Annual Report and Accounts 2008

Introduction

William Hill is one of the UK's leading betting and gaming companies. Through our various channels – retail, telephone and online – we take around £15bn in bets and wagers a year and offer an expert service to all our customers.

We are one of the UK's largest bookmakers and also operate in Ireland, with a total of approximately 2,300 shops that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. Our online business, William Hill Online, provides sports betting, casino games, poker, bingo, numbers betting and skill games via various websites and is one of the leading European online betting and gaming businesses. We are also one of the largest telephone betting businesses in the UK.

About this Annual Report
This is the Annual Report for the year ended 30 December 2008. It contains the Annual Report and Financial Statements in accordance with UK regulations. References to the Group and William Hill throughout this document relate to William Hill PLC and all of its subsidiary and associated undertakings. References to the Company are to William Hill PLC, the ultimate holding company. For further information on William Hill, please visit our website at www.williamhillplc.co.uk

Statements contained within this document may contain forward-looking comments, which involve risks and uncertainties that may cause actual events or results or the actual performance of the Group to differ materially from those reflected or contemplated in such forward-looking statements. In some cases, you can identify such forward-looking statements by terminology such as 'may', 'will', 'could', 'forecasts', 'expects', 'plans', 'anticipates', 'believes', 'intends', 'estimates', 'predicts', 'potential' or 'continue'. Forward projections reflect management's best estimates based on information available at the time of issue.

Retail

One of the UK's largest bookmakers and telephone betting companies

2,300

The number of licensed betting offices operated by William Hill in the UK and Ireland

101

The number of shops opened, resited or extended in 2008

82%

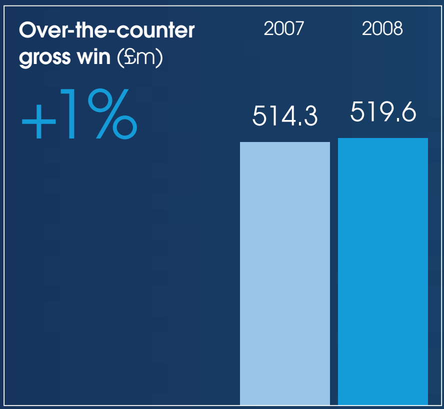
The percentage of the Group's gross win contributed by the retail channel

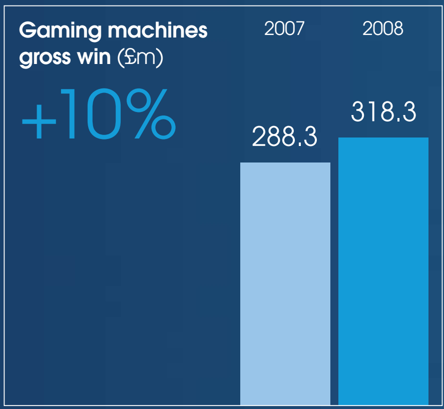
£24m

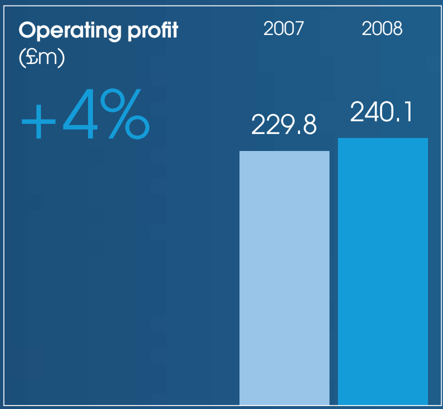
The amount invested in our retail estate in 2008 as part of a continuing estate development programme

8,549

The average number of gaming machines available in William Hill shops in 2008, offering games such as roulette, blackjack and virtual racing







Online

One of the leading European online betting and gaming businesses

45%

The proportion of the global online betting and gaming market that is estimated to be generated in Europe, William Hill Online's current primary market

30 December 2008

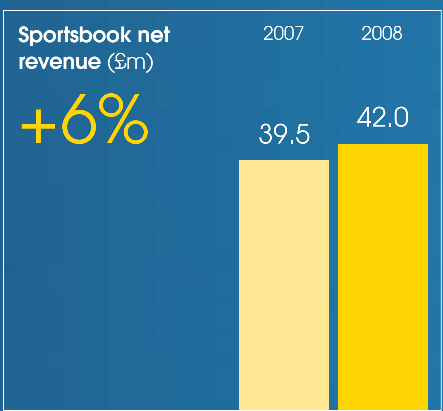
The day William Hill Online was established through a combination of William Hill Interactive and assets, businesses and contracts acquired from Playtech

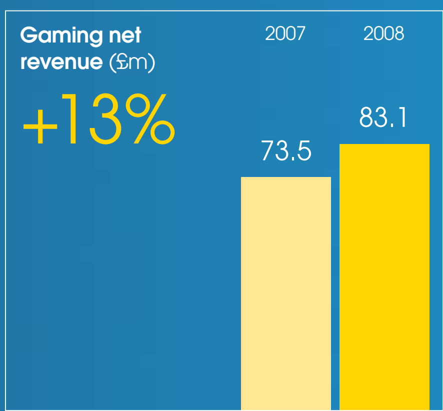
60

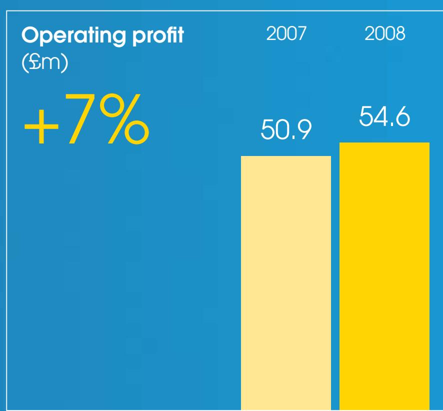
The number of new games launched on www.williamhill.com in 2008

3 December 2008

The day the new William Hill Sportsbook was launched, using the Orbis technology platform

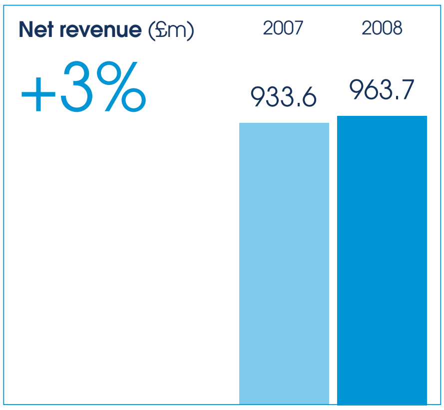


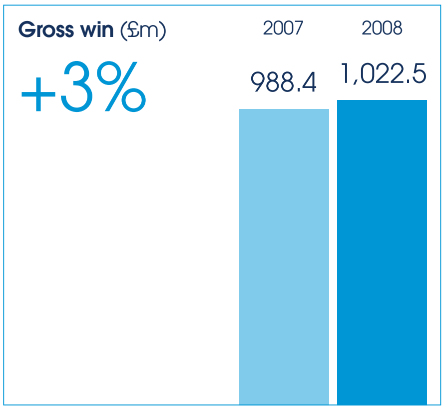


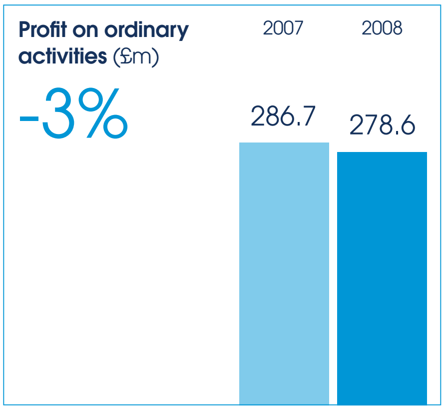


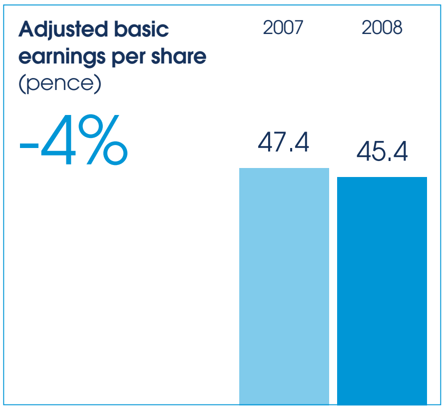
www.williamhill.com

Financial Highlights









All numbers are on a pre-exceptional basis

One of the UK's largest bookmakers

Wide range of betting and gaming products

William Hill's 2,300 shops make up around a quarter of the UK Licensed Betting Office (LBO) market. In our shops, we provide customers with access to real-time sports information and live race or match coverage via satellite on our multi-screen television system. While horse racing is still a popular betting product, we now offer odds on an extensive range of sports, including football, golf and cricket. Customers can also play roulette, blackjack and other games on machines, which account for around one third of total gross win from our shops.


KAUTO STAR

Establishing a strong platform for growth

Charles Scott
Chairman

William Hill achieved a robust trading performance in 2008, with Group gross win of £1,022.5m, net revenue of £963.7m and operating profit of £278.6m. Gross win and net revenue were 3% higher than in 2007, a 53-week period, and 6% higher on a 52-week comparison with 2007. Operating profit was 3% lower than the 53-week period in 2007 and 1% lower on a 52-week comparison with 2007. Basic earnings per share excluding exceptional items was 45.4p.

Our retail business, which accounts for 82% of the Group's gross win, delivered a strong trading performance in 2008 in spite of the challenging economic conditions. On a 52-week basis, gross win grew by 7% and operating profit by 7%. We have achieved this growth by continuing to invest in the development of our LBO estate and by implementing various cost management measures that kept the underlying cost increase in the period to 3%. This helped to offset some of the additional costs from the introduction of Turf TV as a second supplier of television pictures from racecourses into the LBOs and the first full-year effect of extended winter opening hours.

Shortly after Ralph Topping's appointment as Chief Executive in February 2008, we announced our intention to increase our focus on the growth opportunities in gaming and online gambling, having seen our leading position eroded over recent years. We achieved positive growth in our existing online business, delivering on a 52-week basis net revenue growth of 13%, operating profit growth of 10% and an 18% increase in active accounts.

More importantly, we established a strong platform for continued growth by addressing our key deficiencies in technology and capabilities. First, we launched our new Sportsbook on the industry-leading Orbis software platform, which offers customers significant improvements, such as richer site content and a full range of in-running betting opportunities. Second, we established William Hill Online as one of Europe's leading online betting and gaming businesses by combining our existing online sports betting and gaming business with certain assets acquired from Playtech.

The Board believes William Hill Online is well placed to capitalise on the significant growth projected to come from online betting and gaming over the next few years. Full integration will take up to nine months to complete but the team has already made good progress, including launching new poker and casino websites using Playtech's software. Once integrated, we will be able to apply the skills of the specialised online marketing and customer management teams we acquired to all customers in the business and to cross-sell more effectively the full range of sports betting and gaming products that we offer, including the new Sportsbook.

The online channel is our preferred approach for targeting betting and gaming customers internationally as it is the most cost-effective mechanism for reaching large, geographically diverse customer bases.

Whilst land-based expansion remains a longer term opportunity, we recognise that the current economic climate is making such capital-intensive, long-term investments more challenging. As a result, we sold our Italian joint venture in July 2008. In Spain, we are now trading in 74 locations in Madrid and the Basque region and we are in discussion with Codere S.A. (Codere), our joint venture partner in Spain, as to the future strategic direction of the joint venture.

Refinancing

As previously highlighted, we have been in dialogue with our banks regarding our borrowing facilities, £1.2bn of which are due to mature in March 2010. At the time of publishing this Annual Report, we announced that William Hill has entered into new bank facilities that, "The Board remains confident about the prospects for the business, both in the UK retail market and in the online market."

under a forward-start mechanism, and together with our £250m existing bank facility, will provide aggregate funding to the Group of £838.5m. In addition, the Board announced that it proposes to raise approximately £350m (net of expenses) by way of a fully underwritten 1 for 1 Rights Issue.

The Board's decision to issue equity has been driven by the dramatic deterioration in credit markets since August 2007, which has resulted in banks seeking to reduce their overall lending to borrowers.

Notwithstanding the Group's continued trading resilience, strong cash generation and recent actions to reduce our funding requirements from £1.45bn to approximately £1.2bn and the reduction in net debt of £86m to £1,022m during 2008, the current credit market conditions have not made it possible for William Hill to refinance the Group's existing bank facilities in full in the bank market.

Together, the refinanced bank facilities and the proceeds from the fully underwritten rights issue will result in a significant decrease in the Group's net debt with an improved facility maturity profile, and result in a strengthened balance sheet and improved credit ratios. The Board believes that, with the new bank facilities and the Rights Issue, William Hill will have a robust capital structure and appropriate financial flexibility to enable the Group to continue to execute our growth strategy.

Dividend
William Hill will not be paying a final 2008 dividend. Following the Rights Issue, the Board expects to adopt a dividend policy based initially on a dividend cover of 2.5 times underlying earnings, with the intention of moving towards 2.0 times dividend cover over time. The Board expects to pay an interim and final dividend for 2009 in line with this dividend policy. The dividend policy is aimed at ensuring that shareholders continue to benefit from the successful growth and strong cash flows of the Group.

Outlook
The Board remains confident about the prospects for the business, both in the UK retail market and in the online market. While it is unclear how the current economic climate might affect our business in the coming months, performance in 2008 as a whole, in the fourth quarter of the year and in 2009 to date has been resilient. We believe that this resilience is supported by the broader geographical base of the retail business across the UK, the expanding product range offered across our channels, the widening customer base, and the fact that betting and gaming remain low-ticket, entertainment-led activities.

Given the current economic climate, we are focused on maintaining tight cost control and capital management. During 2009, we expect to see further benefits accruing to our retail business from the cost initiatives implemented in 2008, including the new staffing model. At the same time, we will continue to invest in William Hill Online to achieve growth in revenue and overall customer numbers.

We reduced our capital expenditure significantly during 2008 and intend to maintain this lower level of expenditure during 2009. In addition, our capital expenditure approval process has become more stringent. During the coming year, we intend to focus our estate development programme on new LBO sites and re-sites where we expect to achieve the best rates of return.

Board of Directors
During the course of the year, there were three changes to the Board of Directors.

In February 2008, Ralph Topping was appointed Chief Executive, having previously held various positions within the Group, including Group Director, Operations, with responsibility for the Group's UK-based operations, Retail Operations Director and Internet Director. He joined William Hill in 1973 and had been a member of the Board since April 2007.

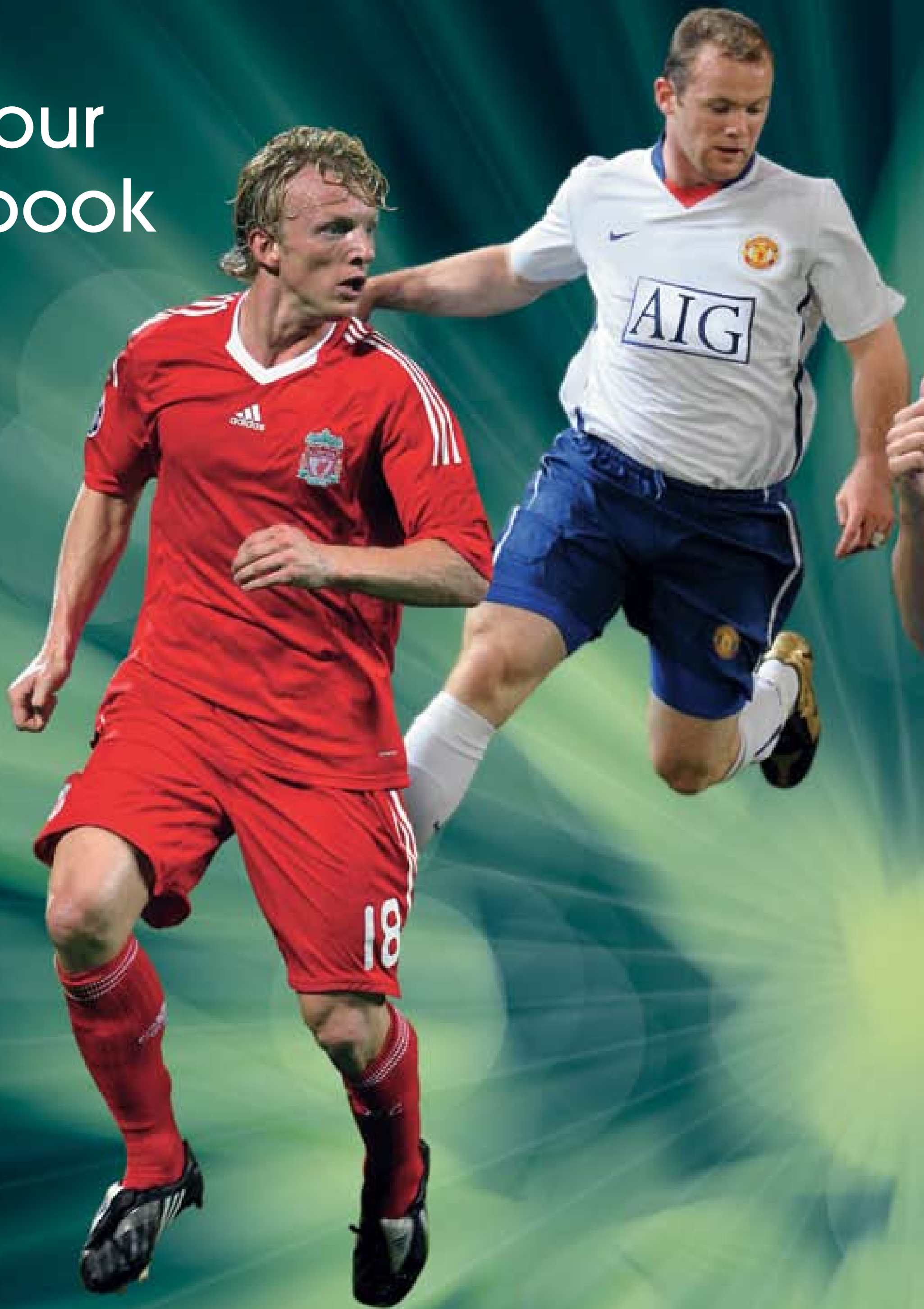
In November 2008, Ashley Highfield was appointed a non-executive director. He is currently Managing Director and Vice President of Consumer and Online UK at Microsoft and has wide-ranging experience and knowledge of existing and emerging technologies.

