of fixed rate borrowings and interest rate swap and collar contracts to hedge its interest rate exposure. The Group makes use of foreign currency forwards to hedge a proportion of its largest foreign currency transactional exposures. As far as possible the Group retains foreign currency cash balances equivalent to its foreign currency liabilities (client deposit accounts) to hedge its exposure to foreign currency exchange rates. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit and loss and is included in the income statement under finance costs. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the line of income statement relating to the hedged item, in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement in the same line as the hedged item, as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement under other operating expenses.

Bets are carried at fair market value as they meet the definition of a derivative. The resulting gains and losses from bets are included in revenue. Assets or liabilities resulting from open positions are reported gross in financial assets and financial liabilities under the term "Derivative financial instruments".

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in this Statement of Group Accounting Policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 year, 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 used in these financial statements. Actual outcomes could vary.

Fair value of derivatives

As described in note 24, 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 experiences or future changes in assumptions will be reflected in subsequent periods. Note 37 provides information on the assumptions used in these financial statements.

Going concern

As highlighted in note 21 and 22 to the financial statements, the Group meets its day to day working capital requirements through its cash resources supplemented by a revolving credit loan facility, which expires on 1 March 2010. As noted in the 'Refinancing' section of the Chairman's Statement, the Group's funding requirements beyond this date have been satisfied by raising approximately £350m through a rights issue, a further £300m through the issue of 7.125% Guaranteed Notes due 2016 and renegotiating the Group's bank loan facilities of £538.5m, which includes a £179.5m revolving credit facility. Whilst current economic conditions create uncertainty over the level of demand for the Group's products; the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its new borrowing 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. Revenue

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

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Rendering of services and revenue as disclosed in the consolidated income statement	997.9	963.7
Other operating income	6.1	6.9
Interest on bank deposits	1.1	3.3
Total revenue as defined in IAS 18	1,005.1	973.9

2. Segment information

For management purposes, the Group is currently organised into three operating divisions – Retail, Online and Telephone. These divisions are the basis on which the Group reports its primary segment information.

Business segment information for the 52 weeks ended 29 December 2009:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	13,670.2	1,281.8	507.7	29.4	–	15,489.1
Payout	(12,912.7)	(1,078.3)	(478.0)	(22.2)	–	(14,491.2)
Revenue	**757.5**	**203.5**	**29.7**	**7.2**	**–**	**997.9**
GPT, duty, levies and other cost of sales	(125.7)	(24.7)	(7.0)	(0.8)	–	(158.2)
Gross profit	631.8	178.8	22.7	6.4	–	839.7
Depreciation	(23.7)	(0.7)	(1.2)	(0.3)	(1.3)	(27.2)
Amortisation[(1)]	(2.1)	(11.3)	(0.8)	–	–	(14.2)
Other administrative expenses	(403.3)	(97.9)	(22.5)	(5.5)	(15.8)	(545.0)
Exceptional operating expense	(8.2)	(10.2)	(34.8)	–	–	(53.2)
Segment operating profit/(loss) pre-exceptional items	**194.5**	**58.7**	**(36.6)**	**0.6**	**(17.1)**	**200.1**
Exceptional items	–	–	–	–	(23.4)	(23.4)
Segment operating profit/(loss) after exceptional items	**194.5**	**58.7**	**(36.6)**	**0.6**	**(40.5)**	**176.7**
Share of result of associate, joint ventures, and impairment charges					(0.3)	(0.3)
Investment income					11.0	11.0
Finance costs					(66.5)	(66.5)
(Loss)/profit before tax					**(96.3)**	**120.9**
Balance sheet information						
Total segment assets	1,383.5	289.7	61.5	14.9	76.7	1,826.3
Total segment liabilities	(38.7)	(51.2)	(9.2)	(0.2)	(789.8)	(889.1)
Investment in associates and joint ventures	–	–	–	–	6.6	6.6
Capital additions	14.4	14.0	2.3	–	4.0	34.7
Included within Total assets:						
Goodwill	681.0	183.9	45.6	7.1	–	917.6
Other intangibles with indefinite lives	484.6	–	–	–	–	484.6

[1] Included within amortisation for the Online segment is £5.5m of amortised intangible assets relating to trade names and affiliate relationships arising from the acquisition of Playtech assets.

2. Segment information (continued)

Business segment information for the 52 weeks ended 30 December 2008:

	Retail £m	Online £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	13,567.0	1,414.8	545.0	27.1	–	15,553.9
Payout	(12,776.3)	(1,289.7)	(505.2)	(19.0)	–	(14,590.2)
Revenue	**790.7**	**125.1**	**39.8**	**8.1**	**–**	**963.7**
GPT, duty, levies and other cost of sales	(135.6)	(20.4)	(9.2)	(1.0)	–	(166.2)
Gross profit	655.1	104.7	30.6	7.1	–	797.5
Depreciation	(25.2)	(1.0)	(0.9)	(0.3)	(2.1)	(29.5)
Amortisation	(2.8)	(3.4)	(0.2)	–	–	(6.4)
Other administrative expenses	(387.0)	(45.7)	(23.6)	(5.6)	(18.2)	(480.1)
Exceptional operating expense	–	(5.4)	–	–	–	(5.4)
Segment operating profit/(loss) pre-exceptional items)	**240.1**	**49.2**	**5.9**	**1.2**	**(20.3)**	**276.1**
Exceptional items	–	86.4	–	–	2.8	89.2
Segment operating profit/(loss) after exceptional items	**240.1**	**135.6**	**5.9**	**1.2**	**(17.5)**	**365.3**
Share of result of associate and joint ventures					(9.5)	(9.5)
Investment income					27.0	27.0
Finance costs					(89.5)	(89.5)
(Loss)/profit before tax					**(89.5)**	**293.3**
Balance sheet information						
Total segment assets	1,363.9	261.0	90.0	15.5	85.9	1,816.3
Total segment liabilities	(38.6)	(39.0)	(8.9)	(0.3)	(1,181.7)	(1,268.5)
Investment in associates and joint ventures	–	–	–	–	6.6	6.6
Capital additions	29.5	17.4	4.9	0.3	–	52.1
Included within Total assets:						
Goodwill	687.8	183.9	80.4	7.1	–	959.2
Other intangibles with indefinite lives	484.3	–	–	–	–	484.3

2. Segment information (continued)

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

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.

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

Reconciliation of segment liabilities to the consolidated balance sheet

	Assets		Liabilities	
	29 December 2009 £m	30 December 2008 £m	**29 December 2009 £m**	30 December 2008 £m
Total segment assets/(liabilities)	**1,826.3**	1,816.3	**(889.1)**	(1,268.5)
Current tax assets/(liabilities)	**–**	–	**(37.0)**	(38.4)
Deferred tax assets/(liabilities)	**24.1**	19.6	**(168.0)**	(171.4)
Total assets/ (liabilities)	**1,850.4**	1,835.9	**(1,094.1)**	(1,478.3)

3. Exceptional items

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

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Operating		
Impairment of assets and costs in relation to termination of NextGen programme[1]	**–**	(4.0)
Integration costs in respect of William Hill Online[2]	**(10.2)**	(1.4)
Impairment of joint venture[3]	**–**	(5.4)
Telephone business goodwill write-off[4]	**(34.8)**	–
Impairment of assets within Willstan Racing (Ireland) Limited[5]	**(8.2)**	–
	(53.2)	(10.8)
Non-Operating		
Gain on disposal of William Hill Online[6]	**–**	86.4
Sale and leaseback of LBO properties[7]	**–**	2.8
Loss on disposal of joint venture[8]	**–**	(1.2)
Fair value loss on hedging arrangements[9]	**(20.5)**	–
Costs in respect of rights issue and re-financing[10]	**(2.9)**	–
	(23.4)	88.0
Total exceptional items	**(76.6)**	77.2

3. Exceptional items (continued)

The tax impact of exceptional items is as follows:

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Tax relief expected in respect of assets impairment and costs in relation to the termination of the NextGen programme[1]	**–**	1.1
Integration costs in respect of William Hill Online[2]	**2.4**	0.3
Impairment of joint ventures[3]	**–**	–
Gain on disposal of William Hill Online[4]	**–**	(1.7)
Deferred tax charge on held over capital gain on sale and leaseback of LBO's[7]	**–**	(0.7)
Tax credit in respect of rights issue and finance costs[10]	**0.3**	
Deferred tax relief on Irish assets write-off[5]	**0.4**	–
Tax credit in respect of fair value loss on hedging arrangements[9]	**5.7**	–
	8.8	(1.0)

1 In November 2007 the Board of directors instigated a review of the NextGen programme. During the 52 weeks ended 30 December 2008, further costs of £4.0m were incurred relating to this decision. There have been no corresponding charges in the 52 weeks ended 29 December 2009.

2 Integration costs of £10.2m have been incurred in relation to the WH Online transaction, including a £4.0m software write-down (52 weeks ended 30 December 2008 £1.4m). See note 6 below.

3 During the 52 weeks ended 30 December 2008, the carrying value of the Spanish joint venture was reviewed in line with IAS 31 "Impairment of assets)" and resulted in an impairment charge of £5.4m. On 10 January 2010, William Hill PLC announced completion of Codere's purchase of William Hill's 50% stake in the Victoria Apuesta joint venture. As per the terms of the agreement, Codere completed the purchase for the sum of 1 euro.

4 Following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors have written down the carrying value of goodwill in the telephone division by £34.8m.

5 Following a review of the carrying value of goodwill in line with the requirements of IAS36, the directors have written down the carrying value of goodwill in the Republic of Ireland LBOs by £6.8m and have also written down fixed assets in the Republic of Ireland LBOs by £1.4m.

6 WH Online – in October 2008, the Group announced its intention to buy certain assets and companies from Playtech Limited in return for a share in its online business. The sale of part of its online business was completed on 30 December 2008 and generated a gain of £86.4m. The tax charge on this gain is low as there is not a disposal of the underlying assets for tax purposes.

7 Income in 2008 arose from the sale and leaseback of 14 LBO properties and is shown net of costs in the corresponding amounts.