In December 2008, Ian Spearing, Corporate Affairs Director, retired from the Board and the Group. On behalf of the Board, I would like to thank Ian for his dedicated service and contribution during his 18 years with the Group.

Finally, I would like to thank all our colleagues for their hard work in 2008 and for delivering a strong performance in challenging circumstances.

Charles Scott
Chairman

Launching our new Sportsbook



In-running betting online

In December 2008, we launched our new online Sportsbook, www.williamhill.com, which can offer customers a full range of in-running betting. The state-of-the-art site features increased levels of content, including form, news, reviews, live radio commentary and live streaming of many leading sports, and provides more betting opportunities on more events, more quickly than ever before. Customers also benefit from six language options and more local currency betting.


SAMSUNG
Fly Emirates
Arsenal

Taking transformational steps

"The core of our business is an extensive retail estate of around 2,300 shops that generate around 82% of our total net revenue."

Ralph Topping
Chief Executive

Overview

Our strategy aims to deliver sustainable earnings growth and value for shareholders by:

- **Continuing to enhance the earnings of our core retail business by maximising organic growth opportunities and effectively managing costs;**
- **Exploiting the growth opportunity in online betting and gaming; and**
- **Selectively pursuing value-enhancing acquisitions.**

Our retail business

William Hill is one of the UK's largest bookmakers and also operates in Ireland, with a total of approximately 2,300 LBOs that provide betting opportunities on a wide range of sporting and non-sporting events and, in the UK only, offer gaming machines. In this consolidated market, we aim to maximise the significant cash generation from this business by growing gross win while carefully managing costs.

We believe we can continue to grow our retail business by:

- developing our retail estate;
- offering a broad product range; and
- capitalising on any opportunities created by fiscal and regulatory changes.

Developing our estate

Through an ongoing development and modernisation programme, we continue to expand our estate in the UK and to upgrade the location, facilities and size of our LBOs in order to deliver incremental growth. We operate a rigorous process for prioritising capital expenditure for both maintenance of the estate and value-creating investments in order to achieve our target returns on capital.

Offering a broad product range

In our shops, we offer an extensive range of betting opportunities, including UK horse racing, greyhound racing, football, overseas horse racing and numbers betting. Since 2001, when a change in the tax regime made lower-margin products more commercially attractive, we have been able to offer a greater range of products on gaming machines in our shops, which now generate around one third of the gross win from the high street retail channel.

Capitalising on opportunities created by fiscal and regulatory changes

We have successfully grown our retail channel by capitalising on fiscal and regulatory changes and we will continue to adapt to such opportunities as they arise. To date, these include responding to the change from a turnover-based tax system to a gross profit tax system by expanding the number of products offered by gaming machines and responding to the growth opportunities of the internet.

Managing our costs

Given the relatively high fixed costs necessary to operate this business effectively, changes in gross win can have a significant effect on operating profit. We, therefore, place considerable emphasis on cost control. For example, we have recently adopted a more efficient LBO staffing model and undertaken a detailed analysis of the effectiveness of extended winter evening opening.

"The internet-based gaming and betting market is expected to continue to grow at double-digit rates for at least the next three to five years."

Our online business

Initially, we benefited from a first-mover advantage in this market and built a market-leading position in the UK. During the last two years, our lead was eroded and we lost market share as a result of aggressive competition. Since coming in as Chief Executive, one of my key changes has been to refocus the business on this opportunity and, in October 2008, we announced a significant step forward in the shape of an agreement with Playtech Ltd.

Under this agreement, we acquired certain assets, contracts and businesses from Playtech, including around 30 gaming websites, a customer services operation and an online marketing organisation. The transaction combined two highly complementary businesses. We brought a strong brand, sports betting expertise and an established UK customer base and profit stream. The acquired assets brought online marketing and customer retention expertise, an extensive affiliate network to drive customers to our websites and an established European customer base and profit stream.

We have an option to acquire Playtech's interest in William Hill Online on an independent fair-value basis, exercisable at either four years or six years after completion of the original acquisition.

We believe that, following this transaction, William Hill Online has several strengths that can support significant growth, including:
- a large, geographically diverse customer base;
- improved marketing and customer management; and
- an extensive affiliate network.

In addition, we expect William Hill Online to benefit from Playtech's improved poker and casino software, in relation to which we have entered into a software agreement for a minimum of five years. We expect this software to provide greater liquidity for poker and to support activities to increase customer retention, customer reactivation and player lifetime values.

We launched a new casino website and a new poker website on the highly liquid Playtech poker network in January 2009.

Our strategy for William Hill Online is to:
- integrate our existing business and the acquired assets within six to nine months of completion of the acquisition on 30 December 2008;
- seek to retain customers for a longer period by applying the specialised online marketing and customer management skills and by cross-selling the full range of sports betting and gaming products;
- exploit the improved Sportsbook, poker and casino offerings, which were launched in December 2008 and January 2009; and
- acquire new customers in the UK and Europe and, over time, expand our customer base in other key countries.

Acquisitions

We believe we can continue to deliver further shareholder value from selective acquisitions, although the scale of our existing UK retail channel is likely to preclude further substantial acquisitions in this area. We have a good track record, including the acquisition of Stanley Leisure's UK retail betting operations in 2005, which established William Hill as the leading UK retail betting and gaming company by number of LBOs, and numerous, smaller bolt-on LBO acqusitions. The Playtech transaction, announced in October 2008, established William Hill Online as one of the leading European online betting and gaming businesses.

Q&A – The first year

“We are no longer just a bookmaker. Between our internet sites and the machines in our betting offices, gaming accounted for 37% of our net revenue in 2008.”

Ralph Topping was appointed Chief Executive of William Hill in February 2008. He reflects on his first year in charge.

Q How would you describe the last year?

A Our task is to give our customers what they want, when they want it, where they want it. For me, the last year has been about putting the company back on that track. I’ve taken big decisions. I scrapped our internal IT development project and moved our Sportsbook to Orbis’ platform. I pulled out of Italy because that wasn’t going to go anywhere quickly.

And I turned the focus on gaming as a driver of growth. Our future is in betting *and* gaming, which led us to do the deal with Playtech that established William Hill Online. We are no longer just a bookmaker. Between our internet sites and the machines in our betting offices, gaming accounted for 37% of our net revenue in 2008.

Q What’s changing at William Hill with you in charge?

A After 37 years in this company, I believe I know what can put us at the top of the league, and brains and talent are a big part of that. I’m a team builder so I’ve been changing structures, moving people around and recruiting new people. The biggest change came with the deal we did with Playtech, which brought us brands *and* brains. To give you some idea of what I mean, we had 10 marketing people in Leeds but the marketing team in Israel that we acquired has 160 people. If you want internet brains these days in abundance, you go abroad.

Q How resilient do you think your business will be during this recession?

A We would never claim to be ‘recession proof’ but there are reasons why we would expect trading to be resilient. In the last recession in 1991, our top line declined by 7% but we’re a very different business today – we have a wider geographical base, a more extensive product range, a broader customer base and we’re competing against fewer shops. We’re also online and have gaming machines in the shops. Plus, it should not be forgotten betting is a low-ticket form of entertainment for a lot of people in the UK. In the shops, the average bet is around £8 but the most frequent bets are around £2 to £3.

Q What was the thinking behind the deal with Playtech?

A Before the Playtech deal, we had the top flight brand, the betting expertise, established UK customers and good profits. But, on the downside, our e-gaming capacity was marginal and we were weak internationally. That’s why I was determined to change the business. The assets we acquired from Playtech have given us websites, terrific online marketing and customer retention expertise, a vast affiliate network that will drive customers to our websites and an established European customer base and profit stream. On top of that, we get a continuing partnership and software deal with Playtech, the world’s largest gambling software provider, and the high-quality, deep-liquidity poker network we needed.

We’ve put those assets together with the things we already do online to create a new entity – William Hill Online, one of the leading European online gaming and sports betting businesses.

I was in at the start of the internet at William Hill. I’ve always said I wanted us to be a top three European player in online betting and gaming, and the clear leader among the traditional UK operators. Having been there at the beginning, I am passionate about turning around the fortunes of this part of our business.

One of Europe's leading online betting *and* gaming businesses

The launch of William Hill Online

William Hill Online is now one of Europe's leading betting and gaming businesses following the combination of our existing online sports betting and gaming products with assets acquired from Playtech in return for a 29% stake in the new online business. As a result of this transaction, which we successfully completed in December 2008, William Hill Online has a market-leading position in Europe, a larger, geographically diverse customer base, improved marketing and customer management, and an extensive affiliate marketing network.

Our performance in 2008

Operating review

The following table provides a summary of the key financial results from William Hill's principal activities:

	Gross win		Net revenue		Operating profit before exceptional items	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Retail	837.9	802.6	790.7	759.3	240.1	229.8
Interactive	136.7	124.5	125.1	113.0	54.6	50.9
Telephone	39.8	53.0	39.8	53.0	5.9	16.1
Other	8.1	8.3	8.1	8.3	1.2	1.1
JVs	-	-	-	-	(5.8)	(2.6)
Associates	-	-	-	-	2.9	3.3
Central overheads	-	-	-	-	(20.3)	(11.9)
Total	**1,022.5**	**988.4**	**963.7**	**933.6**	**278.6**	**286.7**

Retail

With approximately 2,300 LBOs in the UK and Ireland, William Hill is a leading operator in the UK retail betting and gaming industry.

Gross win from the retail channel grew in 2008 by 4% to £837.9m compared with the 53-week period in 2007 (7% on a 52-week basis). Gross win from the over-the-counter (OTC) business increased by 1% (3% on a 52-week basis). Gross win from machines increased by 10% (12% on a 52-week basis). Pre-exceptional operating profit increased by 4% (7% on a 52-week basis) to £240.1m, reflecting the growth in gross win and tight control of underlying costs that mitigated some of the impact of significant additional costs incurred in the year. Average net profitability per shop increased 3% to £104,469.

Football betting performed particularly well in spite of a poor Euro 2008, with favourable results in the second half of the year leading to an unusually high gross win margin. This more than offset the effect of a poor Royal Ascot and unfavourable horse racing results.

Overall, the growth in gross win was achieved through an increase in the average number of LBOs trading, the continued development of the estate, an increase in the number of gaming machines and the full-year impact of extended opening hours.

Through our LBO estate development and modernisation programme, we continue to expand our geographical footprint and to upgrade the location, facilities and size of our LBOs in order to drive incremental growth in the channel. We operate a rigorous process for prioritising capital expenditure for both maintenance of the estate and value-creating investments in order to achieve our target returns on capital. During 2008, we invested £23.6m in estate development and completed 226 projects, including opening 44 new LBOs and extending or re-siting 57 existing shops. At 30 December 2008, we had 2,271 LBOs in the UK and 48 in the Republic of Ireland (2007: 2,245 in the UK and 49 in the Republic of Ireland).

The average number of machines in the estate increased to 8,549 (2007: 8,382) in the period as a result of the expansion of the LBO estate. Machines continue to perform strongly, delivering an average net contribution per machine per week of £529 (2007: £466). This performance is the result

Change to reporting

Historically, in addition to the "Amounts wagered" and "Revenue" numbers required under International Financial Reporting Standards (IFRS), we have provided a "gross win" number for the Group and the principal channels. Gross win is used internally as a key performance indicator of the Group's business and the Board believes presentation of gross win enhances an investor's understanding of the Group's underlying financial condition and results of operations. It is calculated as the total amount that the Group retains from customers after paying out any winnings but before deducting VAT payable on income from gaming machines.

However, an alternative number, net revenue, has become widely reported among online betting and gaming companies. This is defined as gross win less VAT on gaming machines and fair-value adjustments for free bets, promotions and bonuses, which are used extensively in online operations but less so in retail. Given the growing importance of William Hill Online to the Group and to bring us in line with industry practice, the Board has decided to report net revenue for the Group and William Hill Online from this point forward. For clarity, we will continue to report gross win for the retail channel.

of various initiatives, including improved marketing, renegotiation of the contract with our existing supplier of machines and introduction of a second supplier. This flexible supply arrangement is delivering the benefits we expected by encouraging product innovation and improved service performance.

Overall costs in the channel increased by 6% compared with the 53-week period in 2007 (8% on a 52-week basis). The principal increases were in staff costs, including those resulting from the opening of new LBOs and the first full-year impact of extended opening hours in winter, and the cost of adding a second supplier of television pictures, Turf TV, into the LBOs. The cost of Turf TV and extra content to support the extended opening hours increased the cost of pictures and data in our LBOs by 40%.

However, excluding these additional costs, the underlying cost base in the channel increased by 3% as a result of various initiatives we have implemented to control cost inflation. Using data gathered through our electronic-point-of-sale (EPOS) system, we have been able to introduce a more efficient staffing model and to adapt the extended winter opening hours within the estate in 2008. The EPOS system has fundamentally changed the role of front-end staff, and enables them to interact with the customers more and has allowed us to change the staffing model to benefit from efficiencies. This technology also supported a detailed analysis of the impact of extended winter opening hours in 2007, when the entire estate was open until 9.30 p.m. Since extended opening hours is a significant additional cost, we have used the 2007 data to target more effectively where this was applied in 2008. Around 80% of the LBO estate is now open until 9.30 p.m.

Interactive/Online

Our online business, William Hill Interactive, achieved positive growth in 2008, delivering an 11% increase in net revenue to £125.1m (13% on a 52-week basis) and pre-exceptional operating profit of £54.6m, up 7% (10% on a 52-week basis). This was the result of several steps we took to address the under-performance seen in 2007.

Having taken the decision to terminate the in-house NextGen technology programme, we freed up significant IT resources that we concentrated on delivering new content to build our gaming offering and introduced 60 new games during the year. We also improved cross-selling of products, as many of our existing gaming customers arrive via our Sportsbook, and increased advertising and marketing activities to attract new customers. As a result, we grew the number of active accounts by 18% from 432,000 at the start of the year to 510,000 at 30 December 2008.

This strong performance was reflected across both betting and gaming. Net revenues from gaming increased by 13% to £83.1m (16% on a 52-week basis), led by a particularly strong performance in bingo and skill games, which increased by 169% during the year. Casino also continued to grow, achieving a 15% increase compared with 2007. Net revenue from poker declined by 21%, reflecting the lack of liquidity on our existing platform. The launch of a new site on the Playtech software and highly liquid iPoker network in January 2009 is a significant step foward in returning this business to growth. Sportsbook net revenues increased by 6% to £42.0m (9% on a 52-week basis) after we made particular efforts to improve performance by improving site content, offering keener pricing to attract customers and more actively managing our customer base. Recognising, however, that our ability to grow the Sportsbook was restricted by the constraints of the legacy technology on which it operated, we re-launched the Sportsbook on Orbis' technology platform in December 2008 and expect to see further growth in 2009 as a result. The new site has several significant benefits, including:

- richer content, such as streaming of live television coverage and radio commentary of sporting events;
- a full range of in-play betting opportunities, whereby customers can place bets on multiple potential occurrences during a live sporting event such as a football match;
- six language options; and
- more local currency betting.

This project was completed on time and on budget. We intend to add more functionality in 2009 and to increase further the number of in-running betting markets we offer.

Creation of William Hill Online

Even with these improvements in place, there remained areas of weakness in our online business, including the affiliate management system, poker liquidity and online marketing. The business had lacked continuous investment in previous years and we recognised that, while we could build these capabilities organically over a period of time, it was preferable to put them in place faster so that we could capitalise more quickly on the continuing growth in the online betting and gaming market.

The result was a transaction with Playtech Ltd that we announced on 20 October 2008 and, on its completion on 30 December 2008, the creation of William Hill Online. Through this transaction, we acquired certain assets, businesses and contracts from Playtech, in return for which Playtech received a 29% equity interest in the new business, William Hill Online. We have an option to acquire Playtech's interest in William Hill Online on an independent fair-value basis, exercisable at either four years or six years after completion of the original acquisition.

This transaction combined two highly complementary businesses to create one of the leading European online betting and gaming businesses. Our existing interactive business brought a strong brand, sports betting expertise and an established UK customer base and profit stream. The acquired assets brought online marketing and customer retention expertise, an extensive affiliate network designed to direct customers to the Group's websites and an established European customer base and profit stream. As a result of the transaction, approximately 160 marketing services employees based in Israel and approximately 110 customer services employees based in Bulgaria have joined William Hill Online. Historically, in comparison with our interactive business, these teams have achieved a lower acquisition cost per customer, higher customer lifetime

Our performance in 2008

values and a higher cross-selling performance, and we intend to apply these capabilities to the entire customer base. The affiliate network acquired from Playtech numbers more than 70,000, compared with our existing network of approximately 5,000.

We also entered into a software agreement with Playtech for a minimum of five years, which will enable us to benefit from Playtech's improved poker and casino software. In mid-January 2009, we launched new William Hill-branded casino and poker websites using Playtech's software. Our new poker site is part of Playtech's highly liquid iPoker network, which is the third largest poker network in the world and the largest poker network that does not accept customers from the US.

Integration of the acquired assets with our existing business is expected to be completed within six to nine months of completion of the transaction and is progressing well. We have established the management team and the joint venture Board. We intend to reorganise parts of the online operations in the coming months to improve further our operating efficiency. This is likely to involve relocating around 90 jobs, primarily relating to the Sportsbook, from the UK to other countries where William Hill Online's operations are based. During the first quarter of 2009, we will also put in place the systems that will enable us to connect to the 70,000-strong affiliate network and to apply its marketing capability to all William Hill Online websites.