8 On 2 July 2008, the Group announced the sale of its Italian joint venture company, William Hill Codere Italia Srl to INTRALOT Italia spa. This resulted in a loss on disposal.

9 The Group's policy is to hedge variable interest rates on its loans at around 80% of the total exposure to variable interest rates, using an equal measure of swaps and collars, with any movements in valuation taken to equity. The proceeds of the rights issue and high yield bond were issued to pay down £650m of debt, resulting in the Group being over-hedged. The Group has therefore de-designated a number of its derivative contracts from hedge accounting and under IAS 39 reclassed the cumulative losses on these contracts to the income statement.

10 On 27 February 2009, the Group announced an underwritten rights issue and refinancing of its bank loans. In addition, in November 2009, the Group issued a £300m corporate bond. Costs relating specifically to the bank refinancing and bond issue have been capitalised and written off over the term of the facilities or life of the bond as appropriate, leaving £2.9m expensed as an exceptional item.

4. Share of results of associates and joint ventures

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Share of profit after taxation in associated undertakings	2.8	2.9
Share of loss after taxation in joint ventures	(3.1)	(5.8)
	(0.3)	(2.9)
Exceptional impairment of joint ventures (note 3)	–	(5.4)
	(0.3)	(8.3)

The above represents the Group's share of the operating profit of Satellite Information Services (Holdings) Limited (SIS) and the Group's joint ventures in Spain and Italy with Codere, further details of which are given in note 15.

5. Operating profit

Operating profit has been arrived at after charging:

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Net foreign exchange (gains)/losses	(0.8)	0.6
Loss/(gain) on disposal of fixed assets	1.0	(0.8)
Depreciation of property, plant and equipment	27.2	29.5
Amortisation of software and trade names	14.2	6.4
Exceptional operating expenses (note 3)	53.2	10.8
Staff costs excluding actuarial losses (note 6)	276.5	263.5

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

	Category[1]	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £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	1	0.2	0.1
Tax services	3	0.1	0.4
All other services	10	0.7	0.4
Total fees payable to Deloitte LLP		1.2	1.1

[1] Fees are broken down by category in accordance with Statutory Instrument 2005 No.2417, The Companies (Disclosure of Auditor Remunerations) 2005 Schedule 2 Regulation 4(3) Costs.

In addition to the above, other fees totalling £nil (52 weeks ended 30 December 2008 – £1.0m) have been capitalised in the consolidated balance sheet in respect of the Playtech transaction and the implementation of the Group's new on-line trading system. Deloitte LLP does not provide services for the Group's pension schemes.

The audit fees payable to Deloitte LLP are reviewed by the Audit Committee to ensure such fees are competitive. The Committee sets the policy for awarding non-audit work to the auditors 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 16,608 (52 weeks ended 30 December 2008 – 16,176) 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 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Wages and salaries	240.9	231.9
Social security costs	19.8	20.4
Other pension net costs (note 37)	35.0	38.6
	295.7	290.9
Share-based remuneration	5.0	4.1
	300.7	295.0

Included in Other pension net costs is £24.2m relating to actuarial losses (52 weeks ended 30 December 2008 – £31.5m), which have been charged to the Statement of Recognised Income and Expense.

7. Investment income

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Interest on bank deposits	1.1	3.3
Fair value gains on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt	–	9.6
Expected return on pension scheme assets (note 37)	9.9	14.1
	11.0	27.0

8. Finance costs

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Interest payable and similar charges:		
Bank loans and overdrafts	31.0	74.9
Amortisation of finance costs	1.6	1.8
Fair value losses on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt (see note 3)	21.2	–
Net interest payable	53.8	76.7
Interest on pension scheme liabilities (note 37)	12.7	12.8
	66.5	89.5

9. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Current tax:		
UK corporation tax at 28% (2008 – 28.5%)	49.9	63.4
Overseas tax	2.0	–
Adjustment in respect of prior years	(4.1)	(7.4)
Total current tax charge	47.8	56.0
Deferred tax:		
Origination and reversal of timing differences	(9.9)	2.0
Impact from changes in statutory tax rates	(2.3)	–
Adjustment in respect of prior years	4.1	1.3
Total deferred tax (credit)/charge	(8.1)	3.3
Total tax on profit on ordinary activities	39.7	59.3

The effective tax rate in respect of ordinary activities before exceptional costs and excluding associate and joint venture income is 24.5% (52 weeks ended 30 December 2008 – 26.6%). The effective tax rate in respect of ordinary activities after exceptional items was 32.8% (52 weeks ended 30 December 2008 – 20.0%). The current period's charge excluding exceptional items is lower than the statutory rate of 28.0% mainly due to a lower effective tax rate on the income of William Hill Online (defined in note 14) and a deferred tax credit resulting from the fall in Gibraltar tax rate, reducing certain deferred tax liabilities. The differences between the total current 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 29 December 2009		52 weeks ended 30 December 2008	
	£m	%	£m	%
Profit before tax	120.9		293.3	
Add: share of results of associates and joint ventures	0.3		2.9	
	121.2	100.0	296.2	100.0
Tax on Group profit at standard UK corporation tax rate of 28% (2008 – 28.5%)	33.9	28.0	84.4	28.5
Impact of changes in statutory tax rates	(2.3)	(1.9)	–	–
Lower effective tax rate of William Hill Online	(5.4)	(4.5)	–	–
Adjustment in respect of prior periods	–	–	(6.1)	(2.1)
Permanent differences – non deductible expenditure	13.5	11.2	4.3	1.5
Permanent differences – non taxable income	–	–	(23.3)	(7.9)
Total tax charge	39.7	32.8	59.3	20.0

The Group earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax.

10. Dividends proposed and paid

	52 weeks ended 29 December 2009 Per share	52 weeks ended 30 December 2008 Per share	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Equity shares:				
– current year interim dividend paid	2.5p	7.75p	17.5	27.0
– prior year final dividend paid	–	15.50p	–	53.8
	2.5p	23.25p	17.5	80.8
Second interim dividend	5.0p	–	34.9	–

The Directors have approved a second interim dividend of 5.0p per share in lieu of final dividend to be paid on 1 April 2010 to ordinary shareholders on the Register of Members on 12 March 2010. In line with the requirements of IAS 10 – 'Events after the Balance Sheet Date', 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 30. The Company estimates that 697.2m 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 29 December 2009			52 weeks ended 30 December 2008 (restated)		
	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	61.1	–	61.1	234.0	–	234.0
Exceptional items (note 3) £m	76.6	–	76.6	(77.2)	–	(77.2)
Exceptional items – tax charge (note 3) £m	(8.8)	–	(8.8)	1.0	–	1.0
Amortisation of intangibles £m	4.0	–	4.0	–	–	–
Minority interest share of exceptional £m	(0.5)	–	(0.5)	–	–	–
Profit after tax for the financial period before exceptional items	132.4	–	132.4	157.8	–	157.8
Weighted average number of shares (million)	641.3	5.8	647.1	494.4	2.6	497.0
Earnings per share (pence)	9.5	(0.1)	9.4	47.3	(0.2)	47.1
Amortisation adjustment £m	0.1	–	0.1	–	–	–
Exceptional adjustment £m	11.0	–	11.0	(15.4)	–	(15.4)
Earnings per share – adjusted	20.6	(0.1)	20.5	31.9	(0.2)	31.7

The comparator figures have been restated to take into account the impact of the rights issue in line with IAS 33 "Earnings Per Share".

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 is to reduce the average number of shares by 4.5m in the 52 weeks ended 29 December 2009 (52 weeks ended 30 December 2008 – 6.2m).

12. Intangible assets

	Goodwill £m	Licence value £m	Trade names, affiliate relationships and NCA[1] £m	Computer software £m	Total £m
Cost:					
At 2 January 2008	872.5	483.9	–	18.4	1,374.8
Additions	–	0.4	–	22.2	22.6
Reclassification of work in progress	–	–	–	2.8	2.8
Recognised on acquisition of subsidiary	114.9	–	19.9	–	134.8
Disposal of 29% interest of Online business	(28.2)	–	–	–	(28.2)
At 31 December 2008	959.2	484.3	19.9	43.4	1,506.8
Additions	–	–	–	14.1	14.1
Reclassification of work in progress	–	0.3	–	–	0.3
At 29 December 2009	959.2	484.6	19.9	57.5	1,521.2
Accumulated amortisation:					
At 2 January 2008	–	–	–	8.9	8.9
Charge for the period	–	–	–	6.4	6.4
At 31 December 2008	–	–	–	15.3	15.3
Charge for the period	–	–	5.5	8.7	14.2
Impairment of assets	41.6	–	–	4.0	45.6
At 29 December 2009	41.6	–	5.5	28.0	75.1
Net book value:					
At 29 December 2009	**917.6**	**484.6**	**14.4**	**29.5**	**1,446.1**
At 30 December 2008	959.2	484.3	19.9	28.1	1,491.5

[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.

As stated in the Statement of Group Accounting Policies, 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 (CGU's). The recoverable amounts of the CGU's 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 periods 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 2009 to the future cash flows of the CGU was 12.2% (2008 – 9.5%) and cash flows beyond the budget period are extrapolated using a 2.4% growth rate (2008 – 2.4%).

The impairment losses of £41.6m relate to £34.8m in the telephone business as a result of competition from offshore operators and the continuing migration of players from telephone to online. In addition, an £8.2m write down was taken on the LBO estate in the Republic of Ireland, being £6.8m of goodwill and £1.4m of property, plant and equipment. This has arisen as a result of the difficult trading and economic conditions in the region.

12. Intangible assets (continued)

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

Cash-generating unit	Reportable segment	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Retail	Retail	–	–
Retail Republic of Ireland	Retail	8.2	–
Online	Online	–	–
Telephone	Telephone	34.8	–
Stadia	Other	–	–
		43.0	**–**

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	1,359.8	474.0
Retail Republic of Ireland	Retail	–	–
Online*	Online	221.8	351.4
Telephone	Telephone	48.4	–
Stadia	Other	13.7	0.9
		1,643.7	**826.3**

[1] William Hill Share only

Sensitivity analysis

The estimated recoverable amounts in Telephone and Stadia equalled or closely approximated the carrying value and, consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognised.

A 20% fall in segment profit across all segments (with all other assumptions remaining constant) would result in further write-downs of approximately £10m in telephone and £1.1m in stadia. All other CGU's would be unaffected.

A 1% increase in the discount rate across all segments (with all other assumptions remaining constant) would result in a further write-down of approximately £5.4m in Telephone. All other CGU's would be unaffected.

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13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost:				
At 2 January 2008	262.4	131.5	5.5	399.4
Additions	25.7	1.7	1.1	28.5
Reclassification of computer software	–	(2.8)	–	(2.8)
Acquisition of subsidiary undertaking	–	1.0	–	1.0
Disposals	(8.3)	–	(1.0)	(9.3)
At 31 December 2008	279.8	131.4	5.6	416.8
Additions	14.1	5.8	0.7	20.6
Reclassification of computer software	–	(0.3)	–	(0.3)
Disposals	(8.6)	–	(4.4)	(13.0)
At 29 December 2009	285.3	136.9	1.9	424.1
Accumulated depreciation:				
At 2 January 2008	88.6	93.1	3.0	184.7
Charge for the period	20.0	8.2	1.3	29.5
Disposals	(6.0)	–	(1.0)	(7.0)
At 31 December 2008	102.6	101.3	3.3	207.2
Charge for the period	18.9	7.1	1.2	27.2
Impairment of assets	0.7	0.7	–	1.4
Disposals	(6.5)	(0.1)	(2.7)	(9.3)
At 29 December 2009	115.7	109.0	1.8	226.5
Net book value:				
At 29 December 2009	**169.6**	**27.9**	**0.1**	**197.6**
At 30 December 2008	177.2	30.1	2.3	209.6

13. Property, plant and equipment (continued)

The net book value of land and buildings comprises:

	29 December 2009 £m	30 December 2008 £m
Freehold	**41.1**	42.7
Long leasehold	**7.9**	8.5
Short leasehold	**120.6**	126.0
	169.6	177.2

Out of the total net book value of land and buildings, £2.4m (30 December 2008 – £2.4m) relates to administration buildings and the remainder represents licensed betting offices. The gross value of assets on which depreciation is not provided amounts to £6.1m representing freehold land (30 December 2008 – £6.2m).

The carrying amount of the Group's fixtures, fittings and equipment includes an amount of £0.5m (30 December 2008 – £1.2m) in respect of assets held under finance leases.

At 29 December 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £7.0m (30 December 2008 – £7.5m).

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	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%	On-line betting and gaming
WHG (International) Limited*	Gibraltar	71%	On-line betting and gaming
William Hill (Malta) Limited*	Malta	71%	On-line betting and gaming
Eurotech Services Limited*	Bulgaria	71%	Customer services
Cellpoint Investments Limited*	Cyprus	71%	Holding company
Ad-gency Limited*	Israel	71%	Marketing services

* These companies make up William Hill Online in which Playtech holds a 29% share.

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

15. Interests in associates and joint ventures

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 and joint ventures.

	Joint ventures £m	Associate £m	Total £m
At 2 January 2008	6.1	6.6	12.7
Additions	8.4	–	8.4
Share of (loss)/profit before interest and taxation	(6.0)	4.0	(2.0)
Share of interest	0.2	0.2	0.4
Share of taxation	–	(1.3)	(1.3)
Disposal of shares	(2.1)	–	(2.1)
Dividend received	–	(2.9)	(2.9)
Impairment	(6.6)	–	(6.6)
At 31 December 2008	–	6.6	6.6
Additions	3.1	–	3.1
Share of (loss)/profit before interest and taxation	(3.1)	4.1	1.0
Share of interest	–	(0.3)	(0.3)
Share of taxation	–	(1.0)	(1.0)
Disposal of shares	–	–	–
Dividend received	–	(2.8)	(2.8)
Impairment	–	–	–
At 29 December 2009	–	6.6	6.6

Associates

At 29 December 2009, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (30 December 2008 – 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 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 horseracing, 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 management accounts for the calendar year 2009.

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:

	29 December 2009 £m	30 December 2008 £m
Total assets	**101.9**	103.7
Total liabilities	**(54.4)**	(69.9)
Total revenue	**209.4**	188.0
Total profit after tax	**17.5**	15.1

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.

15. Interests in associates and joint ventures (continued)

Joint ventures

	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
Codere Apuestas SA	Spain	50%	Betting Services
Codere Apuestas Espana SL	Spain	50%	Betting Services
Garaipen Victoria Apustuak SL	Spain	$33^1/_3$%	Betting Services

During 2008, the Group sold its joint venture holding, William Hill Codere Italia SRL, in Italy, details of which are given in note 3. The following 2009 balance sheet information relates to the remaining joint ventures

	29 December 2009 £m	30 December 2008 £m
Non-current assets	**13.8**	13.2
Current assets	**4.1**	7.5
Total assets	**17.9**	20.7
Current liabilities	**(9.2)**	(8.9)
Total liabilities	**(9.2)**	(8.9)
Net assets	**8.7**	11.8
Total revenue	**6.4**	1.0
Total loss after tax	**(9.3)**	(11.6)

On 20 January 2010, Codere completed the purchase of William Hill's 50% stake in Victoria Apuestas joint venture for the sum of one euro.

16. Inventories

	29 December 2009 £m	30 December 2008 £m
Raw materials, consumables and bar stocks	**0.3**	0.5

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17. Other financial assets

Trade and other receivables

Trade and other receivables comprise:

	29 December 2009 £m	30 December 2008 £m
Trade debtors	3.6	3.1
Other debtors	8.3	1.4
Prepayments	44.0	27.1
	55.9	31.6

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 year, 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.

18. Trade and other payables

Trade and other payables comprise:

	29 December 2009 £m	30 December 2008 £m
Trade creditors	51.6	37.6
Other creditors	7.4	4.9
Accruals and deferred income	50.2	66.7
	109.2	109.2

The average credit period taken for trade purchases is 20 days (30 December 2008 – 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 £35.0m (30 December 2008 – £20.8m) 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.

19. Borrowings

	29 December 2009 £m	30 December 2008 £m
Due in less than one year:		
Obligations under finance leases (note 20)	0.2	0.8
Bank loans (note 21)	374.8	–
	375.0	0.8
Due in more than one year:		
Obligations under finance leases (note 20)	0.3	0.4
Bank loans (note 21)	–	1068.0
High yield bond (note 21)	293.9	–
	294.2	1,068.4
Total borrowings	669.2	1,069.2

20. Obligations under finance leases

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	29 December 2009 £m	30 December 2008 £m	**29 December 2009 £m**	30 December 2008 £m
Amounts payable under finance leases:				
Within one year	**0.2**	0.8	**0.2**	0.8
In the second to fifth years inclusive	**0.3**	0.5	**0.3**	0.4
After five years	**–**	–	**–**	–
	0.5	1.3	**0.5**	1.2
Less: future finance charges	**–**	(0.1)	**–**	–
Present value of lease obligations	**0.5**	1.2	**0.5**	1.2
Less: amounts due within one year	**(0.2)**	(0.8)	**(0.2)**	(0.8)
Amounts due after more than one year	**0.3**	0.4	**0.3**	0.4

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 4.6% (52 weeks ended 30 December 2008 – 4.6%) per annum.

The fair value of the Group's lease obligations approximate to their carrying value.

21. Bank loans and other borrowings

	29 December 2009 £m	30 December 2008 £m
Borrowings at amortised cost		
Bank loans	**375.0**	1,070.0
£300m 7.125% Guaranteed Notes due 2016	**300.0**	–
	675.0	1,070.0
The borrowings are repayable as follows:		
Amounts due for settlement within one year	**375.0**	–
In the second year	**–**	820.0
In the third to fifth years inclusive	**–**	250.0
After more than five years	**300.0**	–
	675.0	1,070.0
Less: expenses relating to bank loans	**(0.2)**	(2.0)
Less: discount on £300m 7.125% Guaranteed Notes due 2016 issued for £297.9m	**(2.1)**	–
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	**(4.0)**	–
	668.7	1,068.0
Less: amount due for settlement within 12 months (shown under current liabilities)	**(374.8)**	–
Amount due for settlement after 12 months	**293.9**	1,068.0

21. Bank overdrafts and loans (continued)

At the beginning of the year, the Group had total bank facilities of £1,450m available to it under two facility agreements. The first, totalling £1,200m repayable on 1 March 2010, and the second, a term loan for £250m repayable on 30 July 2011. On 27 February 2009, £250m of the committed but undrawn facilities from the first agreement were cancelled, reducing the available facilities to £950m. On the same date, new Forward Start Facilities totalling £588.5m, available for drawing from 17 January 2010, were entered into.

On 8 April 2009, the £350m net proceeds of the rights issue were used to repay borrowings under the Group's bank facilities, at the same time the amount available under the first facility was reduced to £700m.

On 12 November 2009, the Company issued £300m 7.125% Guaranteed Notes due 2016, the proceeds of which were used to repay borrowings under the Group's bank facilities. At the same time, £50m of the Group's Forward Start Facilities were cancelled, reducing them to £538.5m.

On 29 January 2010, the Group utilised its new Forward Start Facilities to repay its outstanding bank loans.

Bank Facilities

As at 29 December 2009, the Group's committed bank loan facilities can be summarised as follows:

(i) £700m bank facility (Existing Facility) maturing on 1 March 2010, split equally into a £350m Term Loan and a £350m Revolving Credit Facility; and

(ii) £538.5m Forward Start Facility available from 17 January 2010 and expiring on 31 March 2012 split into a £359m Term Loan and a £179.5m Revolving Credit Facility.

Borrowings under the loan agreements are secured by guarantees given by the Company and by William Hill Organization Limited – one of the principal operating subsidiaries of the Group.

On 29 January 2010, the £359m Term Loan element of the Forward Start Facilities was drawn down and the proceeds used to repay all outstanding borrowings under the Existing Facility which was cancelled on the same date.

Borrowings under The Forward Start Facilities incur interest at LIBOR plus a margin of 2.5% to 3.0%, determined by the Group's consolidated Net Debt to EBITDA ratio. A commitment fee is also payable in respect of available but undrawn borrowings equal to 50% of the margin then applicable.