Telephone
William Hill, we believe, has one of the largest telephone-based betting businesses in the UK, with approximately 131,500 active customers as at 30 December 2008 (2007 – 146,000). This channel contributes approximately 4% of Group net revenue. Although some migration of customers to the internet has occurred, telephone betting still appeals to a core group of customers who prefer to speak to an individual when placing their bet.

In 2008, our Telephone channel generated gross win of £39.8m, which represents a 25% decrease on 2007 (23% on a 52-week basis) and pre-exceptional operating profit of £5.9m, a decrease of 63% (62% on a 52-week basis). This was the result of some unfavourable horse racing results and losses in relation to high-staking customers and a reduction in the number of customers. We are, however, continuing to see growth in areas such as football betting and we have taken steps during 2008 to address the overall decline, including changing management and adjusting staffing patterns to provide a 24-hour service. During 2009, we will be implementing a marketing campaign to promote the advantages of the service and will continue to focus on strict cost control to ensure that this channel continues to contribute profits to the Group.

International
In 2007, we established joint-venture agreements with Codere to explore the potential to establish land-based operations in Italy and Spain.

In July 2008, we announced the sale of the entire issued share capital of our Italian joint venture, William Hill Codere Italia Srl (WHCI) to INTRALOT International Holdings Limited. The gross consideration agreed was €5.5m, which was shared equally between the Group and our joint venture partner, Codere. The sale followed a strategic review of WHCI within the Italian sports betting market. WHCI was initially set up as a joint venture to enter the Italian horse and sports betting market following a tender process in Italy for sports and horse race betting in 2006, in which the company was awarded 57 licences. The number of retail betting licences won by WHCI was insufficient in scale to provide an attractive long-term return. Options to grow within Italy through the acquisition of either existing or new licences were explored but the cost of acquisitions within the existing uncertain regulatory framework made further investment unattractive. This sale resulted in a loss on disposal of £1.2m being reflected in the financial statements, in addition to operating losses of £1.6m incurred in the first six months of the year.

In Spain, where we have a joint venture with Codere, progress has been made in establishing operations in Madrid and the Basque Country, with 44 locations trading at the end of the year. Rollout has continued in 2009 and trading is now being conducted in 74 locations. Following the substantive investment of amounts originally committed by each party, we are in discussions with Codere as to the future strategic direction of the joint venture and levels of investment expected to be required to develop the business in Spain. In light of this and as a result of the deteriorating economic conditions in Spain, we have reviewed the carrying value of our joint venture and recorded an impairment charge of £5.4m against the book value of our investment in Spain.

Regulation
Since September 2007, the Gambling Commission has been responsible for implementing and policing the detailed regulations, licence conditions and guidance that govern gambling in Great Britain. We have worked actively with the Gambling Commission since its establishment and support its objective of regulating gambling in the public interest by keeping crime out of gambling, ensuring that gambling is conducted fairly and openly, and protecting children and vulnerable people from being harmed or exploited by gambling.

In March 2008, the Department of Culture, Media and Sport (DCMS) asked the Gambling Commission to prioritise identifying what further research could be done to understand the impact of high-stake, high-prize gaming machines on problem gamblers. In a preliminary report, the Gambling Commission has reported to the DCMS that there was no general agreement in the available research from Britain and other jurisdictions about how much these high-stake, high-prize gaming machines cause gamblers to become problem gamblers. The Gambling Commission is due to report back to the DCMS in full in June 2009.

In January 2009, the DCMS published a consultation paper proposing the introduction of a statutory levy on licensed operators under the Gambling Act 2005 to be used to fund research into, education about and the treatment of problem gambling. This is currently funded through a voluntary levy on all gambling operators. William Hill has always paid its full contribution. However, this has not been the case throughout the industry and the DCMS's consultation is exploring whether to make the levy compulsory. William Hill supports the voluntary levy and is working hard to ensure that the existing voluntary regime is retained. The 12-week consultation period ends in March 2009.

Financial review

Gross win and net revenue

Gross win and net revenue in 2008 were £1,022.5m and £963.7m, respectively (2007 – £988.4m and £933.6m). Both increased by 3% compared with 53 weeks in 2007 and by 6% on a 52-week comparison. The increase was attributable to the growth of the retail and interactive/online channels and was partially offset by a decrease in gross win in the telephone channel.

Cost of sales

Cost of sales includes taxes, levies and royalties relating to the operation of a betting and gaming company such as horse racing levy, greyhound racing levy, gross profit tax on the Group's gross win, Amusement Machine Licence Duty payable on gaming machines and royalties to third parties for software. Costs of sales decreased by 2% to £166.2m (2007 – £170.4m).

Net operating expenses

Net operating expenses, excluding exceptional items but including operating income, for the Group were £516.0m, an increase of 8%. A significant proportion of this increase relates to new costs associated with a full year of extended opening hours and the introduction of Turf TV as a second supplier of television pictures from race meetings into the LBOs.

Staff costs, which represented approximately half of our total costs, increased by 8%, primarily as a result of the full-year impact of extended opening hours and an increase in the average number of LBOs trading. The underlying cost increase included an inflation-based pay award and the rebasing of the LBO staff bonus scheme.

The increase in operating expenses also reflected increases in rent and rates, in part driven by an increase in average LBO size and the average number of LBOs trading, an increase in depreciation costs as a result of increased investment in the LBO estate and IT systems, and an increase in advertising and marketing costs in the retail and online channels.

Other operating income

Other operating income in 2008 was £6.9m, which includes revenues from the rental of properties and vending. This was lower than in 2007 as 2007 included the profit on disposal of part of our stake in SIS.

Exceptional operating expense

There were exceptional operating expenses of £10.8m in the period, including £4.0m for reorganisation costs resulting from the Board's decision in 2007 to terminate an internal IT development programme in favour of establishing our new Sportsbook on the Orbis platform, £1.4m of integration costs for William Hill Online and £5.4m for the impairment of our investment in a joint venture with Codere in Spain.

Share of results of associates and joint ventures

These relate to the Group's share of profit from its associate SIS and our share of losses in respect of joint ventures in Spain and Italy. During 2007, we sold part of our holding in SIS, reducing our share of profits. Our share of results from the joint ventures with Codere in Spain and Italy was a loss of £5.8m. This was higher than the loss of £2.6m recorded in 2007 reflecting a longer trading period in the start-up phase of the Spain joint venture.

Exceptional items

We recorded exceptional items totalling £88.0m in 2008. This included: £86.4m profit on the sale of 29% of William Hill Online to Playtech in return for the assets acquired from Playtech; £2.8m profit on the sale-and-leaseback of 14 LBO properties; and a £1.2m impairment recognised on disposal of our interest in the joint venture with Codere in Italy.

Finance costs

Net finance costs in 2008 were £62.5m (2007 – £63.3m), which is in line with 2007 when adjusted for the additional week in 2007.

Taxation

Tax on profit was £59.3m in the year (2007 – £51.8m). The Group's effective tax rate reduced to 27% as a result of the reduction in the headline rate of UK corporation tax from 30% to 28% from 1 April 2008. Going forward, the Board expects the Group's effective tax rate to reduce further as a result of a greater proportion of operating profit coming from online activities based outside the UK.

Earnings per share

Basic pre-exceptional earnings per share has decreased to 45.4p against 47.4p in 2007. On a post-exceptional basis, basic earnings per share rose to 67.3p against 44.7p in 2007.

Cashflow and net debt

The Group generated net cash inflow from operating activities before financing and tax of £307.4m, a reduction of £3.3m or 1.1% on 2007. This decrease was a result of a lower pre-exceptional operating profit.

We invested £58.3m in capital expenditure in 2008, including £23.6m in our LBO estate development programme and £15.1m in the new Sportsbook. We paid £46.5m in net debt service costs, £38.1m in corporation tax and £80.8m in dividends.

Net debt for covenant purposes reduced to £1,022.1m as at 30 December 2008 (1 January 2008 – £1,108.2m).

Key performance indicators

A comparison of KPIs in the 2008 and 2007 financial years is shown below:

Group KPIs	2008 Actual	2007[1] Actual
Growth in net revenue	3%	6%
Growth in gross profit	4%	4%
Growth in operating expenses	8%	8%
Net interest expense	£62.5m	£63.3m
Interest cover (EBIT before exceptionals: net finance costs)	4.5x	4.5x
Effective tax rate (excluding exceptional items and associate income)	26.6%	25.2%
Gross win percentage by channel		
OTC	18%	17%
Telephone	7%	10%
Net revenue percentage by channel		
Sportsbook	7%	6%
Operating margin by channel[2]		
Retail	30%	30%
Interactive	44%	45%
Telephone	15%	30%
Average profit per LBO	£104,000	£101,000
Average net contribution per machine per week	£529	£466
Average profit per active Interactive customer	£107	£118
Average profit per active Telephone customer	£45	£110
Net debt: EBITDA[3]	3.2	3.4

[1] 2007 is a 53-week period.
[2] Operating margin by channel is based on operating profit divided by net revenue.
[3] Net debt is before offset of finance fees, excludes client cash and includes third-party bank guarantees.

The Board sees earnings per share growth as the key indicator of the Group's success in delivering on its objectives of sustainable earnings growth and enhancing shareholder value. The KPIs used by the Board in monitoring earnings per share growth are as follows:

- Gross win (represents total customer stakes less customer winnings);
- Net revenue (represents gross win less fair-value adjustments for VAT on machines, online bonuses, free stakes, etc.);
- Gross profit (represents net revenue less cost of sales);
- Operating expenses;
- Interest charges and cover; and
- Effective tax rate.

The Board also utilises a range of measures designed to determine performance at a channel and product level, the more important of which are:

- Gross win and/or net revenue percentage by channel;
- Operating margin by channel and by product;
- Average profit per LBO;
- Average profit per active telephone/interactive customer where profit is pre-exceptional operating profit as shown in note 2 of the Group financial statements and an active customer is defined as one who has placed a bet with their own money in the last 12 months; and
- Return on incremental capital invested (for example, in relation to investment in the retail estate, the Group seeks returns on capital invested of 20% on new licences, 15% on resites and extensions and 10% on refurbishments).

To assess the capital structure, the Board focuses on the ratio of net debt to earnings before interest, taxation, depreciation amortisation and exceptional items, which is managed to ensure an efficient balance sheet and is a key driver of overall distribution policy.

In addition to these financial indicators, a number of non-financial indicators is also used, including numbers of betting slips processed and the number of active customers in the remote channels. The Board also monitors a number of KPIs to ensure that the Group is meeting its corporate and social responsibilities. This is further discussed in the Corporate Responsibility Report.

Targets for certain KPIs are set on an annual basis as part of the Group's operational objectives for the coming year having regard to historic levels, expected new developments and the Group's strategy.

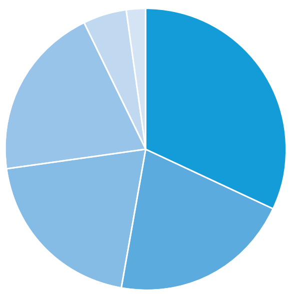
In 2008, adjusted EPS before exceptional items decreased 4.2% to 45.4p. Growth in gross win and net revenue was in line with internal targets. Both gross win and net revenue exceeded the levels achieved in the comparative period but operating profit was lower due to factors explained in the 'Our performance in 2008' on pages 14 to 17. Growth in operating expenses was managed within our expectations. Operating margins were at acceptable levels for the retail and online businesses but fell below expectations for the telephone business. At the time of publishing this Annual Report, the Board announced a refinancing, including a proposed rights issue, that would reduce the Group's capital structure from 3.2 times net debt to EBITDA around 2.1 times.

Our operating environment

The UK betting and gaming industry
- 9,000 LBOs operating in the UK and Ireland.
- 240,000 gaming machines in the UK.
- £5.4bn in gross win from the UK and Ireland LBO market.

The online industry
- $15bn in gross win generated by online betting and gaming globally.
- 4% of global betting and gaming industry.
- Market expected to grow at 11% per annum to $25bn in 2012.

Product split of online betting and gaming industry



- 32% Betting
- 21% Casino
- 20% Poker
- 20% Lotteries
- 5% Bingo
- 2% Skill games

Industry overview

Historically in the UK, bets on horse and greyhound racing could only be placed at the race track, by post or via the telephone. The off-course betting market was established in 1961 when the Government legalised off-course betting shops. The number of LBOs grew rapidly, reaching a peak in the 1970s when there were approximately 16,000. Since then, the sector has experienced consolidation and a reduction in the number of LBOs.

Traditionally, the core betting products in LBOs were UK horse and greyhound racing and multiple-event accumulator bets. An increased level of customer spending on betting and gaming along with the attraction of new customers into the LBOs has been attributed in part to an increased variety of products, the introduction of gaming machines, the growth of betting on other sporting events, particularly football, and changing social attitudes to gambling.

Online gambling has grown rapidly since it was established in the 1990s and is widely expected to continue to be the principal driver of growth for the global gambling industry. The level of growth in the market has created competition as an increasing number of operators compete for market share. Growth of online gaming was originally led by customers resident in the US using non-US operators. However, in October 2006 the US government passed the Unlawful Internet Gambling Enforcement Act, which prohibits the transfer of funds from a financial institution to an internet gambling site in certain circumstances. The introduction of this law resulted in many companies withdrawing from the US market. The European online betting and gaming market is the principal focus of William Hill Online. Increased broadband penetration and changing social attitudes towards betting and gaming are widely expected to drive growth in the European online gambling market.

The regulatory environment

All of William Hill's betting and gaming operations are subject to regulation, with different rules applying for different operations and jurisdictions.

In Great Britain, where the majority of our operations are based, the betting and gaming industry is regulated under the provisions of the Gambling Act 2005, which was fully implemented from 1 September 2007. Our LBOs, telephone operations and some online gaming operations are regulated by the Gambling Commission of Great Britain. Each LBO in Great Britain is licensed to have up to four category B2 or B3 gaming machines.

In order for us to operate as a licensed betting operator in Great Britain, we are issued with three licence types: operating licences, personal management licences and premises licences. The Gambling Commission has issued a series of licence conditions and codes of practice with which operators must comply and we have policies and procedures in place that seek to ensure that we comply with the terms and conditions of our licences.

Although the regulatory regime for land-based gambling operations is fairly well established in many countries, the gambling laws in such countries will not necessarily have been amended to take account of the internet and the ability to offer gambling products and services online. Consequently, there is uncertainty as to the legality of online gambling in countries. In several countries local regulators are willing to license and regulate local and often state-owned operators but prohibit foreign operators.

We analyse jurisdictional risk and, where necessary, seek independent legal advice concerning the state of gambling laws in particular jurisdictions. We use this advice to modify the basic approach on a case-by-case basis and, based on the relevant jurisdiction, undertake procedures in order to mitigate the risk. We have systems and controls in place that seek to ensure we do not offer gambling products via the internet into certain jurisdictions from which we have determined we do not wish to accept transactions. These systems and controls include monitoring and analysing information provided by potential customers' registered addresses and of customers' payment methods. In particular, the Group does not accept bets from customers in the US.

Competition

We face competition primarily from other bookmakers, online betting exchanges and other online operators but we do not believe that other gambling establishments, namely casinos and bingo halls, represent significant competition. In the online marketplace, competition has intensified and is expected to continue to intensify as new operators enter the market and existing operators improve and expand their product offerings. Overall, the competitive environment remains subject to change depending on regulatory and technological developments.

William Hill's principal competitors in the UK retail market are Ladbrokes and Coral, and, in the UK telephone betting market, Ladbrokes, Coral and the Tote. There are also a number of international telephone operators that compete with us from outside the UK.

About the Gambling Commission

The Gambling Commission of Great Britain is authorised by the Gambling Act 2005 (the Act) to act as the central regulatory body for gambling. It has a duty to permit gambling where it is reasonably consistent with the pursuit of the three licensing objectives set out in the Act:

- 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 minors and other vulnerable persons from being harmed or exploited by gambling.

In our online operations, we face competition from a large number of UK-based bookmakers (including Ladbrokes and Coral) and BetFair as well as other operators based in the UK and overseas (including PartyGaming, Paddy Power, 888.com and *bwin*) that have entered, and continue to enter, the online market specifically targeting the UK and Europe. In certain markets outside the UK, we compete with companies that may have more brand recognition than the William Hill brand, which is strongest in the UK. There are relatively low barriers for a new company to enter the online market but we believe that it is difficult for new competitors to achieve significant market share without a substantial infrastructure, for instance sports betting expertise, marketing and customer relationship management.

Our operations

Our strengths

In operating the William Hill business, we use a number of assets and resources that are not otherwise reflected in our financial statements, including:

- a long-established, trusted and widely recognised brand;
- a market-leading position in UK retail betting with a high-quality estate of LBOs;
- a market-leading and growing online channel;
- a track record of profit growth, tight management of costs and strong cash flow generation;
- a track record of innovation and profitable adaptation to regulatory, fiscal and technological change;
- an effective risk management system; and
- a strong management team with significant gambling industry experience and a workforce of over 16,000 trained employees.

Key external relationships

(a) Suppliers

William Hill relies on a number of key suppliers that provide products and services to the Group. Within William Hill Online, Playtech and Cryptologic Inc. support our casino and poker offering. In addition, Orbis' technology platform has been used to launch our new online Sportsbook, which went live in December 2008.

In the retail channel, our most significant relationships are with Leisure Link (the UK operating division of Inspired Gaming Group plc) and Global Draw Limited, both of which supply gaming machines to our LBOs in Great Britain. SIS, in which we have a shareholding, and Turf TV are the main providers of television pictures, audio and data into the Group's LBOs. We also have the right to screen television coverage of races from various horse and greyhound tracks via the Bookmakers Afternoon Greyhound Services Limited.

We believe that such resources help to secure the Group's position at the forefront of the betting and gaming industry and ensure it is well placed to compete and develop its business in the future. Our customers and employees are key to our success and our Corporate Responsibility (CR) Report on pages 46 to 52 provides further information on our policies and practices in these areas, as well as details of other key CR issues for the Group.