The finance fees on the new Forward Start Facilities have been allocated to the term loan and revolving facility in proportion to the amounts available under each facility. At 29 December 2009 these amounts have been capitalised as prepayments in the consolidated balance sheet and they will be amortised on a straight line basis over the period for which the facilities remain available. Commitment fees in relation to cancelled facilities have been written off.

Overdraft facility

At 29 December 2009, the Group had an overdraft facility with National Westminster Bank PLC of £5m (30 December 2008 – £5m). The balance on this facility at 29 December 2009 was £nil (30 December 2008 – £nil).

21. Bank overdrafts and loans (continued)

Weight Average Interest Rate

	52 weeks ended 29 December 2009 %	52 weeks ended 30 December 2008 %
The weighted average interest rates paid were as follows:		
Bonds	**7.3%**	–
Bank Loans	**3.8%**	6.8%
Bank Loans including hedging arrangements	**6.8%**	5.8%

On 12 November 2009, the Group issued £300m 7.125% Guaranteed Notes due 2016 priced at a discount to raise £297.9m The issue of the seven year bond is part of the Group's strategy to diversify its debt funding sources and lengthen the maturity profile of its borrowings. The Group used the net proceeds of the bond to pay down bank debt.

Borrowings drawn under the £1,200m facility bore interest at a variable margin of between 0.4% and 0.75% above LIBOR depending on certain financial ratios. From 8th April 2009, the £700m facility bore interest at a variable margin between 0.4% and 2.5% above LIBOR.

A commitment fee of 37.5% of the applicable margin is payable on the undrawn element of the revolving facility. The revolving facility drawn down at 29 December 2009 was £25m (30 December 2008 - £220m).

The £250m borrowings under the second facility agreement bore interest at a fixed margin of 0.9% above LIBOR.

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 the proven cash generation capability of the Group, there is no significant difference between book and fair value of the Group's bank facilities.

The Company's £300m 7.125% Guaranteed Notes due 2016 are listed on the London Stock Exchange and at the balance sheet date their fair value was £306m.

22. Financial risk management

The Group's activities expose it to a variety of financial risks. The principal treasury risks faced by the Group comprise liquidity risk, financing risk, credit risk, interest rate risk and currency risk. These risks are managed as described below.

Treasury risk management is carried out by the Corporate Finance Department under policies approved by the Board of Directors. The Board provides written principles for risk management, as described in the Statement on Corporate Governance on pages 62 to 63.

Liquidity risk

The Group's operations generate strong cash flow. It is the Group's practice to maintain adequate cash balances for its working capital requirements based on regularly updated cash flow forecasts. Requirements that cannot be met from cash flow or 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 21.

The table below details the Group's expected maturity for its non-derivative financial instruments. 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 based on the 3 month LIBOR in existence at the period end date.

22. 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
29 December 2009						
Finance leases	**4.6%**	**0.2**	**0.3**	**–**	**–**	**0.5**
Bond including interest	**7.3%**	**21.3**	**21.3**	**64.3**	**339.9**	**446.8**
Bank loans including interest	**1.0%**	**383.1**	**–**	**–**	**–**	**383.1**
Impact of interest rate hedging	**5.0%**	**27.0**	**11.4**	**3.2**		**41.6**
Other liabilities	**–**	**109.2**	**–**	**–**	**–**	**109.2**
Total		**540.8**	**33.0**	**67.5**	**339.9**	**981.2**
30 December 2008						
Finance leases	4.6%	0.8	0.5	–	–	1.3
Borrowings including interest	2.9%	40.7	834.5	261.3	–	1,136.5
Impact of interest rate hedging	4.9%	11.1	16.5	10.5	–	38.1
Other liabilities	–	109.2	–	–	–	109.2
Total		161.8	851.5	271.8	–	1,285.1

Capital and financing risk

The Group seeks to maintain a capital structure which enables it to continue as a going concern and supports its business strategy. The Group manages its capital structure through the payment of dividends to shareholders, the issue of new shares, buy-backs of existing shares and issuing new borrowings or paying existing borrowings.

The Group manages its financing risk by maintaining a balance between different funding sources including both 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. Steps have been taken during the course of 2009 to extend the Group's borrowing maturity profile by the issue of £300m 7.125% Guaranteed Notes due 2016.

Credit risk

The Group is exposed to credit risk from counterparties defaulting on their obligations resulting in financial loss. It primarily arises from cash balances deposited with banks, trade receivables and from derivative financial instruments with financial institutions. The maximum exposure at 29 December 2009 was £123.4m (2008: £73.7m), consisting of cash and bank balances of £111.5m (2008: £69.2m) and trade and other receivables of £11.9m (2008: £4.5m). It is the Group's policy to spread cash deposits across at least four counterparties with credit ratings of A or above from Standard & Poor's or Moody's. A maximum limit of £20m per counterparty has been set although this limit is currently exceeded in respect of WH Online's cash balances due to operational reasons.

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

Interest rate risk

Interest rate risk arises from the Group's borrowings. The current Group policy is to hedge approximately 80% of its net debt by issuing fixed rate debt or using fixed rate or capped rate derivative instruments including interest rate swaps and collars Details of these arrangements are given in note 24. As a result of the rights issue and the issue of £300m 7.125% Guaranteed Notes due 2016 at a fixed interest rate the Group is currently over-hedged. 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
Increase/(decrease) in profit	6.1	(6.1)
Increase/(decrease) in other equity reserves	5.6	(4.9)

Swaps and collars expiring on 31 December 2009 have been excluded from this analysis as they are not representative of the Groups hedge profile.

22. Financial risk management (continued)

Currency risk

The Group's currency risk arises from transactions undertaken in foreign currencies, foreign currency monetary 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 ensure that changes in exchange rates would not have a material impact on the Group.

Forecast transactional exposures are reviewed at least annually and foreign currency forwards are entered into to hedge any significant foreign currency exposures. These primarily arise from Euro and Israeli shekel transactions arising from the Group's online operations.

Monetary liability exposures arise from customer account balances maintained in foreign currencies. This risk is mitigated as far as possible by maintaining matching foreign currency cash balances.

Translation 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 29 December 2009.

The table below shows net foreign currency denominated monetary assets or liabilities. None of these currency amounts are considered material enough to disclose separately.

Net foreign currency assets/(liabilities)

Net foreign currency monetary assets/(liabilities) are shown below:

	29 December 2009			30 December 2008		
	Sterling £m	Other currencies £m	Total £m	Sterling £m	Other currencies £m	Total £m
Functional currency:						
Sterling	–	(0.5)	(0.5)	–	(0.2)	(0.2)
Other currencies	–	–	–	–	–	–
	–	(0.5)	(0.5)	–	(0.2)	(0.2)

Revenue by currency

Revenue by currency is analysed below:

	52 weeks ended 29 December 2009 %	52 weeks ended 30 December 2008 %
Sterling	90.6	97.7
Euro	7.0	1.8
Other currencies	2.4	0.5
Total	100.0	100.0

23. Financial instruments

The carrying value of the Group's financial instruments (together with non-financial instruments for reconciling purposes are analysed as follows:

At 29 December 2009	Notes	Derivative £m	Loans and receivables £m	Liabilities measured at amortised cost £m	Non-financial instruments £m	Total £m
Assets						
Unlisted non-current asset investments		–	–	–	6.6	6.6
Other non-current assets		–	–	–	1,667.8	1,667.8
Trade and other receivables:						
Trade receivables and similar items		–	3.6	–	–	3.6
Other non-derivative financial assets		–	8.3	–	–	8.3
Non-financial instruments		–	–	–	44.0	44.0
Cash and cash equivalents		–	119.8	–	–	119.8
Other current assets		–	–	–	0.3	0.3
Total assets		–	131.7	–	1,718.7	1,850.4
Liabilities						
Borrowings:						
Current		–	–	(375.0)	–	(375.0)
Non-current		–	–	(294.2)	–	(294.2)
Other financial liabilities:						
Fair value of swaps and collars		(41.9)	–	–	–	(41.9)
Financial liabilities at fair value through Profit and loss account						
Antepost bets		(5.6)	–	–	–	(5.6)
Trade and other payables:						
Trade payables and similar items		–	–	(51.6)	–	(51.6)
Other non-derivative financial liabilities		–	–	(57.6)	–	(57.6)
Current tax liabilities		–	–	–	(57.0)	(57.0)
Other liabilities		–	–	–	(211.2)	(211.2)
Total liabilities		(47.5)	-	(778.4)	(268.2)	(1,094.1)
Net assets/(liabilities)		(47.5)	131.7	(778.4)	1,450.5	756.3

23. Financial instruments (continued)

At 30 December 2008	Notes	Derivative £m	Loans and receivables £m	Liabilities measured at amortised cost £m	Non-financial instruments £m	Total £m
Assets						
Unlisted non-current asset investments		–	–	–	6.6	6.6
Other non-current assets		–	–	–	1,720.7	1,720.7
Trade and other receivables:						
Trade receivables and similar items	17	–	3.1	–	–	3.1
Other non-derivative financial assets	17	–	1.4	–	–	1.4
Non-financial instruments	17	–	–	–	27.1	27.1
Cash and cash equivalents	17	–	76.5	–	–	76.5
Other current assets		–	–	–	0.5	0.5
Total assets		–	81.0	–	1,754.9	1,835.9
Liabilities						
Borrowings:						
Current	19	–	–	(0.8)	–	(0.8)
Non-current	19	–	–	(1,068.4)	–	(1,068.4)
Other financial liabilities:						
Fair value of swaps and collars	24	(36.6)	–	–	–	(36.6)
Financial liabilities at fair value through Profit and loss account:						
Antepost bets	24	(4.9)	–	–	–	(4.9)
Trade and other payables:						
Trade payables and similar items	18	–	–	(37.6)	–	(37.6)
Other non-derivative financial liabilities	18	–	–	(71.6)	–	(71.6)
Current tax liabilities		–	–	–	(61.1)	(61.1)
Other liabilities		–	–	–	(197.3)	(197.3)
Total liabilities		(41.5)	–	(1,178.4)	(258.4)	(1,478.3)
Net assets/(liabilities)		(41.5)	81.0	(1,178.4)	1,496.5	357.6

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

Having considered updated practice and guidance on financial derivative classification detailed in the IAS1 amendments presented in 'Improvements to IFRS', effective for accounting periods beginning on or after 1 January 2009, we have reclassified the presentation of our financial derivatives and aged with reference to the expiry date of the hedging instrument. The prior year comparatives have also been restated to bring them into line.