(b) Government and industry bodies

William Hill operates in a regulated environment where the potential risks identified previously include adverse changes to the regulatory and tax regimes. The Group, maintains both on its own and via trade associations an ongoing dialogue with the Department for Culture, Media and Sport (DCMS) and HM Treasury as well as with the Gambling Commission.

The Government and the Commission have identified responsible gambling as a key area of focus and we have a regular dialogue with DCMS, the Gambling Commission, GamCare, the Responsibility in Gambling Trust and trade associations in this area. We also have arrangements, via relevant trade associations, for alerting sports regulatory bodies to unusual betting patterns.

The Group is a major contributor to the horse and greyhound racing industries via the statutory levy and voluntary levy respectively.

For information on our relationships with our employees, please see the Corporate Responsibility Report on pages 46 to 52.

Risk and uncertainties

The Board routinely monitors risks that could materially and adversely affect William Hill's business, financial condition and results of operations. The key risks are listed on the opposite page.

Risks relating to the betting and gaming industry

- Increases in taxation and levies.
- Existing or potential laws and regulations in jurisdictions from which the Group accepts bets and wagers.
- The existence and/or enforcement of laws and regulations relating to the offer of betting and gaming products and services or the advertisement of such products and services via the internet.
- Regulation by certain authorities for the granting of licences and other approvals in each of the jurisdictions in which William Hill operates.
- Impact of relationships with governmental authorities and the principal bodies of sport and event industries.
- Potentially significant losses with respect to individual events or betting outcomes.
- Increases in sports-related payments.
- The impact of sports schedules.
- Technological change, particularly online.
- Economic conditions.
- Competition from other gambling operations.
- Negative publicity surrounding the gambling industry.

Risks relating to the Group

- Ability to integrate the acquired Playtech assets effectively and to realise all or any of the anticipated benefits of the establishment of William Hill Online.
- Impact of the Group's financial leverage and ability to service its debt.
- High dependence on technology and advanced information systems, which may fail or be subject to disruption.
- Impact of regulation regarding the use of personal customer data.
- Dependence on third parties for the operation of our business.
- Reliance on the experience and talent of key personnel and on our ability to recruit and retain qualified employees.
- Impact of a failure to determine accurately the odds at which William Hill will accept bets in relation to any particular event and/or any failure of the Group's risk management processes.
- Dependence on card payments.
- Infringement of our intellectual property by third parties or claims of infringement of third parties' rights.
- Dependence on maintaining and enhancing our brand.
- The current deficit in the defined benefits section of the Group's pension plan.
- Impact of any fall in revenue, particularly given the Group's relatively high fixed costs base as a proportion of our total costs.
- Failure to detect the fraudulent activities of customers.
- Impact of currency fluctuations and hedging activities.

Board of Directors

The William Hill team

Left to right

1 Simon Lane
Group Finance Director

2 David Edmonds
Independent
Non-Executive Director

3 David Allvey
Independent
Non-Executive Director

4 Ralph Topping
Chief Executive

5 Ashley Highfield
Independent
Non-Executive Director

6 Thomas Murphy
General Counsel &
Company Secretary

7 Charles Scott
Chairman

8 J M Barry Gibson
Senior Independent
Non-Executive Director

Charles Scott (60)
Chairman

Responsibilities
Chairman of the Board, best practice corporate governance

Board committees
Nomination Committee (Chairman), Corporate Responsibility and Regulated Issues 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, appointed Chairman January 2004

Ralph Topping (57)
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

Former roles
Various roles within William Hill PLC

Year of appointment 2007, appointed Chief Executive in February 2008

Simon Lane (46)
Group Finance Director

Responsibilities
Finance, strategic planning, investor relations, security 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

David Allvey (63)
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)

Former roles
Group Finance Director, BAT Industries PLC. Group Operations Officer, Zurich Financial Services PLC. Group Finance Director, Barclays Bank PLC. Non-executive director, McKechnie Group PLC. Non-executive director, Resolution 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 (64)
Independent Non-Executive Director

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

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

Other roles
Chairman, Legal Services Board. Chairman, NHS SBS Ltd. Trustee, Social Market Foundation. Board Member, Keele University Science & Business Park Ltd

Former roles
Director General of Telecommunications, Oftel. Board Member, Office of Communications. Board Member, English Partnerships. Managing Director, Group Central Services, National Westminster Group PLC. Chief Executive of the Housing Corporation

Qualifications BA (Hons), University of Keele

Year of appointment 2005

J M Barry Gibson (57)
Senior Independent Non-Executive Director

Responsibilities
Senior Independent Non-executive Director undertaking duties as identified in the Combined Code

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

Current directorships
National Express Group Plc (Senior Independent Director). Homeserve PLC (Non-executive director)

Other roles
Chairman and Trustee, Retail Trust (charity)

Former roles
Group Chief Executive, Littlewoods Plc. Group Retail Director, BAA Plc. Non-executive director, Limelight Plc. Non-executive director, Somerfield PLC

Year of appointment 2002

Ashley Highfield (43)
Independent Non-Executive Director

Board committees
Corporate Responsibility and Regulated Issues Committee

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

Other roles
Member of BAFTA, a Fellow of the Royal Society of Arts and a Director of the British Film Institute

Former roles
CEO of Project Kangaroo – the 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 (40)
General Counsel & Company Secretary

Responsibilities
Legal, secretariat and regulatory

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

Qualifications Solicitor

Year of appointment 2007

Directors' Report

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 30 December 2008.

Principal activities

The principal activities of the Group during the year continued to be the operation of LBOs and the provision of telephone and internet online betting and gaming 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 year, 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:

	Pages
Strategy	08-09
Review of 2008	14-19
Financial performance, KPIs	14-19
Sector information	20-21
Corporate Governance	26-42
Corporate Responsibility	46-52
Key relationships	22, 47-49
Risks and uncertainties	23
Financial risk management	84-86

Results and dividends

The Group's profit on ordinary activities after taxation and exceptional items for the year was £234.0m (53 weeks ended 1 January 2008 – £157.4m). The directors recommend that no final dividend be paid to ordinary shareholders for the 52 weeks ended 30 December 2008 (2007 15.5 pence per share). An interim dividend of 7.75 pence per share was paid on 5 December 2008 (2007 – 7.75 pence per share).

Directors

The directors who served during the year and up to 27 February 2009 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
David Edmonds	Independent Non-executive Director
Ashley Highfield	Independent Non-executive Director (appointed 17 November 2008)

Details of committee membership are set out on page 25. Details of the directors' interests are set out in note 1 to the Parent Company Financial Statements.

Directors' and Officers' liability insurance

Pursuant to Article 232 of the Articles of Association and subject to the provisions of the Companies Act 1985, the directors and officers of the Company shall be indemnified out of the assets of the Company against liability in defending proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company. In addition, the Group has purchased and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

Directors proposed for re-election

Simon Lane and David Edmonds retire by rotation at the next Annual General Meeting (AGM) and offer themselves for re-election. Ashley Highfield, who was appointed by the Board as a director on 17 November 2008, will retire at the AGM and, being eligible, offers himself for re-election. Please refer to page 25 for biographies of the current directors.

Directors' conflicts of interests

At the Company's AGM held on 15 May 2008, shareholders approved amendments to the Company's Articles of Association, 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. The Board has a formal system in place for directors to declare 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 such conflicts the non-conflicted directors are required to act in the way they would consider would be most likely to promote the success of the Group.

Supplier payments policy

The Group does not have a formal code on payment practice but it is the Group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Trade creditors of the Group at 30 December 2008 were equivalent to 17 days' purchases (1 January 2008 – 15 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 £773,000 (53 weeks ended 1 January 2008 – £581,000), principally to industry-related charities serving the communities in which the Group operates.

Substantial shareholdings

As at 27 February 2009, 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	9.46
FIL Limited	5.12
BlackRock Inc.	5.06
FMR LLC	5.03
Legal & General Group Plc	3.97
Lloyds TSB Group Plc	3.50
Standard Life Investments Ltd	3.08

Where not provided elsewhere in this Directors' Report, the following provides the additional information required for shareholders as a result 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 and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Voting rights for the 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 resolution, the business of the Company shall be managed by the Directors, who may exercise all the powers of the Company.

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

Authority to purchase own shares

The Company did not purchase any of its own shares during the year. The authority for the Company to purchase its own shares remains valid until the forthcoming AGM, when it is intended that a resolution will be put forward to shareholders to review this authority.

Annual General Meeting

The AGM will be held on Tuesday, 12 May 2009 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 234ZA of the Companies Act 1985. A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming AGM.

Going concern

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

By order of the Board.

Thomas Murphy
General Counsel & Company Secretary
27 February 2009

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

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations (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 Association of British Insurers (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 1985 (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.

Director	Year of appointment
Barry Gibson, Chairman	2002
David Allvey	2003
David Edmonds	2005
Ashley Highfield	2008

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.

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

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

Remuneration policy

The remuneration policy has been designed to ensure that the Group has the ability to attract and retain senior managers of a high calibre, align the interests of the senior management with those of the shareholders and be compliant with best practice. The performance measurement of the key members of senior management and the determination of their annual remuneration packages are undertaken by the Committee. The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association. This report sets out the Company's policy on senior management remuneration for 2009 and, so far as practicable, for subsequent years. This policy will continue unless changed by the Committee and any changes in policy for years after 2009 will be described in future Directors' Remuneration Reports, which will continue to be subject to shareholder approval. The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice.

There 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 the basic salaries 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. Following a review of the current incentive arrangements in light of the strategic and long-term importance of William Hill Online, the Committee intends to continue with the operation of the Executive Bonus Matching Scheme (EBMS) in 2009 but will consult with shareholders on the introduction of possible replacement arrangements for 2010, as per the commitment undertaken at the time of the introduction of the EBMS.

Executive directors are required to obtain the Board's prior written consent to accept external appointments. They currently hold no such positions.

Basic annual salary and benefits

The salaries of senior management are reviewed on 1 March each year. Individual pay levels, within the competitive market, are determined by reference to performance, experience and potential. Benchmarks for comparison purposes are based on companies within the Towers Perrin executive survey of a similar size and scope to William Hill. The Group believes that this is the most appropriate comparator group for these purposes.

Mr Topping was appointed Chief Executive on 21 February 2008 and his salary was revised at that time to £475,000, which was still considerably below market norms. The basic salary of Mr Lane, Group Financial Director, was also revised over the course of 2008 to £325,000 in line with competitive market practice.

Mr Spearing, Corporate Strategy and Development Director, had his basic salary increased to £315,000 in October 2007 and there was no further increase in 2008.

Mr Spearing retired from the Group on 31 December 2008 and the above salaries for Messrs Topping and Lane remained in effect at the year-end.

The basic salaries of other senior management were reviewed and increased by between 3% and 15% in March 2008. Increases at the higher end of this range relate to individuals who had taken on significantly increased responsibilities during the period and were based on an external assessment of appropriate salary levels for the revised roles. In setting salary levels, the Committee is sensitive to pay and conditions elsewhere in the Group. The general level of increase for the vast majority of other employees was 3%, with a limited number of employees receiving rises above this level, where performance merited it, up to a maximum increase of 17%.

In addition to basic salary, senior management receives 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.

In respect of 2009, the Committee has decided to freeze base salaries for executive directors and all other senior management in light of the current economic environment.

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 measure for that year. For 2008, 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 30 December 2008, reflecting achievement of exceptional financial and operational performance goals, were 165% of basic salaries. Ordinarily, 30% of executive director bonuses are payable in cash with the remaining 70% payable in shares in March 2012. After discussion with the Remuneration Committee, however, Messrs Topping and Lane have agreed to take 18% of the 2008 bonus payment in cash and to defer 82% into William Hill shares, which are then released in March 2012, as an indication of their long-term commitment and to assist in compliance with the William Hill shareholding guidelines.

Mr Spearing retired from the Group on 31 December 2008 and the Remuneration Committee exercised their discretion to treat him as a good leaver and award him a bonus payment of 92.25% of basic salary, all of which is payable in cash due to him leaving the Group. It was agreed that he would retain deferred shares awarded in previous years and that any matching element would be determined by the performance conditions in the relevant year but pro-rated from the date the performance period commenced to the date of his retirement.

The performance measure for the 2009 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.

Long-term incentives

Long-term incentives are provided to drive performance, aid retention and align the interests of executives with those of shareholders. In 2007, following consultation with major shareholders, the EBMS was approved by shareholders at the AGM.

For executive directors and certain other senior executives, the EBMS replaced the Performance Share Plan (PSP) and the Deferred Bonus Plan and is administered by the Committee. Under the EBMS, 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 compulsorily required to 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 grants a matching award to the participants on a ratio of not more than one-for-one. If the participant 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 total shareholder return (the TSR Tranche). In 2007 only, participants who were executive directors were granted a matching award.

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

Directors' Remuneration Report

The number of matching shares that a participant will receive under the TSR Tranche, is dependent 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 one half of the 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.

Aside from the EBMS, three other share schemes remained in existence in 2008. The details of these are summarised below.

a) The Long Term Incentive Plan (LTIP) was in place for middle and senior management and was replaced by the PSP in 2005. There are no subsisting awards under the LTIP which are currently exercisable. The Company does not intend to grant any further awards under the LTIP.

b) The PSP provides for conditional awards of shares to the value of a percentage of basic salary. Under the PSP there are 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 performance.

   In 2006, the Committee awarded Mr Lane shares to the value of 200% of salary and Messrs Topping and Spearing shares to the value of 100% of salary (the 2006 Awards). The vesting of one half of the 2006 Awards (the EPS Tranche) depends 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 under the EPS Tranche 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 under the TSR Tranche 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 34.4% of the overall award vested.

c) 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 are eligible to participate.

The William Hill Holdings 2001 Employee Benefit Trust (Trust) was established by the Company in 2001. The Trust holds shares in the Company to satisfy the exercise of share options and awards granted under the Company's employee share schemes. The Trust currently holds 1,110 shares. Whilst shares are held within the Trust, the voting rights in respect of those shares are exercisable by the trustee, in accordance with its fiduciary duties.

No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Pension arrangements

Market competitive retirement benefits are provided to act as a retention mechanism and to recognise long service. Messrs Topping and Spearing were members of the 'Retirement Plan' section of the William Hill Pension Scheme. This provides defined benefits based on final pensionable pay and length of service. Benefits accrue at a rate of 1/30th of pensionable salary, up to the Earnings Cap, for each year of pensionable service. Their dependants are eligible for dependants' pensions and the payment of a lump sum, equivalent to four times salary, in the event of death in service. Pensionable pay is basic salary less the Lower Earnings Limit and no other payments are pensionable.

From April 2006, a scheme-specific earnings limit was introduced, equivalent to the Earnings Cap, and members' benefits were restricted accordingly. The loss of benefit as a result of this earnings limit, and the Earnings Cap before it, is compensated for by a salary supplement of 10% of total salary. Mr Spearing received 10% of salary for this loss of benefit in the period to the date of his retirement.

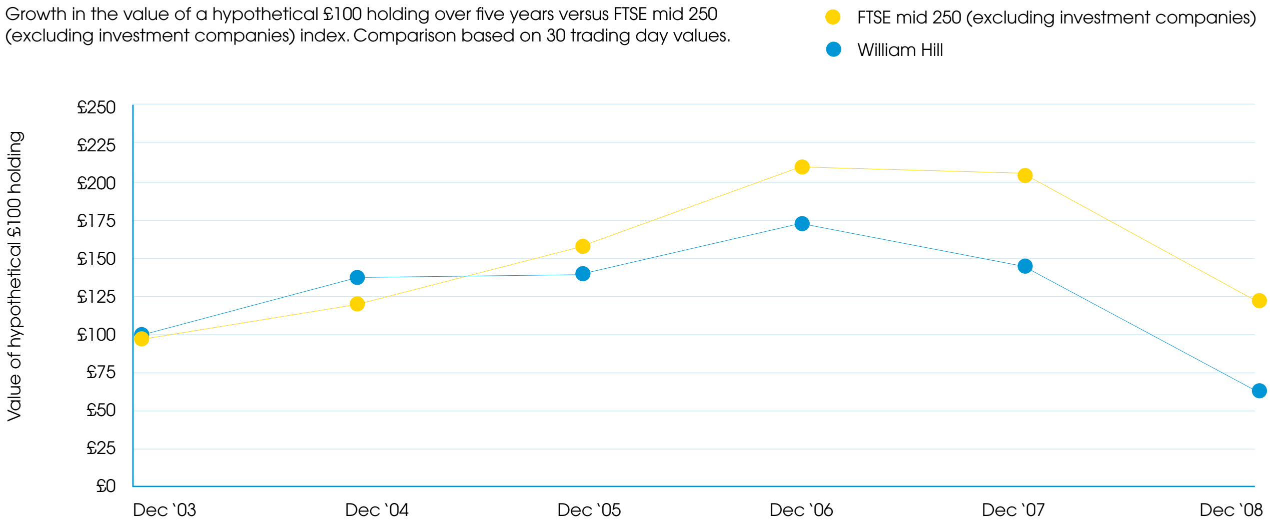
In April 2008, it was agreed that Mr Topping could draw his pension and continue working. As a result, he ceased to be an active member of the Pension Scheme and neither he nor the Group makes any contributions to the Scheme on his behalf. No additional benefits have accured as a result of this decision.

The current final salary scheme is closed to new entrants and has been replaced by a money-purchase scheme, the Pensions Savings Plan 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 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

Historical TSR performance

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



working until 65, the Group's recognised normal retirement age.

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 met the minimum shareholding requirement, as stipulated by the Committee, by the end of 2007 and have not subsequently sold any shares. The executive investment of bonus into shares under the EBMS in March 2009 will redress any shortfall. Simon Lane is expected to meet the minimum shareholding requirement by the end of 2009.

The original timeframes were set in the expectation that all or part of the options and shares awarded under the various share schemes would vest by these dates, thereby providing the executive with shares that can contribute towards meeting the minimum shareholding requirement.

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 FTSE 250 (excluding investment companies) Index has been selected for this comparison because it is the index used by the Company to determine payments under most of its current long-term incentive arrangements. The graph consists of points representing the change in the value of a nominal investment of £100 made on 31 December 2003 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 2008 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, other benefits and pro-rated annual bonus. 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 and is entitled under the contract to a basic annual salary, participation in the Company's bonus scheme, a company car (or cash allowance in lieu), permanent health insurance and private medical insurance cover.

He is no longer an active member of the Pension Scheme. 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.

Directors' Remuneration Report

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. 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.

Mr Spearing was employed under a service contract with the Company dated 17 May 2007. His contract was in the same format as that which applies to Messrs Topping and Lane, other than in respect of pension (see comments on page 30). In September 2008, Mr Spearing confirmed that he was retiring and his employment with the Group terminated on 31 December 2008. He will, however, continue to provide the Group with occasional consultancy services for which he will receive £5,000 per month for the 12 months to December 2009. In addition, the Remuneration Committee exercised its discretion to treat him as a good leaver and he will be eligible for a payment under the bonus scheme for his contribution during 2008. He will also retain the deferred and matching shares awarded in previous years, with the matching element being determined by the performance conditions at the end of the relevant performance period.

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 Mr Harding's departure, Mr Scott assumed the role of Executive Chairman and, in recognition of his additional responsibilities and time commitment, his fees were increased to £350,000 with effect from 1 October 2007. He reverted to his non-executive role, and previous fees, on the appointment of Mr Topping as Chief Executive, with effect from 21 February 2008. Following a review of fee levels by Towers Perrin in July 2008, his basic fee was increased to £273,000.

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 Independent Non-Executive Director was paid an additional fee of £5,000.

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 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 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. Mr 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:

	2008 Total £	2007 total £
Emoluments	3,302,277	2,442,995
Gains on exercise of share options	20,701	2,844,682
Gains arising from shares transferred	7,020	–
	3,329,998	5,287,677
Pension contributions[1]	55,972	77,784

[1] The above pension contributions do not include the contribution of £38,333 (2007 – £22,350) outlined on page 37.

Directors' emoluments:

Name of Director	Fees/ basic salary[1] £	Benefits in kind £	Annual bonuses[2] £	2008 Total £	2007 Total £
Executive directors					
David Harding	–	–	–	–	629,500
Ralph Topping	477,500	34,272	783,750	1,295,522	430,404
Simon Lane	305,833	24,102	536,250	866,185	525,898
Ian Spearing	367,125	15,192	290,587	672,904	419,711
Non-executive directors					
Charles Scott	282,333	–	–	282,333	281,875
David Allvey	60,250	–	–	60,250	51,369
David Edmonds	57,750	–	–	57,750	51,369
Barry Gibson	61,250	–	–	61,250	52,869
Ashley Highfield	6,083	–	–	6,083	–
Aggregate emoluments	1,618,124	73,566	1,610,587	3,302,277	2,442,995

[1] Included in fees/basic salary for Mr Spearing was £33,375 paid as a salary supplement in lieu of pension benefit lost due to the Earnings Cap.
[2] Normally 30% of the annual bonus would be payable in cash with the remaining 70% payable in shares in March 2011, the third anniversary of the cash bonus payment, on the terms described for the EBMS. This year Ralph Topping and Simon Lane have taken only 18% of the annual bonus in cash. The balance of 82% will be payable in shares in March 2011. Mr Spearing was paid a bonus of £290,587 in relation to the EBMS 2008.

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' Remuneration Report

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 2008 £	Gains on exercise 2007 £
David Harding	EDIP	–	–	–	–	2,496,725
	EDIP	–	–	–	–	89,775
	LTIP 2004	–	–	–	–	134,142
Ian Spearing	SAYE 2002	–	–	–	–	40,546
	PSP 2005	10,468	Nil	1.98	20,701	–
Ralph Topping	SAYE 2002	–	–	–	–	38,890
	LTIP 2004	–	–	–	–	44,604
					20,701	2,844,682

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

Name of Director	Scheme	Number of shares at 1 January 2008	Granted during the period	Exercised during the period	Forfeited/ lapsed during the period	Number of shares at 30 December 2008	Exercise price	Date from which exercisable	Expiry date
Charles Scott	N/A	–	–	–	–	–	–	–	–
Simon Lane	PSP 2006	86,956	–	–	(72,013)	14,943	Nil	Mar 2009	Mar 2016
	EBMS 2007	60,500	–	–	–	60,500	Nil	Mar 2010	Mar 2017
	EBMS 2008	–	87,780	–	–	87,780	Nil	Mar 2011	Mar 2018
	SAYE 2008	–	3,428	–	–	3,428	280p	Aug 2011	Jan 2012
Ian Spearing	PSP 2005	59,480	–	(10,468)	(49,012)	–	Nil	Jun 2008	Jun 2015
	PSP 2006	29,565	–	–	(24,484)	5,081	Nil	Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	–	50,948	Nil	Mar 2010	Mar 2017
	EBMS 2008	–	97,020	–	–	97,020	Nil	Mar 2011	Mar 2018
	SAYE 2007	1,912	–	–	(1,912)	–	494p	Aug 2010	Jan 2011
Ralph Topping	PSP 2005	53,904	–	–	(44,417)	9,487[1]	Nil	Jun 2008	Jun 2015
	PSP 2006	27,826	–	–	(23,044)	4,782	Nil	Mar 2009	Mar 2016
	EBMS 2007	50,948	–	–	–	50,948	Nil	Mar 2010	Mar 2017
	EBMS 2008	–	104,720	–	–	104,720	Nil	Mar 2011	Mar 2018
	SAYE 2007	1,912	–	–	(1,912)	–	494p	Aug 2010	Jan 2011
	SAYE 2008	–	3,428	–	–	3,428	280p	Aug 2011	Jan 2012
David Allvey	N/A	–	–	–	–	–	–	–	–
David Edmonds	N/A	–	–	–	–	–	–	–	–
Barry Gibson	N/A	–	–	–	–	–	–	–	–
Ashley Highfield	N/A	–	–	–	–	–	–	–	–

[1] Fully vested but not exercised

Directors' Remuneration Report

In addition, the following details the movements on deferred bonus shares for applicable directors who served during the period:

Name of director	Scheme	Number of shares at 1 January 2008	Granted during the period	Transferred during the period	Number of shares at 30 December 2008	Maturity date
Ralph Topping	Operating bonus	3,312	–	–	3,312	Jun 2008
Ian Spearing	Operating bonus	3,550	–	(3,550)	–	Jun 2008

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 30 December 2008 was £2.14 and the range during the period from 1 January 2008 to 30 December 2008 was £1.54 to £5.00.

Directors' pension entitlements
Messrs Spearing and Topping were the only directors who were members of the Group's defined benefit pension scheme during 2008.

Mr Topping ceased to be an active member of the defined benefit pension scheme on 31 March 2008 as a result of an agreement that he could draw his pension while continuing working.

In accordance with the Regulations, the following table shows the members' contributions, the increase in accrued entitlement during the period and the accrued entitlement at the end of the period:

Name of director	Accrued pension 1 January 2008 £	Real increase (or decrease) in accrued pension £	Inflation £	Increase in accrued pension in the period £	Accrued pension 30 December 2008[1] £
Ian Spearing	50,680	5,586	2,534	8,120	58,800
Ralph Topping	113,755	28,714	1,396	30,110	143,865

[1] Or, in the case of Mr Topping, his date of retirement

The following table sets out the transfer value of the directors' accrued benefits under the same scheme calculated in a manner determined by the Trustee of the Scheme having taken advice from the Scheme Actuary:

Name of director	Transfer value 1 January 2008 £	Value of real increase (or decrease) in accrued pension net of contributions[1] £	Other changes to transfer value £	Increase in transfer value in the period net of contributions £	Contributions made by the director £	Transfer value 30 December 2008 £
Ian Spearing	842,251	102,357	188,281	290,638	5,820	1,138,709
Ralph Topping	1,610,104	430,454	(108,521)	321,933	2,693	1,934,730

[1] Or, in the case of Mr Topping, his date of retirement

The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme.

The accrued pension figures shown are those before any reduction due to early retirement is applied.

Mr Topping's transfer value calculation does not make any allowance for the portion of his pension which was commuted at retirement for a cash lump sum of £385,866 or Lifetime Allowance charge paid in respect of his benefit of £68,859.

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 Group contributed £38,333 to Mr Lane's defined contribution pension fund between 1 January 2008 and 31 December 2008.

Approval
This report was approved by the Board of Directors on 27 February 2009 and signed on its behalf by:

Barry Gibson
Chairman of the Remuneration Committee

Statement on Corporate Governance

The directors are committed to high standards of corporate governance and this statement sets out how the Board has applied the principles set out in the Combined Code on Corporate Governance published in June 2006 (the Code) and identifies, and provides an explanation for, any non-compliance with the Code's provisions during the year.

Compliance with the Code's provisions

During the year, the Company has complied with the provisions of the Code, with the exception that the roles of Chairman and Chief Executive were combined between 2 January 2008 and 20 February 2008 while the process to appoint a new Chief Executive was ongoing.

The Board

The Chairman, Senior Independent Non-Executive Director and other directors, including those considered by the Board to be independent, are listed on page 25. Details of Board and committee attendance are listed below. Mr Highfield was appointed to the Board on 17 November 2008. 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, which is regularly reviewed. 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 28, 43, 44 and 46. 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, among others:

- setting the overall direction, long-term objectives and strategy of the Group and delegating day-to-day management to the Chief Executive;
- reviewing Group performance;
- reviewing the arrangements in place relating to regulatory and industry issues;
- approving the appointment and removal of any Board member and the Company Secretary;
- reviewing and approving the terms of reference of the various Board committees and receiving reports from committee chairmen on a regular basis;
- approving changes to the Group's capital structure any significant acquisitions and disposals, capital investment projects and material contracts;

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

[1] The Board held 12 scheduled meetings (including an off-site Strategy Day, with senior managers) during the year and six ad hoc meetings held to consider specific issues during the year. With the exception of Mr Highfield, who was appointed a director on 17 November 2008, 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 annual plan, Annual Report and Accounts, Interim Report and Interim Management Statements, and setting of the Group's dividend policy;
- approval of the Group's charitable donations and Group-wide CR 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 while 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 Non-Executive Director met with Mr Allvey and Mr Edmonds.

Chairman and Chief Executive

Ralph Topping was appointed Chief Executive on 21 February 2008. Since that date, there has been a clear division of responsibilities between the roles of Chairman and Chief Executive, whereby the Chairman is responsible for the running of the Board and the Chief Executive is the executive responsible for the running of the business. Prior to 21 February 2008, the Chairman also assumed the role of Chief Executive following the resignation of David Harding on 28 September 2007.

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 that 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 25.

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 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.

During the period between 2 January 2008 and 20 February 2008, the Board comprised three independent non-executive directors and four executive directors, including the Chairman temporarily holding an executive role. In respect of the period, between 21 February 2008 and 16 November 2008 when Charles Scott reverted to non-executive Chairman, the Board comprised three executive directors and four non-executive directors. Following the appointment of Ashley Highfield on 17 November 2008, there were five non-executive directors. During the period between 2 January 2008 and 30 December 2008, 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 directors 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).

Statement on Corporate Governance

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 Group-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 2008 involved the following:

- the four Board committees conducting a review of their terms of reference and continuing to assess committee performance;
- one-to-one meetings being held between the Chairman and each director to assess individual director performance and to allow any other issues to be raised; and
- an assessment by the Board of its own performance, with 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 leads 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 28 to 37.

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 preliminary and interim results are made available on the Group's investor relations website, www.williamhillplc.co.uk, and a recording of the results presentations can be accessed via telephone or webcast for a period following the meeting.

The Chairman is available to discuss strategy and governance issues with shareholders and Mr Gibson, 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, Chief Executive 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 broker, Citigroup, 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. An Investor Relations manager was appointed during the year.

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 2008 meeting and intend to attend the forthcoming meeting and to be available to answer questions. In order that shareholders are aware of the other shareholders' voting intentions, the details of proxy votes for the meetings held in 2008 were announced at the relevant general meeting and were made available on the Group's website following the meeting. The website also contains copies of the Notices of Meeting and explanatory notes. A separate resolution was proposed on each substantially separate issue. It is intended to continue with these practices for 2009 and future shareholder meetings. It is planned to post the Notice of the 2009 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 44 and 45.

Nomination Committee

The role and operation of the Nomination Committee is set out in its report on page 43.

Remuneration Committee

The role and operation of the Remuneration Committee is set out in the Directors' Remuneration Report on pages 28 to 37.

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 46 to 52.

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, 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.

Statement on Corporate Governance

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 46 to 52.

Internal Audit

The Internal Audit department reviews the extent to which systems of internal control are effective and 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.

Report of the Nomination Committee

Membership and meetings

Set out below is the current membership of the Nomination Committee, together with the year in which membership commenced. All members of the committee are independent non-executive directors and the committee is chaired by the Board Chairman.

Director	Year of appointment to the committee
Charles Scott, Chairman	2002
David Allvey	2002
Barry Gibson	2002
David Edmonds	2007

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

The committee meets as necessary and, if possible, before or after regular meetings of the Board. The committee met formally on two occasions during 2008.

Role of the Nomination Committee

A full copy of the terms of reference for the committee can be obtained via the Group's 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 2008

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

During 2008, the committee also:

- recommended to the Board that Ralph Topping be appointed Chief Executive of the Company;
- recommended to the Board that Ashley Highfield be appointed a Non-Executive Director of the Company;
- reviewed and approved extensions to the contracts for the non-executive directors;
- approved the directors who would offer themselves for re-election at the 2008 AGM in accordance with the Articles of Association; and
- approved the Report of the Nomination Committee contained in the Annual Report and Accounts.

Report of the Audit and Risk Management 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 to the committee
David Allvey, Chairman	2002
David Edmonds	2005
Barry Gibson	2002

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the committee Chairman. 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 Compliance and Head of Security have attended meetings on request. 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 are set out on page 38.

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 Gibson are both financially literate and have significant general business experience of executive roles in both private and public organisations and details of each director's significant current and prior appointments are set out on page 25.

Role of the Audit and Risk Management Committee

A full copy of the terms of reference for the committee can be obtained via the Group's 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 and 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 2008

The committee has discharged its responsibilities during the year by performing the activities described below.

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 41.

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 at least annually meet with the committee without executive management present. 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 2004 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.

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. 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 present.

Other activities

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

- reviewing and updating the Group's policy and procedures relating to the appointment of consultants;
- a presentation from the Head of Security that covered risk assessments and the improvements made in this area;
- a review of the International Division IT systems was undertaken and it was clear that there were a number of issues relating to the way this had been approached;
- an internal audit review of the Group's central activity of bookmaking, focusing on odds compilation and betting control;
- an Internal Audit review into the operational controls of Orbis to ensure that it effectively supports current internal controls;
- an investigation into staff fraud;
- an investigation into IT security; and
- a post-implementation review of the new processes and changes to existing procedures as a direct result of the introduction of the Gambling Act 2005.

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

Corporate Responsibility Report

William Hill recognises that its business has both social and environmental impacts and that it has a responsibility to manage these impacts effectively. In some areas we are in direct control of these impacts, while in others we can only attempt to influence the actions of others. The Group takes its responsibilities to stakeholders seriously and implements policies and procedures that meet the legitimate expectations of shareholders, staff and customers and the wider community.

Board commitment

The Board is committed to taking steps to improve continuously its practices in the Corporate Responsibility (CR) area and to embedding CR issues into its corporate governance and operating framework. It achieves this aim by focusing on the following material issues:

- compliance with existing laws, regulations and codes of conduct relating to responsible gambling; underage gambling and protection of the vulnerable; prevention of crime and disorder related to gambling; and product integrity issues;
- the ongoing training, development and motivation of employees to retain the widest possible range of talented staff;
- provision of a safe and healthy workplace in accordance with relevant legislation; and
- providing a competition-beating level of customer service.

A non-executive director, David Edmonds, chairs the Corporate Responsibility and Regulated Issues (CRRI) Committee. Its other members are Charles Scott, Chairman of the Company, Ralph Topping, Chief Executive, Ashley Highfield, Non-Executive Director and Thomas Murphy, General Counsel & Company Secretary. This Committee monitors a range of CRRI issues throughout the year.

The CRRI Committee reports regularly to the Board and all Board members ensure that, through a process of presentation and discussion with staff, they have been properly briefed and have gained an appropriate understanding of the CRRI issues affecting the Group.

For part of the year, the committee was assisted by the CR Working Group. The CR Working Group was chaired by the Company Secretary and comprised the functional heads for corporate strategy and development, human resources, property, security, customer services and compliance, together with representatives from the Retail and Remote businesses. An action plan detailing work carried out since 2004 and revised and updated on an ongoing basis was considered by this Group with progress on outstanding actions monitored. The Working Group acted as a forum for operational management to discuss CR issues and reports were provided by working group members on CR issues arising from their particular areas of responsibility. The Working Group has now been replaced by the Regulatory and Compliance Steering Group. The main aim of the Steering Group is to discuss, review and implement policies and procedures concerned with compliance and regulatory issues.

CR highlights 2008

The year saw William Hill further enhance its procedures on core issues, including responsible gambling and staff training.

2008 highlights include:

- a good working relationship established with the Gambling Commission and overseas regulators;
- successful ongoing compliance with all relevant policies and procedures required under the Gambling Act 2005 (the Act);
- staff training refresher course programmes under which relevant staff were reminded of their specific responsibilities under the Act and Gambling Commission codes and conditions;
- an employee engagement survey, which received responses from almost 10,000 people (65% of total workforce);
- successful launch of a new corporate website; and
- the largest ever staff communications presentation held for employees of the Group at three top sporting venues in the UK.

Gambling Act 2005

William Hill continues to work closely with the Gambling Commission in furthering of the three licensing objectives under the Act, namely:

- 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.