24. 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 balance sheet date in accordance with the Group's accounting policy note for derivative financial instruments.

Interest rate swaps and hedges

The Group has entered into a number of interest rate swap and collar arrangements as at 29 December 2009 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]		Fair Value	
	29 December 2009 %	30 December 2008 %	**29 December 2009 £m**	30 December 2008 £m	**29 December 2009 £m**	30 December 2008 £m
Less than 1 year	**4.8**	5.4	**640.0**	175.0	**(5.9)**	0.4
1 to 2 years	**5.3**	4.8	**250.0**	640.0	**(9.4)**	(12.0)
2 to 5 years	**5.3**	5.3	**330.0**	700.0	**(26.6)**	(25.0)
After 5 years	**–**	–		–	**–**	–
			1,220.0	1,515.0	**(41.9)**	(36.6)

[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 29 December 2009. This is higher than the effective notional principal of £820m at 29 December 2009, as a number of contracts expire and are replaced by other contracts starting in future periods.

The notional principal hedged under these swaps varies between £415m and £100m over the period to 31 December 2012. At 29 December 2009 the notional principal hedged under these arrangements was £415m. The fixed interest rate under the swaps varies from 4.4% to 5.13%.

In addition, the Group has also entered into interest rate collar arrangements expiring between 31 December 2008 and 31 December 2012 under which the floating LIBOR rate is capped at rates between 4.75% and 5.5% with floors of between 3.75% and 4.50%. The notional principal amount hedged under these arrangements varies between £405m and £100m over the period to 31 December 2012. At 29 December 2009 the notional principal amount under the Group's interest rate collars was £405m.

The fair value of swaps and collars entered into at 29 December 2009 is estimated as a liability of £41.9m (30 December 2008 liability – £36.6m). At 29 December 2009 £120m notional principal of the swaps and £195m notional principal of the collars were designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £21.2m (52 weeks ended 30 December 2008 – £9.6m (received)) has been paid in respect of hedged interest payments in the period.

At the period end the Group had two foreign currency forward contracts in place, to hedge against its exposure to the Euro and Israeli Shekel. The fair value of these was a liability of £0.1m.

25. Deferred tax

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

	At 31 December 2008 £m	Acquired during period £m	Amount charged to reserves £m	Amount credited/ (charged) to income £m	Amount credited to statement of recognised income and expenses £m	**At 29 December 2009 £m**
Accelerated capital allowances	(7.1)	–	–	(1.7)	–	**(8.8)**
Held over gains	(7.8)	–	–	(0.6)	–	**(8.4)**
Retirement benefit obligations	7.3	–	–	(1.9)	6.8	**12.2**
Licences	(132.9)	–	–	(0.1)	–	**(133.0)**
Affiliate relationships	(5.4)	–	–	4.0	–	**(1.4)**
Share remuneration	1.8	–	(1.5)	1.3	–	**1.6**
Derivatives	10.5	–	–	5.3	(5.5)	**10.3**
Properties acquired via business combinations	(18.2)	–	–	1.8	–	**(16.4)**
	(151.8)	–	(1.5)	8.1	1.3	**(143.9)**

	At 2 January 2008 £m	Acquired during period £m	Rate change credited to income £m	Amount credited/ (charged) to income £m	Amount (charged)/ credited to statement of recognised income and expenses £m	**At 30 December 2008 £m**
Accelerated capital allowances	(5.9)	–	–	(1.2)	–	**(7.1)**
Held over gains	(6.0)	–	–	(1.8)	–	**(7.8)**
Retirement benefit obligations	0.9	–	–	(2.4)	8.8	**7.3**
Licences	(132.9)	–	–	–	–	**(132.9)**
Affiliate relationships	–	(5.4)	–	–	–	**(5.4)**
Share remuneration	1.0	–	0.2	0.6	–	**1.8**
Derivatives	(1.2)	–	–	–	11.7	**10.5**
Properties acquired via business combinations	(19.7)	–	–	1.5	–	**(18.2)**
	(163.8)	(5.4)	0.2	(3.3)	20.5	**(151.8)**

The current statutory rate of UK corporation tax of 28% (52 weeks ended 30 December 2008 – 28%) and the Gibraltar statutory income tax rate of 10% (2008 – 27%) 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 (after offset) for financial reporting purposes:

	29 December 2009 £m	30 December 2008 £m
Deferred tax liabilities	**(168.0)**	(171.4)
Deferred tax assets	**24.1**	19.6
	(143.9)	(151.8)

26. Called-up share capital

	29 December 2009		30 December 2008	
	Number of shares	**£m**	Number of shares	£m
Called-up, allotted and fully paid – Ordinary Shares of 10p each:				
At start of period	**353,718,759**	**35.4**	353,718,759	35.4
Shares issued	**347,927,441**	**34.8**	–	–
At end of period	**701,646,200**	**70.2**	353,718,759	35.4

On 8 April 2009, the Group issued 347,927,441 ordinary shares of 10p each, as part of a one-for-one Rights Issue. The shares were issued at £1.05 raising £352.1m after expenses of £13.2m. The excess of cash received over nominal value was recorded as share premium (note 27).

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

27. Share premium

	£m
At 2 January 2008 and 31 December 2008	–
Rights issue	317.3
At 29 December 2009	**317.3**

The share premium reserve records the excess of the cash actually received, on the issue of shares over the nominal amount of the share capital issued. The movement in the period relates to the rights issue outlined in note 26.

28. Capital redemption reserve

	£m
At 2 January 2008, 31 December 2008 and 29 December 2009	**6.8**

The capital redemption reserve arose on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

29. Merger reserve

	£m
At 2 January 2008, 31 December 2008 and 29 December 2009	**(26.1)**

The merger reserve arose following a Group reorganisation in 2002 in preparation for the flotation of the Company.

30. Own shares

	£m
At 2 January 2008	(34.4)
Transfer of own shares to recipients	3.3
At 31 December 2008	(31.1)
Transfer of own shares to recipients	7.2
At 29 December 2009	**(23.9)**

Own shares held comprise:

	29 December 2009			30 December 2008		
	Number of shares	**Nominal value £m**	**Cost £m**	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	**3,810,000**	**0.4**	**20.3**	1,000	–	–
Treasury shares	**701,000**	**0.1**	**3.7**	5,846,000	0.6	31.1
	4,511,000	**0.5**	**24.0**	5,847,000	0.6	31.1

The shares held in treasury were purchased at a weighted average price of £5.32 (30 December 2008 - £5.32). The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £5.32 (30 December 2008 – £1.15). The total value of shares held in treasury and trust was £24.0m (2008: £12.5m).

31. Hedging and translation reserves

	Hedging reserve	Translation reserve £m	Total £m
At 2 January 2008	3.0	0.2	3.2
Change in fair value of hedging derivatives	(32.0)	–	(32.0)
Charged to income	(9.6)	–	(9.6)
Deferred tax arising	11.7	–	11.7
Exchange differences on translation of overseas operations	–	0.5	0.5
At 31 December 2008	(26.9)	0.7	(26.2)
Charged to income statement on de-designation	18.5	–	18.5
Deferred tax on transfer to income statement	(5.2)	–	(5.2)
Charged to income	21.2	–	21.2
Change in fair value of hedging derivatives	(20.0)	–	(20.0)
Deferred tax arising	(0.3)	–	(0.3)
Exchange differences on translation of overseas operations	–	(0.8)	(0.8)
At 29 December 2009	**(12.7)**	**(0.1)**	**(12.8)**

The hedging reserve records the movements on derivative fair values, where movements on the fair value of those derivatives have qualified to be deferred to equity. The translation reserve records the movement of the fair value of overseas subsidiaries as a result of changes in the exchange rate.

32. Retained earnings

	£m
At 2 January 2008	248.2
Dividends paid (note 10)	(80.8)
Net profit for the period	234.0
Actuarial loss recognised in the pension scheme	(31.5)
Deferred tax arising thereon	8.8
Credit to equity in respect of share remuneration	4.1
Tax receipt taken to equity in respect of share remuneration	8.9
Movements on reserves due to transfer of own shares to recipients	(2.4)
At 31 December 2008	389.3
Dividends paid (note 10)	(17.5)
Net profit for the period	81.2
Actuarial loss recognised in the pension scheme	(24.2)
Deferred tax arising thereon	6.8
Credit to equity in respect of share remuneration	5.0
Tax charge taken to equity in respect of share remuneration	(1.5)
Movements on reserves due to transfer of own shares to recipients	(6.4)
Profit attributable to minority interests (note 33)	(20.1)
At 29 December 2009	**412.6**

33. Minority interest

	£m
At 31 December 2008	9.5
Playtech share of profit for the period	20.1
Amounts paid to Playtech	(17.4)
At 29 December 2009	**12.2**

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

Payments are made to Playtech by 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 minority interest. Where they represent additional services rendered, they are disclosed within operating costs in the Interactive segment.

34. Notes to the cash flow statement

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Operating profit before exceptional items	**253.0**	278.6
Adjustments for:		
Share of result of associates and joint ventures	**0.3**	2.9
Depreciation of property, plant and equipment	**28.6**	29.5
Amortisation of computer software	**8.7**	6.4
Amortisation of trade names, affiliates and NCA	**5.5**	–
Loss/(gain) on disposal of property, plant and equipment	**1.7**	(0.7)
Gain on disposal of LBOs	**(0.7)**	(0.1)
Cost charged in respect of share remuneration	**5.0**	4.1
Defined benefit pension cost less cash contributions	**(9.8)**	(7.6)
Foreign exchange reserve movement	**(0.8)**	0.5
Exceptional operating expense	**(8.4)**	(2.4)
Movement on financial derivatives	**0.7**	0.2
Operating cash flows before movements in working capital:	**283.8**	311.4
Decrease in inventories	**0.2**	0.1
Increase in receivables	**(11.7)**	(2.7)
Increase/(decrease) in payables	**7.6**	(1.4)
Cash generated by operations	**279.9**	307.4
Income taxes paid	**(49.3)**	(38.1)
Interest paid	**(60.2)**	(59.4)
Net cash from operating activities	**170.4**	209.9

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and overnight deposits.