During 2008, William Hill continued to be heavily involved in ongoing discussions and consultation with the Gambling Commission and its sponsoring government department, (the DCMS), both directly and via its trade associations, the Association of British Bookmakers (ABB) and the Remote Gambling Association (RGA).

Crime and disorder

William Hill is committed to compliance with regulation to prevent gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime.

Actions

- A designated Money Laundering Reporting Officer (MLRO) takes responsibility for suspicious activity reports made to the Serious Organised Crime Agency and its equivalent in offshore jurisdictions in respect of the prevention and detection of money laundering and our obligations under the Proceeds of Crime Act 2002 and for reports made under the Money Laundering Regulations 2007.
- All staff receive training detailing their obligations in respect of money laundering reporting. They are aware of the procedures in place for the escalation of any suspected incidents to the MLRO.
- We train our employees to adhere to procedures for the safe handling of cash and cash equivalents.
- The Group is a member of the Crimestoppers scheme. This, in conjunction with the ABB reward scheme, enables us to encourage the public to provide information in relation to offences committed against both staff and property. Crimestoppers leaflets are available in every LBO.
- William Hill's Security Department undertakes an ongoing risk assessment process for all our LBOs, considering their potential vulnerability to robberies and violence in the workplace. Appropriate crime prevention measures are introduced to meet the perceived risk. Such measures include the fitting of security screens in vulnerable shops, installation of digital closed circuit television (CCTV) systems and fitting of electronic and magnetic door locks. In the event of an incident occurring, affected shops are reassessed by the Security Department and steps taken to minimise further risk, where appropriate. We liaise closely with a number of local authority environmental health departments, local authority licensing officers and police crime prevention officers.
- We provide the Gambling Commission with information we suspect may relate to the committing of an offence under the Gambling Act 2005 or a breach of the Commission's licence conditions and codes of practice and with any information we suspect may lead to the making by the Commission of an order to void a bet. The Group co-operates with the ABB on integrity issues and also provides information on any suspicious transactions directly to those sporting authorities named under Schedule 6 Part 3 of the Act. We have co-operated with the Commission this year in a number of investigations involving suspicious betting patterns, fraud and illegal betting activity.

Responsible and underage gambling

Gambling is an exciting form of entertainment that can be experienced in a range of environments with William Hill, namely our LBOs, on racetracks, through the internet and by telephone. Whereas for most customers gambling is an enjoyable leisure activity, for a very small number there can be problems and gambling can cease to be fun.

William Hill encourages a socially responsible attitude within the betting and gaming industry and within our own organisation. We are committed to protecting children and the vulnerable from being harmed or exploited by gambling.

We are working closely with the Gambling Commission in the UK and our offshore 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.

Our commitment to implementing appropriate procedures within our organisation to deal with problem gambling and to encourage responsible gambling is paramount.

Corporate Responsibility Report

Actions

- We are a major contributor to the Responsibility in Gambling Trust (RIGT). RIGT aims to provide support to persons who experience problems with their gambling and to their dependants, to educate vulnerable persons about the risk of gambling and to conduct research into the best ways of providing that support and education.
- Information on the tools available to customers to monitor or control their gambling is available through leaflets on display in our LBOs or at racetracks, via our operational websites and via our customer services department. We also provide information to customers' relatives and friends who may approach us asking for help.
- We use clear notices in our LBOs and on gambling websites stating that the minimum age to use the facilities is 18. In our LBOs and on racetracks we have adopted a 'Think 21' approach which requires our staff to seek proof of age from any customer who appears to them to be under 21. In the UK and, where publicly available, overseas, we use an external agency to verify the ages of customers opening new internet or telephone accounts using deposit methods that may be available to under-18s. All parts of the business have established procedures to be followed in the event that we believe that a customer may be under the age of 18.
- We provide a facility for individuals to self-exclude from identified LBOs and telephone and internet accounts for a period of no fewer than 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 resume use of our gambling facilities.
- During 2008 the number of customers who chose to self-exclude from the Group's services in Retail was 3,382 (2007 – 1,563) and in Remote was 3,163 (2007 – 1,826).
- We provide a facility for telephone and internet 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.
- Although there is no one set of behaviours definitively identifying customers with gambling problems, William Hill encourages its employees to use their experience and to be aware of customers whose behaviour may indicate problem gambling. We have procedures in place to escalate any concerns and to consider whether or not it is appropriate to initiate interaction with a customer. When interaction does take place the customer will be provided with contact details of a gambling charity and with detailed information on the tools available to control their gambling behaviour. William Hill provides customers with the information required to enable them to make informed decisions about their level of gambling but does not take those decisions on the customer's behalf.
- William Hill takes particular care not to target advertising at people under the age of 18. All our advertising 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 RIGT's 'gamble aware' information website. The advertising agencies we use are fully briefed on our requirements concerning responsible gambling.
- William Hill does not enter into contracts of employment with any individual under the age of 18.
- All William Hill employees receive training giving them an overall awareness of our commitment to social responsibility and the detailed procedural knowledge appropriate to their specific business role. We will continue to monitor best practice in the area of responsible gambling as it develops and will review our policies and procedures on a regular basis in the light of guidance from regulators, gambling charities and our own practical experience.

Employees

The Group's success is dependent on its employees and it is committed to high standards of employment practice. The Group rewards individuals fairly and is committed to providing equality of opportunity, training and development and a safe workplace.

A comprehensive set of human resources policies is in place including documents covering health and safety (including specific policies on stress management and smoking), equal opportunities and harassment, disability, flexible working, training and development, the acceptance of gifts and hospitality, and whistle-blowing. These are communicated to employees as appropriate.

Equal opportunities

The Group is committed to equal opportunities in the workplace. In all aspects of employment including recruitment, promotion, training and development and terms and conditions of employment, all employees and applicants for employment are given equal opportunities regardless of gender, marital or family status, race, nationality, ethnic origin, religion, age, disability and sexual orientation.

The Group endeavours to ensure that all employees are made aware of the provisions of the policy and of their responsibility to uphold and promote it. The Group will not tolerate harassment, discrimination or victimisation in the workplace in any form. The Human Resources Director has overall responsibility for ensuring the effective operation of the policy.

Relevant policies are communicated to Group employees and there are clear lines of responsibility regarding monitoring their effectiveness, implementation and communication to staff.

The Group's current workforce is 57% female (2007 – 57%) and 43% male (2007 – 43%).

Training and development

The Group is committed to investing in the training and development of all employees.

Initial induction training is provided for all employees at the commencement of employment, supported if necessary by skills training relevant to their particular role. The Group undertakes to provide further training and development opportunities throughout individuals' careers to enable them to maintain and improve standards of performance, cope effectively with any changes to the work environment, develop their skills, and allow them to realise their full potential. Where opportunities arise, on-job development will also be provided where appropriate through secondments to other positions, departments or membership of special project groups.

The Group is also committed to raising staff awareness of social responsibility and responsible gambling and providing the necessary training in these areas.

A management development policy is in place that focuses on identifying individuals within the organisation that demonstrate the personal drive and ability to operate at a more senior level. The Group-wide performance management process identifies specific individual development needs and provides evidence of exceptional performance. For those who are seen as having the potential to succeed into senior management and leadership roles in the future, the performance management process forms the basis of the application to the Talent Board and entry into the Group-wide talent pool. Selection for further training and development is always based on individual needs and abilities and the needs of the business.

The average length of service across the Group is five years and nine months (2007 – five years and four months) whereas LBO managers' average length of service is 13 years and five months (2007 – 13 years and one month).

Communication

William Hill places considerable value on the involvement of its employees and is committed to providing effective communication on matters that may affect them and, more generally, regarding the development and performance of the Group. This is achieved through formal and informal meetings, and the Group produces an in-house magazine six times a year, which is circulated 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.

The Group has established staff councils for retail staff in each of the Group's geographic regions, which are chaired by the relevant Regional Director, together with councils for the Group's major administrative centre. 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, Human Resources.

Corporate Responsibility Report

Sharesave
On an annual basis since the Group's flotation in 2002, employees with minimum service of one year have been able to participate in the William Hill Sharesave Scheme for a period of three, five or seven years. The 2008 scheme attracted 1,797 staff savers.

Health and safety
A copy of the Group's health and safety policy is available at www.williamhillplc.co.uk. A 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 and LSR departments, together with representatives of operational management. An external health and safety consultant advises the Steering Group.

Staff are provided with information and training on health and safety issues as part of their induction and on an ongoing basis. Risk assessments are undertaken and the Group monitors the application and understanding of safety instructions through a system of safety audits, Health and Safety Co-ordinators and the Health and Safety Steering Group.

Human rights policy
William Hill is committed to undertaking its operations in a way which respects individuals' human rights and treats individuals with dignity and respect.

We support the basic principles described in the UN Global Compact (derived from the principles in the Universal Declaration of Human Rights) and this policy sets out our approach as it relates to our workforce.
- We will not employ individuals who are under 18 years of age.
- We will not use forced or compulsory labour.
- Working hours will comply with relevant laws and regulations.
- We will offer wages and benefits which are consistent with relevant laws and industry standards.
- We will respect the right of individuals to freedom of association and collective bargaining.
- We are committed to safe and healthy working conditions for our employees.
- We are committed to diversity in the working environment and will not tolerate harassment, discrimination or victimisation in the workplace.

Environment
A copy of the Group's environmental policy is available at www.williamhillplc.co.uk. As a retail and service organisation, the Group's main impact on the environment is through the buildings in which William Hill operates and the resources used by staff in their day-to-day work. The Group's environmental practices reflect William Hill's business operations and its main risks and interactions with the environment, and are largely focused on:
- compliance with environmental laws and regulations;
- minimising waste by the promotion of recycling practices and re-use of materials as opposed to disposal, where this is practicable;
- efficient use of energy and water and investigating ways of reducing consumption in this area; and
- raising awareness of environmental issues within the Group.

The Group is delighted to be part of the FTSE4Good Index.

Actions
The Group's property department takes primary responsibility for identifying issues and opportunities within the Group's LBO estate and Head Office. The following actions have been taken:
- high-frequency light fittings are specified in all new development and refurbishment projects thereby reducing the number of lamps requiring disposal;
- the Group is fully compliant with all current legislative guidelines regarding the disposal of hazardous waste and complies with the Waste, Electrical and Electronic Equipment Directive, which was introduced in 2007;
- air-conditioning and fascia lighting are controlled by time clocks to ensure efficient use of energy;
- PIRs have been installed on a trial basis at Head Office to reduce electricity consumption;
- new-style fascias continue to be rolled out as LBOs are upgraded, which will further reduce electricity consumption;
- more energy-efficient (inverter) air conditioning units continue to be installed on new projects and when replacements are required; and
- water management systems for toilet facilities are used to reduce water consumption and an increasing proportion of the LBO estate is fitted with water meters.

Facilities for recycling paper and toner cartridges are in place at the Group's Head Office and regional office buildings. The Group has been unable to establish an energy and cost-efficient method of recycling from its retail establishments. Possible solutions have been considered during the year and the Group is keen to progress in this area.

The Group continues to work with the Carbon Trust in an effort to further reduce carbon emissions. Historically, the Group has found it difficult to establish accurate utility consumption data covering all its 2,300 premises. An exercise by which quarterly meter readings were taken at a sample of representative Group premises throughout the UK has been carried out and this type of baseline data is used to determine future policy.

Access to services

Customers with disabilities have a right of access to the Group's services. Accessibility issues are taken into account in accordance with appropriate codes of practice when opening and refitting the Group's LBOs, and a combination of ramps, stair lifts, disabled toilets and induction loops for the hard of hearing are fitted, where appropriate. In addition, services offered in the LBOs can be accessed on the internet or via the telephone. Details of all of these services can be obtained from the William Hill Customer Helpline.

The Group has implemented a new platform for its online services. Care has been taken to ensure that this application reaches 'single A' compliance status with the Disability Discrimination Act as a minimum.

Suppliers

The Group recognises that it has a responsibility to ensure its purchasing practices are conducted in a manner that ensures compliance with good labour and environmental standards within its supply chain.

Major suppliers have been asked to agree to commit to continuous improvement towards the following specified standards, both within their own companies and those of their suppliers, including:

- to support and act in a manner consistent with the principles in the Universal Declaration of Human Rights;
- ensure that all employment laws within the country of operation are adhered to;
- no children are employed within the supply chain who are below the local legal minimum age;
- employees wages and benefits meet local industry benchmarks and national minimum requirements;
- operate a comprehensive policy of equal opportunity in employment;
- ensure compliance with all national and local health and safety regulations and procedures in the countries of operation;
- ensure compliance with environmental laws and regulations; and
- encourage the development of environmentally friendly working practices.

Customers and communities

Customer service

A commitment to high standards of customer service and to the fair and open conduct of its gambling operations is key to William Hill. The Group's continued success depends on its customers. Dedicated customer service departments are in place for both the retail and the remote channels. Service complaints are considered seriously and consistent, monitored procedures are in place across the Group.

During 2008, the retail business continued with its Competition Beating Service (CBS) programme, the aim of which is to ensure a positive in-shop experience for customers. CBS has quickly been established as an essential element of the retail business and the Group believes that it will play a vital part in the business's future success. District Operations Managers review performance against CBS standards on a regular basis and agree action plans to tackle any issues. For an external viewpoint on the levels of customer service experienced in LBOs, the Group uses a mystery shopper programme provided by Retail Eyes, an international company specialising in customer service. A scoring system that measures the effectiveness of CBS is in place and top performers are identified and rewarded.

Our comprehensive betting rules, which detail the terms and conditions under which all transactions placed with William Hill are accepted, were reviewed during 2008 with an amended version scheduled to be introduced in February 2009. The Group endeavours to resolve all betting disputes in a fair, consistent and equitable manner. However, if these are unable to be resolved to the customer's satisfaction the customer is entitled to refer the matter to the Independent Betting Adjudication Service (IBAS). William Hill has agreed to abide by any ruling they make. During 2008, 306 (2007 – 274) disputes were referred to IBAS. In 5% (2007 – 4%) of cases IBAS found in favour of the customer.

Although gambling transactions became legally enforceable contracts in September 2007 and are subject to relevant consumer contract legislation, the majority of disputes continue to be adjudicated on by IBAS, the acknowledged industry expert.

Corporate Responsibility Report

Product integrity
William Hill has a number of products where the outcome of an event is determined by a random number generator (RNG). RNGs are administered either by external third parties or by the Group itself. The Group has introduced rigorous internal/third-party procedures to ensure that the randomness of its own RNGs is certified, game outcomes are fair and payouts correct, games are free from defects and function to specifications, and that the games are secure and do not compromise either the player or William Hill. The Group continues to work with suppliers with the objective of ensuring they adopt a high level of fairness testing.

Privacy
The Group has systems in place to protect the privacy of information provided by customers. William Hill complies with the Data Protection Act 1998 and the Data Protection Principles set out in that Act in the collection and processing of personal information. A copy of the Group's privacy policy is available at www.williamhill.com.

Supporting sports-related and other bodies

William Hill is committed to being a responsible corporate citizen and recognises its wider social responsibility by seeking to support the communities in which the Group operates through charitable donations and other relevant payments.

Levies
The Group supports horse racing via the statutory levy and greyhound racing via the voluntary donation to the British Greyhound Racing Fund (BGRF). The sums payable for 2008 were £23.9m and £2.9m respectively. These funds are used by the respective bodies for a wide variety of purposes, including animal welfare issues. A budget has been independently established for the greyhound stadia to be used to assist with greyhound welfare issues. The Group funds an establishment which will enable up to 24 dogs to be housed for up to six months with the intention of permanently re-homing them. During 2008, 130 greyhounds were successfully re-homed by this facility and the benefits of retired greyhounds as pets are actively promoted at the stadia.

The Group recognises the depth of public concern surrounding press coverage regarding the fate of greyhounds no longer required for racing. 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 who 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
The Group's charitable donations are mainly focused on organisations involved in areas of greatest relevance to the William Hill business.

The Board has adopted a charitable donations policy stating that the major focus of the Group's efforts will be in supporting bodies involved in:

- promoting a responsible approach to gambling; undertaking research into problem gambling; and providing information, advice and help to those who are at risk or are experiencing difficulties with their gambling;
- greyhound and racehorse welfare; and
- supporting disadvantaged individuals in horse and greyhound racing.

The Group is also committed to providing support, wherever possible, to its employees in their own fundraising efforts. The Group allocates a proportion of its annual charitable donations budget to match funds (up to a specified limit) raised by employees on local charitable projects. During 2008, the nominated charities of staff members benefited by £29,030 from the matching scheme, with staff endeavours, including marathon running and parachute jumps. On occasion, the Group also supports organisations with whom it does business in their fundraising efforts, and in such cases donations may not fall within the donations policy referred to above.

During 2008, the Group made charitable donations of £772,733, the largest proportion of which was paid to the Responsibility in Gambling Trust.

The Group has established a Charitable Donations Committee, which reviews on a quarterly basis requests for charitable donations against the Board's agreed policy.

William Hill does not make donations to political parties.

CR actions for 2009

In 2009, the Group intends to continue to progress those initiatives that are already ongoing and will concentrate on the following:

- enhancing recycling possibilities;
- reducing the use of water and electricity;
- maintaining the current position of fleet cars with low CO_2 emissions;
- providing a competition-beating service to our customers; and
- continuing to work closely with the Gambling Commission and overseas regulators to ensure we continue to operate to the highest standard on social responsibility and integrity issues.

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 1985 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 Board's '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:
- select and apply accounting policies properly;
- 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.

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 1985. 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 financial statements, prepared in accordance with the applicable set of 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 order of the Board

R J Topping

27 February 2009

S P Lane

27 February 2009

Group Independent Auditors' Report

To the members of William Hill PLC

We have audited the Group financial statements of William Hill PLC for the 52 weeks ended 30 December 2008 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 40. These Group Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of William Hill PLC for the 52 weeks ended 30 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group Financial Statements give a true and fair view, whether the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Statement on Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group Financial Statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 December 2008 and of its profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

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 complied with the IFRS as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 30 December 2008 and of its profit for the 52 weeks then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

27 February 2009

Consolidated Income Statement

for the 52 weeks ended 30 December 2008

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 30 December 2008 Total £m	53 weeks ended 1 January 2008 (as restated see page 67) £m
Continuing operations					
Amounts wagered	2	**15,553.9**	**–**	**15,553.9**	14,797.1
Revenue	1,2	**963.7**	**–**	**963.7**	933.6
Cost of sales	2	**(166.2)**	**–**	**(166.2)**	(170.4)
Gross profit	2	**797.5**	**–**	**797.5**	763.2
Other operating income	1	**6.9**	**–**	**6.9**	10.4
Other operating expenses		**(522.9)**	**–**	**(522.9)**	(487.6)
Exceptional operating expense	3	**–**	**(5.4)**	**(5.4)**	(20.9)
Share of results of associates and joint ventures	4	**(2.9)**	**(5.4)**	**(8.3)**	0.7
Operating profit	5	**278.6**	**(10.8)**	**267.8**	265.8
Exceptional items	3	**–**	**88.0**	**88.0**	6.7
Investment income	7	**27.0**	**–**	**27.0**	24.3
Finance costs	8	**(89.5)**	**–**	**(89.5)**	(87.6)
Profit before tax	2	**216.1**	**77.2**	**293.3**	209.2
Tax	3,9	**(58.3)**	**(1.0)**	**(59.3)**	(51.8)
Profit for the period	32	**157.8**	**76.2**	**234.0**	157.4
Earnings per share (pence)					
Basic	11			**67.3**	44.7
Diluted	11			**66.8**	44.3

Consolidated Statement of Recognised Income and Expense

for the 52 weeks ended 30 December 2008

	Notes	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Loss on cash flow hedges	31	**(32.0)**	(1.6)
Actuarial (loss)/gain on defined benefit pension scheme	38	**(31.5)**	12.9
Tax on items taken directly to equity	25	**20.5**	(1.3)
Net (loss)/income recognised directly in equity		**(43.0)**	10.0
Transferred to income statement on cash flow hedges	31	**(9.6)**	(7.6)
Profit for the period		**234.0**	157.4
Total recognised income and expense for the period		**181.4**	159.8

Consolidated Balance Sheet
for the 52 weeks ended 30 December 2008

	Notes	30 December 2008 £m	1 January 2008 £m
Non-current assets			
Intangible assets	12	**1,491.5**	1,365.9
Property, plant and equipment	13	**209.6**	214.7
Interest in associates and joint ventures	15	**6.6**	12.7
Deferred tax asset	25	**19.6**	1.9
		1,727.3	1,595.2
Current assets			
Inventories	16	**0.5**	0.6
Trade and other receivables	17	**31.6**	32.3
Cash and cash equivalents	17	**76.5**	69.4
Derivative financial instruments	23	**–**	5.2
		108.6	107.5
Total assets		**1,835.9**	1,702.7
Current liabilities			
Trade and other payables	18	**(109.2)**	(90.8)
Current tax liabilities		**(61.1)**	(51.8)
Borrowings	19	**(0.8)**	(1.2)
Derivative financial instruments	23	**(41.5)**	(4.7)
		(212.6)	(148.5)
Non-current liabilities			
Borrowings	19	**(1,068.4)**	(1,152.1)
Retirement benefit obligations	38	**(25.9)**	(3.3)
Deferred tax liabilities	25	**(171.4)**	(165.7)
		(1,265.7)	(1,321.1)
Total liabilities		**(1,478.3)**	(1,469.6)
Net assets		**357.6**	233.1
Equity			
Called-up share capital	26	**35.4**	35.4
Capital redemption reserve	28	**6.8**	6.8
Merger reserve	29	**(26.1)**	(26.1)
Own shares held	30	**(31.1)**	(34.4)
Hedging and translation reserves	31	**(26.2)**	3.2
Retained earnings	32	**389.3**	248.2
Equity attributable to equity holders of the parent		**348.1**	233.1
Minority interest	33	**9.5**	–
Total equity		**357.6**	233.1

The financial statements were approved by the Board of directors and authorised for issue on 27 February 2009 and are signed on its behalf by:

R J Topping
Director

S P Lane
Director

Consolidated Cash Flow Statement

for the 52 weeks ended 30 December 2008

	Notes	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Net cash from operating activities	35	**209.9**	149.6
Investing activities			
Dividend from associate		**2.9**	2.0
Interest received		**12.9**	11.6
Proceeds on disposal of property, plant and equipment		**1.6**	5.7
Proceeds on disposal of shares in joint ventures and associates		**2.1**	1.8
Proceeds on exceptional sale of freehold properties		**4.5**	9.8
Purchases of property, plant and equipment		**(28.0)**	(42.8)
Purchases of betting licences		**(0.4)**	(5.3)
Expenditure on computer software		**(25.0)**	(15.8)
Acquisition of subsidiaries	34	**(1.5)**	(25.2)
Investment in joint ventures		**(6.2)**	(8.2)
Net cash used in investing activities		**(37.1)**	(66.4)
Financing activities			
Purchase of own shares		**–**	(47.9)
SAYE share option redemptions		**0.7**	4.4
Dividends paid	10	**(80.8)**	(78.5)
Repayments of borrowings		**(85.6)**	–
New bank loans raised		**–**	9.7
Collar premiums paid		**–**	(0.2)
Net cash used in financing activities		**(165.7)**	(112.5)
Net increase/(decrease) in cash and cash equivalents in the period		**7.1**	(29.3)
Cash and cash equivalents at start of period		**69.4**	98.7
Cash and cash equivalents at end of period		**76.5**	69.4

Statement of Group Accounting Policies

for the 52 weeks ended 30 December 2008

General information

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Greenside House, 50 Station Road, London, N22 7TP. The nature of the Group's operations and its principal activities are set out in the Business Review on pages 14 to 17 and also note 2 of these financial statements.

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:

IFRS 7	Financial Instruments: Disclosures;
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions;
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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 23 (revised 2007)	Borrowing Costs;
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements;
IAS 32 (amended)	IAS 1 (amended) – Puttable Financial Instruments and Obligations Arising on Liquidation;
IFRIC 12	Service Concession Arrangements;
IFRIC 13	Customer Loyalty Programmes;
IFRIC 15	Agreements for the Construction of Real Estate;
IFRIC 16	Hedges of a Net Investment in a Foreign Operation; and
IFRIC 17	Distributions of Non-cash Assets to Owners.

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.

Statement of Group Accounting Policies

for the 52 weeks ended 30 December 2008

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 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 30 December 2008. 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 profit and loss 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, interactive 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 interactive Sportsbook 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 at 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.

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.

Statement of Group Accounting Policies

for the 52 weeks ended 30 December 2008

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 two 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.

Statement of Group Accounting Policies

for the 52 weeks ended 30 December 2008

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its goodwill, tangible and intangible assets, and interests in associates and joint ventures 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.

Further descriptions of the Group's share-based payment plans are given in note 37.

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.

Interest-bearing borrowings
Interest-bearing bank loans and overdrafts are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including 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 primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Group uses interest rate swap and collar contracts to hedge its interest rate exposure and retains cash balances in foreign currencies matched against 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 the 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.

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 loan facilities, a substantial part of which is due for renewal on 1 March 2010. As noted in the 'Refinancing' section of the Chairman's Statement, the Group has successfully concluded negotiations with its bankers for the renewal of these facilities in part and has agreed a fully underwritten rights issue to cover a potential funding shortfall. 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 facility.

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.

Statement of Group Accounting Policies

for the 52 weeks ended 30 December 2008

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.

Critical judgements in applying the Group's accounting policies

The item below is a critical judgement that the directors believe has a significant effect on the amounts recognised in these financial statements.

Acquisition and disposal

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. During the period the Group has acquired certain assets from Playtech Limited as described in note 34 to these financial statements. The transaction involved the exchange of assets and businesses for a non-cash consideration. The directors have exercised judgement in determining the total fair value to be used in measuring both the acquisition cost and the consideration used for disposal purposes. In addition, the directors have employed an independent professional advisor to assist in ascribing fair values to the acquired assets and exercised their judgement in reviewing and accepting this valuation.

Key sources of estimation uncertainty

The estimates and assumptions that 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 goodwill or those intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 provides information on the assumptions 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 current 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 38 provides information on the assumptions used in these financial statements.

Changes in accounting policies and restatement of comparatives

Income Statement

As a result of the purchase of the assets, businesses and contracts from Playtech Limited described in note 34, the Group has reviewed its revenue recognition policy and treatment of customer bonus schemes, free bets and other promotional offers. The Group has revised its presentation of these items in line with current industry practice and has restated a number of lines within the consolidated income statement. The change does not impact operating profit and is shown below:

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Revenue (as previously stated)	**972.7**	940.4
Adjustment for customer bonus schemes, etc	**(9.0)**	(6.8)
Revenue restated	**963.7**	933.6
Cost of sales (as previously stated)	**(172.6)**	(174.2)
Adjustment for customer bonus schemes, etc	**6.4**	3.8
Cost of sales restated	**(166.2)**	(170.4)
Other operating expenses (as previously stated)	**(525.5)**	(490.6)
Adjustment for customer bonus schemes, etc	**2.6**	3.0
Other operating expenses restated	**(522.9)**	(487.6)

IFRS 7

The Group has adopted IFRS 7. Compliance with this standard has resulted in some minor reclassifications to trade and other receivables, details of which are given in note 17.

Notes to the Group Financial Statements

for the 52 weeks ended 30 December 2008

1. Revenue

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

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 (as restated) £m
Rendering of services and revenue as disclosed in the consolidated income statement	**963.7**	933.6
Other operating income	**6.9**	10.4
Interest on bank deposits	**3.3**	3.7
Total revenue as defined in IAS 18	**973.9**	947.7

2. Segment information

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

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

	Retail £m	Interactive £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	(28.0)	(4.4)	(1.1)	(0.3)	(2.1)	(35.9)
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 associates and joint ventures, and impairment charges					(9.5)	(9.5)
Investment income					27.0	27.0
Finance costs					(89.5)	(89.5)
(Loss)/profit before tax					**(89.5)**	**293.3**

2. Segment information (continued)

	Retail £m	Interactive £m	Telephone £m	Other £m	Corporate £m	Group £m
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

Business segment information for the 53 weeks ended 1 January 2008 (Restated):

	Retail £m	Interactive £m	Telephone £m	Other £m	Corporate £m	Group £m
Amounts wagered	13,022.5	1,186.8	559.2	28.6	–	14,797.1
Payout	(12,263.2)	(1,073.8)	(506.2)	(20.3)	–	(13,863.5)
Revenue	**759.3**	**113.0**	**53.0**	**8.3**	**–**	**933.6**
GPT, duty, levies and other cost of sales	(137.6)	(19.4)	(12.3)	(1.1)	–	(170.4)
Gross profit	621.7	93.6	40.7	7.2	–	763.2
Depreciation	(26.1)	(6.9)	(1.5)	(0.3)	(1.1)	(35.9)
Other administrative expenses	(365.8)	(35.8)	(23.1)	(5.8)	(10.8)	(441.3)
Exceptional operating expense	–	(20.9)	–	–	–	(20.9)
Segment operating profit/(loss) pre-exceptional items	**229.8**	**30.0**	**16.1**	**1.1**	**(11.9)**	**265.1**
Exceptional items	–	–	–	–	6.7	6.7
Segment operating profit/(loss) after exceptional items	**229.8**	**30.0**	**16.1**	**1.1**	**(5.2)**	**271.8**
Share of result of associates and joint ventures					0.7	0.7
Investment income					24.3	24.3
Finance costs					(87.6)	(87.6)
(Loss)/profit before tax					**(67.8)**	**209.2**
Balance sheet information						
Total segment assets	1,386.4	117.9	85.0	16.3	95.2	1,700.8
Total segment liabilities	(53.5)	(25.3)	(5.7)	(0.5)	(1,189.5)	(1,274.5)
Investment in associates and joint ventures	–	–	–	–	12.7	12.7
Capital additions	42.2	16.1	1.4	0.1	1.0	60.8
Included within Total assets:						
Goodwill	687.8	97.2	80.4	7.1	–	872.5
Other intangibles with indefinite lives	483.9	–	–	–	–	483.9

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for the 52 weeks ended 30 December 2008

2. Segment information (continued)

The Retail distribution channel comprises all activity undertaken in LBOs including gaming machines. The interactive segment comprises all activity undertaken online including an online Sportsbook, online casino, online poker sites and other gaming products. The telephone segment comprises the Group's telephone betting services 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 this jurisdiction. Similarly, only a small portion of the Group's net assets is located outside the United Kingdom.

Reconciliation of segment assets and liabilities to the consolidated balance sheet:

	Assets		Liabilities	
	30 December 2008 £m	1 January 2008 £m	30 December 2008 £m	1 January 2008 £m
Total segment assets/(liabilities)	**1,816.3**	1,700.8	**(1,268.5)**	(1,274.5)
Current tax assets/(liabilities)	**-**	-	**(38.4)**	(29.4)
Deferred tax assets/(liabilities)	**19.6**	1.9	**(171.4)**	(165.7)
Total assets/(liabilities)	**1,835.9**	1,702.7	**(1,478.3)**	(1,469.6)

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 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Operating		
Impairment of assets and costs in relation to termination of NextGen programme[1]	**(4.0)**	(20.9)
Integration costs in respect of William Hill Online[2]	**(1.4)**	–
Impairment of joint ventures[3]	**(5.4)**	–
	(10.8)	(20.9)
Non-Operating		
Gain on disposal of William Hill Online[4]	**86.4**	–
Sale and leaseback of LBO properties[5]	**2.8**	6.7
Loss on disposal of joint venture[6]	**(1.2)**	–
	88.0	6.7
Total exceptional items	**77.2**	(14.2)

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Tax relief expected in respect of assets impairment and costs in relation to the termination of the NextGen programme[1]	**1.1**	5.9
Integration costs in respect of William Hill Online[2]	**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 LBOs[5]	**(0.7)**	(1.4)
	(1.0)	4.5

[1] In November 2007 the Board of directors instigated a review of the NextGen programme. As a result of the review, the programme was terminated. This decision resulted in an impairment charge of £20.9m in the 53 weeks ended 1 January 2008. The charge consisted of £20.5m internally developed software, and £0.4m computer hardware equipment. During the 52 weeks ended 30 December 2008 further costs of £4.0m have been incurred relating to this decision. There have been no impairments in the 52 weeks ended 30 December 2008.

[2] Integration costs of £1.4m have been incurred in relation to the William Hill Online transaction.

[3] The Group is currently in discussions with Codere (its joint venture partner) as to the future direction and levels of investment required for its joint ventures in Spain, following the substantive investment of amounts originally committed by each party. In light of this and as a result of the deteriorating economic conditions in Spain, the Group has reviewed the carrying value of its Spanish joint ventures, as required by IAS 31 'Impairment of assets'. This has resulted in an impairment charge of £5.4m. The interest in its Spanish joint venture has been impaired to its recoverable amount, based on a value in use calculation, taking into account the current circumstances described above. Further details of its joint ventures are given in note 15.

[4] William Hill 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. Further details of the transaction are given in note 34. The tax charge is low as the disposal is not a disposal of the underlying assets for tax purposes.

[5] Income arose from the sale and leaseback of 14 (1 January 2008 – 24) LBO properties and is shown net of costs.

[6] 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 has resulted in a loss on disposal.

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for the 52 weeks ended 30 December 2008

4. Share of results of associates and joint ventures

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Share of profit after taxation in associated undertakings	**2.9**	3.3
Share of loss after taxation in joint ventures	**(5.8)**	(2.6)
	(2.9)	0.7
Exceptional impairment of joint ventures (note 3)	**(5.4)**	–
	(8.3)	0.7

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 Italy and Spain 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 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Net foreign exchange losses	**0.6**	0.7
Depreciation of property, plant and equipment	**29.5**	27.8
Amortisation of software	**6.4**	8.1
Exceptional operating expenses (note 3)	**10.8**	20.9
Staff costs (note 6)	**295.0**	231.8

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

	Category[1]	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts		**0.2**	0.2
Fees payable to the Company's auditors and its associates for other services:			
The audit of the Company's subsidiaries, pursuant to legislation	1	**0.1**	0.1
Tax services	3	**0.4**	0.6
All other services	10	**0.4**	–
Total fees payable to Deloitte LLP		**1.1**	0.9

[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 £1.0m (53 weeks ended 1 January 2008 – £nil) have been capitalised in the consolidated balance sheet in respect of the Playtech transaction and the implementation of the Group's new online 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 people employed, including directors, during the period was 16,176 (53 weeks ended 1 January 2008 – 14,629), 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 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Wages and salaries	**235.5**	218.8
Social security costs	**20.9**	18.9
Other pension net costs/(credits) (note 38)	**38.6**	(5.9)
	295.0	231.8

Included in Other pension net costs/(credits) is £31.5m relating to actuarial losses (53 weeks ended 1 January 2008 – £(12.9)m gains), which have been charged to the statement of recognised income and expense.