35. Operating lease arrangements

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Minimum lease payments under operating leases		
recognised as an expense in the year:		
– plant and machinery	**1.9**	2.2
– other (including land and buildings)	**51.4**	47.9
	53.3	50.1

35. Operating lease arrangements (continued)

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

	29 December 2009 £m	30 December 2008 £m
Within one year	**48.3**	43.8
In the second to fifth years inclusive	**158.4**	147.9
After five years	**243.4**	226.5
	450.1	418.2

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.

36. 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:

(a) Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Executive Bonus Matching Scheme (EBMS) encompassing awards made in the years from 2003 to 2009;

(b) Save As You Earn share option scheme involving options granted after 7 November 2002 (SAYE) encompassing grants made in the years from 2003 to 2009; and

(c) Save As You Earn share option schemes involving options granted before 7 November 2002 (2002 SAYE) encompassing a grant made in 2002.

Details of these schemes are provided on pages 51 and 58 in the Directors' Remuneration Report.

In accordance with the transition provisions included in IFRS 2, the Group has recognised an expense in respect of all grants after 7 November 2002 that were unvested as of 1 January 2005. In the context of the Group's schemes, this includes items (a) and (b) above. The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £5.0m in the 52 weeks ended 29 December 2009 (52 weeks ended 30 December 2008 – £4.1m).

(a) Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Executive Bonus Matching Scheme (EBMS)

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). The LTIP provides conditional awards of shares dependent exclusively on the Group's TSR performance over a three-year period and continued employment of the individual at the date of vesting. In the case of both plans, if the options remain unexercised after a period of ten years from the date of grant, the option lapses.

	29 December 2009 Number	30 December 2008 Number
Outstanding at beginning of the period	**2,513,196**	3,087,927
Granted during the period	**4,331,670**	1,089,181
Rights issue	**1,037,686**	–
Forfeited during the period	**(992,046)**	(1,449,653)
Exercised during the period	**(243,982)**	(214,259)
Outstanding at the end of the period	**6,646,524**	2,513,196
Exercisable at the end of the period	**155,116**	99,634

As the PSP, LTIP and EBMS are conditional awards of shares and the recipients do not have to pay an exercise price, the shares have, in effect, a zero cost exercise price. The weighted average share price at the date of exercise for share awards exercised during the period was £2.01 (52 weeks ended 30 December 2008 – £2.70).

The awards outstanding at 29 December 2009 had a remaining weighted average contractual life of 6.5 years (30 December 2008 – 6.4 years).

36. Share-based payments (continued)

The inputs into the Black-Scholes-Merton pricing formula in respect of these options were as follows:

	29 December 2009	30 December 2008
Weighted average share price at date of grant	£2.70	£3.50
Weighted average exercise price	Nil	Nil
Expected volatility	30%	25%
Expected life	3.6 years	3.8 years
Risk free interest rate	4.1%	4.3%
Expected dividend yield	5.5%	6.6%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life where possible and where this is not possible (due to the fact that the Company was only listed in June 2002), historical volatility has been calculated from a period commencing on 20 September 2002, being three months after the listing of the Company, and ending on the date of grant. This ensures that the volatility calculation is not unduly affected by erratic price movements that arose immediately after flotation. 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. 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 34% and 42% for the 52 weeks ended 29 December 2009 (52 weeks ended 30 December 2008 – 34% to 42%)

The weighted average fair value of the awards granted under the PSP, LTIP and EBMS schemes at the date of grant was £1.07 per option (30 December 2008 – £1.92). The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP, LTIP and EBMS schemes in the 52 weeks ended 29 December 2009 was £2.3m (52 weeks ended 30 December 2008 – £2.5m).

(b) SAYE scheme for grants made in the years from 2003 to 2009

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.

	29 December 2009		30 December 2008	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	3,911,947	3.39	2,928,433	4.15
Granted during the period	5,217,342	1.39	3,151,316	2.80
Rights issue	1,249,503	2.39	–	–
Forfeited during the period	(2,807,018)	(2.20)	(1,823,326)	(3.88)
Exercised during the period	(48,506)	(1.25)	(344,476)	(1.84)
Outstanding at the end of the period	7,523,268	1.78	3,911,947	3.39
Exercisable at the end of the period	479,789	3.10	–	–

The exercise price for the 2003, 2004, 2005, 2006, 2007, 2008 and 2009 SAYE schemes, following the rights issue was £1.24, £2.77, £3.23, £3.25, £3.49 , £1.98 and £1.39 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £2.13 (52 weeks ended 30 December 2008 – £2.96). The options outstanding at 29 December 2009 had a remaining weighted average contractual life of 2.6 years (30 December 2008 – 2.3 years).

36. Share-based payments (continued)

The inputs into the Black-Scholes-Merton pricing formula in respect of these options were as follows:

	29 December 2009	30 December 2008
Weighted average share price at date of grant	£2.55	£3.82
Weighted average exercise price	£1.85	£2.80
Expected volatility	32%	25%
Expected life	4.2 years	4.2 years
Risk free interest rate	4.0%	4.5%
Expected dividend yield	6.4%	5.7%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life where possible and where this is not possible (due to the fact that the Company was only listed in June 2002), historical volatility has been calculated from a period commencing on 20 September 2002, being three months after the listing of the Company, and ending on the date of grant. This ensures that the volatility calculation is not unduly affected by erratic price movements that arose immediately after flotation. 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.

The weighted average fair value of the options granted under these SAYE grants at the date of grant was £0.70 per option (52 weeks ended 30 December 2008 – £0.95). The expense recognised in respect of relevant SAYE grants in the 52 weeks ended 29 December 2009 was £2.7m (52 weeks ended 30 December 2008 – £1.6m).

(c) Pre 7 November 2002 schemes

In accordance with the transition provisions included in IFRS 2, the Group has not recognised an expense in respect of all grants before 7 November 2002 that were unvested as of 1 January 2005. In the context of the Group's schemes, this includes options outstanding in relation to the 2002 SAYE.

	29 December 2009		30 December 2008	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	843,640	1.80	911,800	1.80
Rights Issue	363,666	1.27	–	–
Forfeited during the period	–	–	(2,068)	(1.80)
Exercised during the period	(1,044,131)	(1.27)	(66,092)	(1.80)
Outstanding at the end of the period	163,175	1.27	843,640	1.80
Exercisable at the end of the period	163,175	1.27	–	–

The weighted average share price at the date of exercise for share options exercised during the period was £1.72 (52 weeks ended 30 December 2008 – £4.00). The options outstanding at 29 December 2009 had a remaining weighted average contractual life of 0.1 years (30 December 2008 – 1.1 years).

37. Retirement benefit schemes

The Group operates a number of defined contribution and defined benefit pension schemes in the United Kingdom and Republic of Ireland. 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 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Defined contribution scheme (charged to operating profit)	2.2	2.0
Defined benefit scheme (charged to operating profit)	5.2	6.4
Defined benefit scheme (charged to finance costs)	2.8	(1.3)
Defined benefit scheme (charged to Statement of Recognised Income and Expense)	24.2	31.5
	34.4	38.6

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 29 December 2009, contributions of £0.4m (30 December 2008 – £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 2009 for future service benefits was 25.0% of members' pensionable pay. In addition, during 2009 the Group made an additional contribution of £9.4m as part of the five-year funding plan agreed with the trustees to remove the funding deficit disclosed on the basis of the formal actuarial valuation at 30 September 2004. 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 £14.4m in the next financial period. This includes a further contribution of £9.4m in respect of the funding deficit following the last actuarial valuation at 30 September 2007.

For the purposes of preparing the information disclosed in these accounts, a full actuarial valuation of the scheme was carried out at 30 September 2007 and updated to 29 December 2009 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.

Disclosure of principal assumptions

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

	29 December 2009	30 December 2008
Rate of increase of salaries	4.60%	3.75%
Rate of increase of pensions in payment	3.60%	2.75%
Discount rate	5.70%	6.00%
Rate of increase in inflation	3.60%	2.75%

In accordance with the accounting standard, the discount rate has been determined by reference to market yields at the balance sheet 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

37. Retirement benefit schemes (continued)

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.

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	29 December 2009	30 December 2008
Member currently aged 63	24 years	24 years
Member currently aged 45	25 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 balance sheet 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.

	29 December 2009		30 December 2008	
	Expected return %	value £m	Expected return %	value £m
Equities	6.5	132.0	5.9	91.4
Corporate Bonds	5.7	33.3	6.0	28.4
Gilts and Cash	4.5	64.9	3.9	69.6
Total market value of assets		230.2		189.4
Present value of scheme liabilities		(273.4)		(215.3)
Deficit in scheme		(43.2)		(25.9)

Analysis of the amount charged to operating profit:

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Current service cost	4.8	6.2
Past service cost	0.4	0.2
Total operating charge	5.2	6.4

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

	52 weeks ended 29 December 2009 £m	52 weeks ended 30 December 2008 £m
Expected return on pension scheme assets	(9.9)	(14.1)
Interest on pension scheme liabilities	12.7	12.8
Net cost	2.8	(1.3)

Analysis of the amounts recognised in the Consolidated statement of recognised income and expense:

	52 weeks ended 30 December 2009 £m	52 weeks ended 30 December 2008 £m
Actual (loss)/return less expected return on pension scheme assets	(22.6)	62.1
Experience (gains)/losses arising on the scheme liabilities	(2.6)	–
Changes in assumptions underlying the present value of the scheme liabilities	49.4	(30.6)
	24.2	31.5

37. Retirement benefit schemes (continued)

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

	29 December 2009 £m	30 December 2008 £m
At beginning of period	**215.3**	232.5
Movement in period:		
Service cost	**4.8**	6.2
Interest cost	**12.7**	12.8
Contributions from scheme members	**1.0**	1.1
Actuarial losses/(gains)	**46.8**	(30.6)
Benefits paid	**(7.6)**	(6.9)
Past service cost	**0.4**	0.2
At end of period	**273.4**	215.3

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

	29 December 2009 £m	30 December 2008 £m
At beginning of period	**189.4**	229.2
Movement in period:		
Expected return on scheme assets	**9.9**	14.1
Actuarial gains/(losses)	**22.6**	(62.1)
Contributions from the sponsoring companies	**14.9**	13.9
Contributions from scheme members	**1.0**	1.1
Benefits paid	**(7.6)**	(6.8)
At end of period	**230.2**	189.4

History of experience gains and losses:

	52 weeks ended 29 December 2009	52 weeks ended 30 December 2008	53 weeks ended 1 January 2008	52 weeks ended 26 December 2006	52 weeks ended 27 December 2005
Difference between the actual and expected return on scheme assets:					
Amount (£m)	**22.6**	(62.1)	(0.1)	13.7	18.8
% of scheme assets	**9.8%**	32.8%	0.0%	6.6%	10.9%
Experience gains and (losses) on scheme liabilities:					
Amount (£m)	**2.6**	–	4.9	4.8	2.1
% of the present value of the scheme liabilities	**1.0%**	–	2.1%	2.1%	0.9%
Changes in assumptions underlying the present value of the scheme liabilities	**(49.4)**	30.6	8.1	1.8	(22.4)
% of the present value of the scheme liabilities	**18.0%**	14.2%	3.4%	0.8%	10.1%
Cumulative losses[1] (£m)	**(78.7)**	(54.5)	(23.0)	(35.9)	(52.6)

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

The actual return on scheme assets was £32.5m (2008:£48.0m loss)

37. Retirement benefit schemes (continued)

Sensitivity analysis of the principle 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 by £13.5m (4.9%)
Rate of increase in inflation	Increase by 0.25% p.a.	Decrease by £11.3m (4.1%)
Life expectancy	Members assumed to live one year longer	Increase by £7.1m (2.6%)

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 £230.2m and £273.4m respectively are held on the Group's balance sheet as at 29 December 2009. 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 year, 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.

38. 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, its joint ventures and 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 £32.9m (52 weeks ended 30 December 2008 – £31.2m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 29 December 2009 the amount payable to Satellite Information Services Limited by the Group was £nil (30 December 2008 – £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.

Joint ventures

During the period the Group recharged certain administrative expenses totalling £0.7m (52 weeks ended 30 December 2008 – £1.7m) incurred on behalf of the joint venture, back to them.

At 29 December 2009 £0.7m was receivable from the joint venture (30 December 2008 – £nil).

At 29 December 2009 the Group had entered into a guarantee arrangement with the Royal Bank of Scotland totalling £6.2m, in respect of conditions contained in various licences and concessions awarded to the joint ventures and its online operation in Malta (52 weeks ended 30 December 2008 – £6.6m).

38. 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 29 December 2009	52 weeks ended 30 December 2008
Short-term employee benefits (including salaries)	**1.8**	3.3
Post-employment benefits (employer's contribution)	**0.1**	0.1
Share-based payment (IFRS 2 charges)	**0.4**	0.2
	2.3	3.6

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 29 December 2009 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 auditors' 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 auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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.

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 29 December 2009 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 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 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 29 December 2009 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 Statutory Auditors
London, United Kingdom

26 February 2010

Parent Company Balance Sheet

as at 29 December 2009

	Notes	29 December 2009 £m	30 December 2008 £m
Fixed assets			
Investments	4	**38.2**	38.2
		38.2	38.2
Current assets			
Debtors			
Due within one year	5	**1,941.6**	1,838.0
Due after more than one year	6	**10.3**	10.5
		1,951.9	1,848.5
Creditors: amounts falling due within one year	7	**(730.0)**	(339.3)
Net current assets		**1,221.9**	1,509.2
Total assets less current liabilities		**1,260.1**	1,547.4
Creditors: amounts falling due after more than one year	8	**(329.7)**	(1,105.0)
Net assets		**930.4**	442.4
Capital and reserves			
Called-up share capital	10,12	**70.2**	35.4
Premium on ordinary shares	11,12	**317.3**	–
Capital redemption reserve	12	**6.8**	6.8
Own shares held	12	**(3.7)**	(31.1)
Hedging reserve	12	**(12.7)**	(26.9)
Profit and loss account	12	**552.5**	458.2
Equity shareholders' funds	12,13	**930.4**	442.4

The Parent Company financial statements of William Hill Plc, registered number 4212563, were approved by the Board of directors and authorised for issue on 26 February 2010 and are signed on its behalf by:

R J Topping
Director

S P Lane
Director

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 included in 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 trade and other payables.

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 36 of the Group financial statements.

Going concern

As highlighted in note 21 and 22 to the Group financial statements, the Group meets its day to day working capital requirements through its cash resources supplemented by a revolving credit loan facility, which expires on 1 March 2010. As noted in the 'Refinancing' section of the Chairman's Statement, the Group's funding requirements beyond this date have been satisfied by raising approximately £350m through a rights issue, a further £300m through the issue of 7.125% Guaranteed Notes due 2016 and renegotiating the Group's bank loan facilities of £538.5m, which includes a £179.5m revolving credit facility. Whilst current economic conditions create uncertainty over the level of demand for the Group's products; the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its new borrowing 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 these 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 56–58, 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:

	29 December 2009 Number[1]	30 December 2008 Number
Chairman		
Charles Scott	**251,634**	125,817
Executive directors:		
Simon Lane	**3,000**	1,500
Ian Spearing[1]	**24,757**	24,757
Ralph Topping	**27,112**	13,556
Non-executive directors:		
David Allvey	**26,666**	13,333
David Edmonds	**24,000**	12,000
Barry Gibson[1]	**34,462**	17,231
Ashley Highfield	**–**	–

1 As at the period end or date of resignation

No changes took place in the interests of directors between 29 December 2009 and 26 February 2010.

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 51 to 58, 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 29 December 2009 of £130.2m (52 weeks ended 30 December 2008 – £132.7m).

The auditors' remuneration for audit and other services is disclosed in note 5 to the Group financial statements.

3. Dividends proposed and paid

	29 December 2009 Per share	30 December 2008 Per share	29 December 2009 £m	30 December 2008 £m
Equity shares:				
– current year interim dividend paid	2.5p	7.75p	17.5	27.0
– prior year final dividend paid	–	15.50p	–	53.8
	2.5p	23.25p	17.5	80.8
Second interim dividend	5.0p	–	34.9	–

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 30 December 2008 and 29 December 2009	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

	29 December 2009 £m	30 December 2008 £m
Amounts owed by Group undertakings	1,929.6	1,837.6
Derivative financial instruments (note 9)	–	0.4
Prepaid Finance Fees	12.0	–
	1,941.6	1,838.0

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

Deferred tax

	29 December 2009 £m	30 December 2008 £m
At start of period	10.5	(1.2)
Deferred tax on hedging movement	(0.2)	11.7
At end of period	10.3	10.5

7. Creditors: amounts falling due within one year

	29 December 2009 £m	30 December 2008 £m
Bank loans	375.0	–
Amounts owed to Group undertakings	341.5	323.6
Accruals and deferred income	7.0	15.7
Derivative financial instruments (note 9)	6.5	–
	730.0	339.3

In line with the classification change in the Group financial statements, financial derivatives have been reclassified with reference to the expiry date of the hedging instrument. The prior year comparatives have also been restated to bring this into line. Further details can be found in note 23 to the Group financial statements.

8. Creditors: amounts falling due after one year

Bank overdrafts, loans and derivative financial instruments	29 December 2009 £m	30 December 2008 £m
Borrowings at amortised cost		
	–	1,070.0
£300m 7.125% Guaranteed Notes due 2016	300.0	–
	300.0	1,070.0
The borrowings are repayable as follows:		
Amounts due for settlement within one year	–	–
In the second year	–	820.0
In the third to fifth years inclusive	–	250.0
After more than five years	300.0	–
	300.0	1,070.0
Less: expenses relating to bank loans	(0.2)	(2.0)
Less: discount on bond issue £300m issued at £297.9m	(2.1)	–
Less: expenses relating to £300m 7.125% Guaranteed Notes due 2016	(4.0)	–
	293.7	1,068.0
Derivative financial instruments (note 9)	36.0	37.0
Amount due for settlement after 12 months	329.7	1,105.0

At the beginning of the year, the Company had total bank facilities of £1,450m available to it under two facility agreements. The first, totalling £1,200m repayable on 1 March 2010, and the second a Term Loan for £250m repayable on 30 July 2011. On 27 February 2009, £250m of the committed but undrawn facilities from the first agreement were cancelled, reducing the available facilities to £950m. On the same date, new Forward Start Facilities totalling £588.5m, available for drawing from 17 January 2010, were entered into.

On 8 April 2009, the £350m net proceeds of the rights issue were used to repay borrowings under the Company's bank facilities, this included the full repayment of the £250m Term Loan due on 30 July 2011. At the same time the amount available under the first facility was reduced to £700m.

On 12 November 2009, the Company issued £300m 7.125% Guaranteed Notes due 2016, the proceeds of which were used to repay borrowings under the Company's bank facilities. At the same time £50m of the Company's Forward Start Facilities were cancelled, reducing them to £538.5m.

On 29 January 2010, the Company utilised its new Forward Start Facilities to repay its outstanding bank loans.

Further details of bank loans are shown in note 21 of the Company 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 22 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 29 December 2009 was £nil (30 December 2008 – £nil).

10. Called-up share capital

	29 December 2009		30 December 2008	
	Number of shares	£m	Number of shares	£m
Called-up, allotted and fully paid – ordinary shares of 10p each:				
At start of period	**353,718,759**	**35.4**	353,718,759	35.4
Rights issue	**347,927,441**	**34.8**	–	–
At end of period	**701,646,200**	**70.2**	353,718,759	35.4

On 8 April 2009, the Group issued 347,927,441 Ordinary Shares of 10p each, as part of a one for one Rights Issue. The shares were issued at £1.05 raising £352.1m after expenses of £13.2m. The excess of cash received over nominal value was recorded as share premium (note 11).

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		Between 2006 and 2013
Long Term Incentive Plan (2004)	20,577		Between 2007 and 2014
Operating Bonus 2004	6,075		Between 2007 and 2014
Performance Share Plan (2005)	56,223		Between 2008 and 2015
Performance Share Plan (2006)	70,370		Between 2009 and 2016
Executive Benefit Matching Scheme (2007)	676,281		Between 2010 and 2017
Executive Benefit Matching Scheme (2008)	1,502,902		Between 2011 and 2018
Executive Benefit Matching Scheme (2009)	4,312,225		Between 2012 and 2019
SAYE 2002	163,175	£1.27	Between 2005 and 2010
SAYE 2003	135,649	£1.24	Between 2006 and 2011
SAYE 2004	178,987	£2.77	Between 2007 and 2012
SAYE 2005	89,875	£3.23	Between 2008 and 2013
SAYE 2006	494,801	£3.25	Between 2009 and 2014
SAYE 2007	354,098	£3.49	Between 2010 and 2013
SAYE 2008	1,463,268	£1.98	Between 2011 and 2014
SAYE 2009	4,806,590	£1.39	Between 2012 and 2015

Note 36 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

11. Share premium

	£m
At 2 January 2008 and 31 December 2008	–
Rights issue	317.3
At 29 December 2009	317.3

The share premium reserve records the excess of the cash actually received on the issue of shares over the nominal amount of the share capital issued. The movement in the period relates to the rights issue outlined in note 10.

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 31 December 2008	35.4	–	6.8	(31.1)	(26.9)	458.2	442.4
Retained profit for the financial period	–	–	–	–	–	130.2	130.2
Shares issued as part of rights issue	34.8	317.3	–	–	–	–	352.1
Transfer of own shares to recipients	–	–	–	27.4	–	(18.4)	9.0
Change in fair value of derivatives	–	–	–	–	1.2	–	1.2
Transfer to income on derivatives	–	–	–	–	18.5	–	18.5
Deferred tax on derivatives	–	–	–	–	(5.5)	–	(5.5)
Dividends paid	–	–	–	–	–	(17.5)	(17.5)
At 29 December 2009	**70.2**	**317.3**	**6.8**	**(3.7)**	**(12.7)**	**552.5**	**930.4**

13. Reconciliation of movements in equity shareholders' funds

	29 December 2009 £m	30 December 2008 £m
Opening equity shareholders' funds as previously reported	**442.4**	419.7
Profit for the financial period	**130.2**	132.7
Dividends paid	**(17.5)**	(80.8)
Issue of shares during the period (note 12)	**352.1**	–
Change fair value of derivative	**19.7**	(41.6)
Deferred tax on change in fair value of derivative	**(5.5)**	11.7
Movement on reserves due to transfer of own shares to recipients	**9.0**	0.7
Net increase to equity shareholders' funds	**488.0**	22.7
Closing equity shareholders' funds	**930.4**	442.4

14. Financial commitments

The Company had no capital commitments at 29 December 2009 (30 December 2008 – £nil).

The Company had no commitments under non-cancellable operating leases at 29 December 2009 (30 December 2008 – £nil).

Details of bank guarantees given to the Group's joint ventures are shown in note 38 of the Group financial statements.

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Summarised results:					
Amounts wagered	**15,489.1**	15,553.9	14,797.1	13,235.9	10,746.1
Revenue	**997.9**	963.7	933.6	894.2	805.3
Profit from operations before exceptional items (including associates)	**253.0**	278.6	286.7	292.2	245.0
Profit from operations after exceptional items (including associates)	**199.8**	267.8	265.8	292.2	218.1
Profit before tax	**120.9**	293.3	209.2	235.4	174.6
Profit for the financial period	**81.2**	234.0	157.4	166.8	113.1
Summarised balance sheets:					
Assets employed:					
Non-current assets	**1,674.4**	1,727.3	1,595.2	1,563.5	1,528.1
Current assets	**176.0**	108.6	107.5	144.0	97.4
Current liabilities	**(552.7)**	(212.6)	(148.5)	(181.4)	(143.7)
Non-current liabilities	**(541.4)**	(1,265.7)	(1,321.1)	(1,335.6)	(1,225.7)
Long term provisions	**–**	–	–	–	(7.5)
Net assets	**756.3**	357.6	233.1	190.5	248.6
Financed by:					
Equity attributable to equity holders of the parent	**744.1**	348.1	233.1	190.5	248.6
Minority interest	**12.2**	9.5	–	–	–
Total equity	**756.3**	357.6	233.1	190.5	248.6
Key statistics:					
+ EBITDA (£m)	**300.8**	318.6	352.2	325.0	269.8
Basic earnings per share (pre-exceptionals) [1]	**20.6**	31.9	33.4	32.0	20.1
Diluted earnings per share (post-exceptionals) [1]	**20.5**	31.7	31.2	31.7	19.9
Dividends per share (paid)[2]	**2.5**	23.3	22.2p	19.5p	17.1p
Share price – high	**£2.65**	£5.00	£6.76	£6.63	£6.24
Share price – low	**£1.61**	£1.55	£4.80	£5.35	£4.85

+ EBITDA represents profit on ordinary activities before finance charges, tax, depreciation, share remuneration charges and amortisation and excludes exceptional items and impairment of goodwill.

All amounts are stated on an IFRS basis

[1] Earnings per share for the periods 2005 to 2008 have been restated to reflect the rights issue in accordance with IAS33 Earnings Per Share

[2] Dividends per share have been presented on a paid basis

Shareholder information

William Hill listed on the London Stock Exchange on 20 June 2002 and the share price on listing was 225p. Shareholders can access the current share price at www.williamhillplc.co.uk

To find the shop closest to you, go to our shop locator at www.williamhillplc.co.uk

Financial calendar

Preliminary announcement
26 February 2010

AGM

11 May 2010

Registrar

The registrar of the company is Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA (www.capitaregistrars.com). Telephone 0870 162 3100. Please contact Capita for advice regarding any change of name or address, transfer of shares or loss of share certificate. Capita 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 Capita Registrars.

Professional advisers

Auditors:
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Financial adviser and
corporate broker:
Citi
Citigroup Centre
33 Canada Square
London E14 5LB

Investec
2 Gresham Street
London EC2V 7QP

Financial PR agency:
Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Registrars:
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LD

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

CPI
Consumer price index

CR
Corporate responsibility

CRRIC
Corporate Responsibility and Regulatory Issues Committee

DCMS
Department of Culture, Media and Sport

DOM
District operations manager

DPS
Dividends per share

EBIT
Earnings before interest and taxation, otherwise described as "operating profit"

EBITA
Earnings before interest, tax and amortisation of affiliates, trade names and non-competition agreements

EBITDA
Earnings Before Interest, Taxation, Depreciation and Amortisation

EBMS
Executive Bonus Matching Scheme

EPS
Earnings per share

FTE
Full time equivalent

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

LACORS
Local Authority Co-ordinators of Regulatory Services

LBO
Licensed betting office

LTIP
Long Term incentive plan

MLRO
Money Laundering Reporting Officer

NCA
Non-competitive agreement

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

PBIT
Profit Before Tax and Interest

Pro forma
The pro forma numbers compare William Hill Online's performance with that of the equivalent enlarged business in 2008. All other numbers compare William Hill Online with William Hill's standalone interactive business

PSP
Performance Share Plan

RGA
Remote Gambling Association

RIGT
Responsibility in Gambling Trust

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

William Hill Online
William Hill Online is a joint venture between William Hill and Playtech. William Hill owns 71% and Playtech 29%.

Our websites

Keep up-to-date…

williamhillplc.com/wmh/investors

The comprehensive Investors section on our corportae website features:

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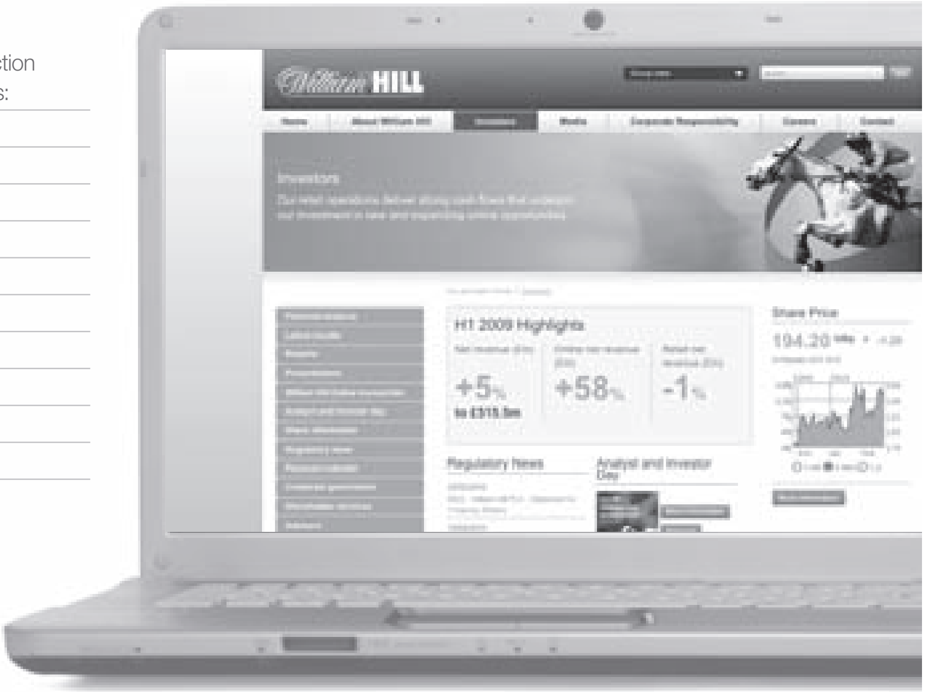

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William Hill PLC
Greenside House
50 Station Road
Wood Green
London N22 7TP

T 020 8918 3600
F 020 8918 3775

Registered number: 421 2563 England