7. Investment income

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Interest on bank deposits	**3.3**	4.0
Fair value gains on interest rate swaps and collars transferred from equity for cash flow hedges of floating rate debt	**9.6**	7.6
Expected return on pension scheme assets (note 38)	**14.1**	12.7
	27.0	24.3

8. Finance costs

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Interest payable and similar charges:		
Bank loans and overdrafts	**74.9**	74.4
Amortisation of finance costs	**1.8**	1.5
Net interest payable	**76.7**	75.9
Interest on pension scheme liabilities (note 38)	**12.8**	11.7
	89.5	87.6

Notes to the Group Financial Statements

for the 52 weeks ended 30 December 2008

9. Tax on profit on ordinary activities

The tax charge comprises:

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Current tax:		
UK corporation tax at 28.5% (2007 – 30%)	**63.4**	61.6
UK corporation tax – prior periods	**(7.4)**	(4.7)
Total current tax charge	**56.0**	56.9
Deferred tax:		
Origination and reversal of timing differences	**2.0**	1.4
Impact from changes in statutory tax rates	**–**	(11.3)
Adjustment in respect of prior years	**1.3**	4.8
Total deferred tax charge/(credit)	**3.3**	(5.1)
Total tax on profit on ordinary activities	**59.3**	51.8

The effective tax rate in respect of ordinary activities before exceptional costs and excluding associate and joint venture income is 26.6% (53 weeks ended 1 January 2008 – 25.3%). The effective tax rate in respect of ordinary activities after exceptional items and excluding share of results of associates and joint ventures was 20.0% (53 weeks ended 1 January 2008 – 24.8%). The current period's charge is lower than the statutory rate of 28.5% mainly due to adjustments in respect of prior periods and permanent differences in respect of non-taxable income relating to the gain on disposal of William Hill Online. 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 30 December 2008 £m	%	53 weeks ended 1 January 2008 £m	%
Profit before tax	**293.3**		209.2	
Add/(Less): share of results of associates and joint ventures	**2.9**		(0.7)	
	296.2	**100.0**	208.5	100.0
Tax on Group profit at standard UK corporation tax rate of 28.5% (2007 – 30%)	**84.4**	**28.5**	62.6	30.0
Impact of changes in statutory tax rates	**–**	**–**	(11.3)	(5.4)
Adjustment in respect of prior periods	**(6.1)**	**(2.1)**	0.1	–
Permanent differences – non-deductible expenditure	**4.3**	**1.5**	1.0	0.5
Permanent differences – non-taxable income	**(23.3)**	**(7.9)**	(0.6)	(0.3)
Total tax charge	**59.3**	**20.0**	51.8	24.8

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 30 December 2008 Per share	53 weeks ended 1 January 2008 Per share	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Equity shares:				
– current year interim dividend paid	**7.75p**	7.75p	**27.0**	27.3
– prior year final dividend paid	**15.50p**	14.50p	**53.8**	51.2
	23.25p	22.25p	**80.8**	78.5
Proposed dividend	**–**	15.50p	**–**	53.8

Under an agreement signed in November 2002, The William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. In addition, the Company does not pay dividends on the shares held in treasury. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and in treasury are given in note 30.

11. Earnings per share

	52 weeks ended 30 December 2008			53 weeks ended 1 January 2008		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
Profit after tax for the financial period (£m)	**234.0**	**–**	**234.0**	157.4	–	157.4
Exceptional items (note 3)	**(77.2)**	**–**	**(77.2)**	14.2	–	14.2
Exceptional items – tax charge (note 3)	**1.0**	**–**	**1.0**	(4.5)	–	(4.5)
Profit after tax for the financial period before exceptional items	**157.8**	**–**	**157.8**	167.1	–	167.1
Weighted average number of shares (million)	**347.6**	**2.6**	**350.2**	352.2	3.4	355.6
Earnings per share (pence)	**67.3**	**(0.5)**	**66.8**	44.7	(0.4)	44.3
Exceptional adjustment	**(21.9)**	**0.2**	**(21.7)**	2.7	–	2.7
Earnings per share – adjusted	**45.4**	**(0.3)**	**45.1**	47.4	(0.4)	47.0

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 6.2 million in the 52 weeks ended 30 December 2008 (53 weeks ended 1 January 2008 – 7.9 million).

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for the 52 weeks ended 30 December 2008

12. Intangible assets

	Goodwill £m	Licence value £m	Trade names, affiliate relationships and NCA[1] £m	Computer software £m	Total £m
Cost:					
At 27 December 2006	865.7	454.7	–	29.3	1,349.7
Additions	–	5.3	–	15.8	21.1
Recognised on acquisition of subsidiary	6.8	23.9	–	–	30.7
Exceptional impairment write-down (note 3)	–	–	–	(26.7)	(26.7)
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 (note 34)	114.9	–	19.9	–	134.8
Disposal of 29% of interactive business (note 34)	(28.2)	–	–	–	(28.2)
At 30 December 2008	959.2	484.3	19.9	43.4	1,506.8
Accumulated amortisation:			–		
At 27 December 2006	–	–	–	7.0	7.0
Charge for the period	–	–	–	8.1	8.1
Exceptional impairment write-down (note 3)	–	–	–	(6.2)	(6.2)
At 2 January 2008	–	–	–	8.9	8.9
Charge for the period	–	–	–	6.4	6.4
At 30 December 2008	–	–	–	15.3	15.3
Net book value:					
At 30 December 2008	**959.2**	**484.3**	**19.9**	**28.1**	**1,491.5**
At 1 January 2008	872.5	483.9	–	9.5	1,365.9

[1] NCAs are defined as non-competition agreements.

The amortisation period for the Group's computer software is between two and 10 years. The use of a 10 year life in respect of some of the software is supported by warranties written into the relevant software supply contract. Included within computer software additions is an amount of £7.2m that relates to internally developed software.

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.

Trade names, affiliate relationships and NCAs were purchased from Playtech Limited as part of the transaction described in note 34. Fair values have been assigned to these assets on the basis of an independent valuation report prepared by Grant Thornton LLP. Trade names and affiliate relationships are amortised over their estimated useful lives, which is five years. NCAs are amortised over the lifetime of the relevant agreement.

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 (CGUs). The recoverable amounts of the CGUs are determined by value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The Group prepares cash flow forecasts derived from the following period's budget to EBIT for each CGU. The budgets used have been approved by management. These cash flows are then extrapolated by a growth rate. The discount rate applied in 2008 to the future cash flows of the CGU was 9.5% (2007 – 10.8%) and cash flows beyond the budget period are extrapolated using a 2.4% growth rate (2007 – 2.4%).

13. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost:				
At 27 December 2006	232.5	130.3	5.2	368.0
Additions	37.9	0.9	0.9	39.7
Acquisition of subsidiary undertaking	0.6	0.8	–	1.4
Disposals	(8.6)	–	(0.6)	(9.2)
Exceptional impairment write-down (note 3)	–	(0.5)	–	(0.5)
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 30 December 2008	279.8	131.4	5.6	416.8
Accumulated depreciation:				
At 27 December 2006	74.2	84.3	2.5	161.0
Charge for the period	18.3	8.4	1.1	27.8
Acquisition of subsidiary undertaking	0.4	0.5	–	0.9
Disposals	(4.3)	–	(0.6)	(4.9)
Exceptional impairment write-down (note 3)	–	(0.1)	–	(0.1)
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 30 December 2008	102.6	101.3	3.3	207.2
Net book value:				
At 30 December 2008	**177.2**	**30.1**	**2.3**	**209.6**
At 1 January 2008	173.8	38.4	2.5	214.7

The net book value of land and buildings comprises:

	30 December 2008 £m	1 January 2008 £m
Freehold	**42.7**	47.6
Long leasehold	**8.5**	8.0
Short leasehold	**126.0**	118.2
	177.2	173.8

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13. Property, plant and equipment (continued)

Out of the total net book value of land and buildings, £2.4m (1 January 2008 – £2.5m) relates to administration buildings and the remainder represents licensed betting offices. The gross value of assets on which depreciation is not provided amounts to £6.2m representing freehold land (1 January 2008 – £7.1m).

The carrying amount of the Group's fixtures, fittings and equipment includes an amount of £1.2m (1 January 2008 – £1.8m) in respect of assets held under finance leases.

At 30 December 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £7.5m (1 January 2008 – £20.2m).

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%	Betting services
William Hill (Course) Limited	Great Britain	100%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
Willstan Limited	Northern Ireland	100%	Betting services
BJ O'Connor Limited	Jersey	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services
The Regal Sunderland Stadium Limited	Great Britain	100%	Stadium operation
Team Greyhounds (Brough Park) Limited	Great Britain	100%	Stadium operation
WHG Trading Limited	Gibraltar	71%	Online casino
WHG (International) Limited	Gibraltar	71%	Online casino
William Hill (Malta) Limited	Malta	71%	Online casino
Eurotech Services Limited	Bulgaria	71%	Customer Services
Cellpoint Investments Limited	Cyprus	71%	Holding Company
Ad-gency Limited	Israel	71%	Marketing agency

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 27 December 2006	–	5.3	5.3
Additions	8.7	–	8.7
Share of (loss)/profit before interest and taxation	(2.6)	4.5	1.9
Share of interest	–	0.3	0.3
Share of taxation	–	(1.5)	(1.5)
Disposal of shares	–	(0.1)	(0.1)
Dividend paid	–	(1.9)	(1.9)
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 30 December 2008	**–**	**6.6**	**6.6**

Associates

At 30 December 2008, William Hill Organization Limited, a principal subsidiary of the Company, held an investment of 19.5% (1 January 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 horse racing, greyhound racing and certain numbers draws, via satellite. The statutory financial statements of SIS are prepared to the year ending 31 March. The consolidated figures above are based on management accounts for the calendar year 2008.

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:

	30 December 2008 £m	1 January 2008 £m
Total assets	**103.7**	67.7
Total liabilities	**(69.9)**	(33.9)
Total revenue	**188.0**	146.8
Total profit after tax	**15.1**	16.6

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.

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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	33⅓%	Betting services

During the period, the Group sold its joint venture holding, William Hill Codere Italia, srl, in Italy, details of which are given in note 3. The following balance sheet information relates to the remaining joint ventures, whereas the income statement information also includes the Italian joint venture to the date of disposal.

	30 December 2008 £m	1 January 2008 £m
Non-current assets	**13.2**	7.3
Current assets	**7.5**	15.1
Total assets	**20.7**	22.4
Current liabilities	**(8.9)**	(9.9)
Non-current liabilities	**–**	–
Total liabilities	**(8.9)**	(9.9)
Net assets	**11.8**	12.5
Total revenue	**1.0**	–
Total loss after tax	**(11.6)**	(5.2)

16. Inventories

	30 December 2008 £m	1 January 2008 £m
Raw materials, consumables and bar stocks	**0.5**	0.6

17. Other financial assets

Trade and other receivables

Trade and other receivables comprise:

	30 December 2008 £m	1 January 2008 (as restated) £m
Trade debtors[1]	**3.1**	2.9
Other debtors[1]	**1.4**	2.9
Prepayments	**27.1**	26.5
	31.6	32.3

[1] In implementing IFRS 7 the Group has reviewed the categories of debtor and made a reclassification to Trade debtors and Other debtors. The effect being to reduce Trade debtors by £1.2m in the current year and £2.5m in the prior year, with the corresponding increase in Other debtors.

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:

	30 December 2008 £m	1 January 2008 £m
Trade creditors	**37.6**	41.6
Other creditors	**4.9**	5.7
Accruals and deferred income	**66.7**	43.5
	109.2	90.8

The average credit period taken for trade purchases is 17 days (1 January 2008 – 15 days).

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

Included in trade creditors is an amount of £20.8m (1 January 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.

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19. Borrowings

	30 December 2008 £m	1 January 2008 £m
Due in less than one year:		
Obligations under finance leases (note 20)	**0.8**	1.2
Due in more than one year:		
Obligations under finance leases (note 20)	**0.4**	0.6
Bank loans (note 21)	**1,068.0**	1,151.5
	1,068.4	1,152.1
Total borrowings	**1,069.2**	1,153.3

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	
	30 December 2008 £m	1 January 2008 £m	30 December 2008 £m	1 January 2008 £m
Amounts payable under finance leases:				
Within one year	**0.8**	1.2	**0.8**	1.2
In the second to fifth years inclusive	**0.5**	0.7	**0.4**	0.6
After five years	**–**	–	**–**	–
	1.3	1.9	**1.2**	1.8
Less: future finance charges	**(0.1)**	(0.1)	**–**	–
Present value of lease obligations	**1.2**	1.8	**1.2**	1.8
Less: amounts due within one year	**(0.8)**	(1.2)	**(0.8)**	(1.2)
Amounts due after more than one year	**0.4**	0.6	**0.4**	0.6

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% (53 weeks ended 1 January 2008 – 4.6%) per annum.

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

21. Bank overdrafts and loans

	30 December 2008 £m	1 January 2008 £m
Bank loans	**1,070.0**	1,155.0
The borrowings are repayable as follows:		
On demand or within one year	**–**	–
In the second year	**820.0**	–
In the third to fifth years inclusive	**250.0**	1,155.0
	1,070.0	1,155.0
Less: expenses relating to loan	**(2.0)**	(3.5)
	1,068.0	1,151.5
Less: amount due for settlement within 12 months (shown under current liabilities)	**–**	–
Amount due for settlement after 12 months	**1,068.0**	1,151.5

Bank loans

	52 weeks ended 30 December 2008 %	53 weeks ended 1 January 2008 %
The weighted average interest rates paid were as follows:		
Bank loans	**6.8**	6.6

At 30 December 2008, the Group had total bank facilities of £1,450m available to it under two facility agreements.
The first facility is for a total commitment of £1,200m, and is split into two tranches:
- Tranche A comprising a term loan of £600m repayable on 1 March 2010; and
- Tranche B comprising a revolving facility of £600m available until 1 March 2010.

The second facility agreement is for a term loan of £250m, which is repayable on 30 July 2011.

Mandatory repayments are required to be made under the terms of both sets of loan documentation, including, but not limited to, the net proceeds of certain asset sales. The maturity profile above is analysed on the basis of calendar years from the balance sheet date.

The borrowings drawn down under the £1,200m facility agreement bear interest at a variable margin of between 0.4% and 0.75% above LIBOR, dependent on certain financial ratios. The applicable margin at 30 December 2008 was 0.53%.

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 30 December 2008 was £220m (1 January 2008 – £305m).

The £250m borrowings under the second facility agreement bear interest at a fixed margin of 0.90% above LIBOR.

The facility agreements are secured by guarantees given by the Company and certain of its subsidiaries.

Overdraft facility

At 30 December 2008, the Group had an overdraft facility with National Westminster Bank PLC of £5.0m (1 January 2008 – £5.0m).
The balance on this facility at 30 December 2008 was £nil (1 January 2008 – £nil).

Notes to the Group Financial Statements

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21. Bank overdrafts and loans (continued)

Fair value of loans and facilities

It is the directors' opinion that due to the Group's 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 and other borrowings.

New bank facilities

The Board of William Hill PLC announced on 27 February 2009 that it has entered into the new bank facilities that, under a forward-start mechanism, will provide aggregate funding to the Group of £838.5m from March 2010. The main elements of the refinanced bank facilities can be summarised as follows:

- the Group's existing £1.2bn term and revolving facilities have been reduced to £950m and, as before, will expire in March 2010;
- for the period commencing January 2010, the Group has agreed new £538.5m forward-start term and revolving facilities expiring in March 2012, which are available to repay any amounts outstanding from the existing £950m facilities and have a margin over LIBOR (determined by reference to the Group's consolidated net debt to EBITDA ratio) ranging from 250 basis points to 300 basis points;
- to supplement the £538.5m facilities, for the period commencing January 2010, the Group can also draw down a one-year £50m incremental forward-start term facility, expiring in February 2011, with a margin over LIBOR of 450 basis points until June 2010 and increasing thereafter; and
- the Group's existing £250m term facility will remain available to the Group until it expires in July 2011.

As part of the refinancing, the Group has agreed to pay an increased margin and commitment fee to syndicate banks that have committed to participate in the new bank facilities. This increased margin will be paid on the relevant syndicate banks' proportion of lending in the £950m and £250m facilities until their expiry in March 2010 and July 2011 respectively (unless prepaid earlier). The Board expects the all-in effective weighted average cost of debt to be approximately 8.4%, (based on the Group's existing interest rate hedging arrangements and the terms of the new bank facilities).

22. Financial risk management

The Group's activities expose it to a variety of financial risks. The main financial risks faced by the Group relate to fluctuations in interest and foreign exchange rates, the risk of default by counter-parties to financial transactions, and the availability of funds to meet business needs. These risks are managed as described below.

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 Business Review on pages 20 to 23.

Interest rate risk

Interest rate risk arises from long-term borrowings. Debt issued at variable rates exposes the Group to cash flow interest rate risk. The Group uses interest rate swaps and collars to manage its exposure to interest rate movements on its bank borrowings. The Group policy is to hedge approximately 80% of its net debt using fixed rate or capped rate instruments including interest rate swaps and collars. Details of these arrangements are given in note 24. Whilst the Group aims to maintain an effective hedge by converting 40% of its loans into fixed rates and capping a further 40%, it is sensitive to changes in interest rates. 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	2.5	(2.5)
(Decrease)/increase in other equity reserves	(14.2)	14.5

22. Financial risk management (continued)

Currency risk

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.

The Group's policy is to review the level of business impacted by currency fluctuations. The directors believe that any changes in exchange rates would not have had a material impact on the Group at 30 December 2008. Accordingly, the Group has not hedged against movements in exchange rates. This policy is being reviewed in light of the formation of William Hill Online.

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

	30 December 2008			1 January 2008		
	Sterling £m	Other currencies £m	Total £m	Sterling £m	Other currencies £m	Total £m
Functional currency:						
Sterling	**–**	**(0.2)**	**(0.2)**	–	(2.3)	(2.3)
Other currencies	**–**	**–**	**–**	0.1	–	0.1
	–	**(0.2)**	**(0.2)**	0.1	(2.3)	(2.2)

Revenue by currency

Revenue by currency is analysed below.

	52 weeks ended 30 December 2008 %	53 weeks ended 1 January 2008 %
Sterling	**97.7**	97.8
Euro	**1.8**	1.8
Other currencies	**0.5**	0.4
Total	**100.0**	100.0

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for the 52 weeks ended 30 December 2008

22. Financial risk management (continued)

Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and financial derivative instruments. The maximum exposure at 30 December 2008 was £73.7m, consisting of cash and bank balances of £69.2m and trade and other receivables of £4.5m. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. It is the Group's policy to spread surplus liquid funds over a minimum of four counterparties, with a maximum exposure to any one counterparty of £10m.

Liquidity risk

Liquidity risk is managed by short- and long-term cash flow forecasts. The Group's policy is to ensure that there are sufficient medium- and long-term committed borrowing facilities to meet medium-term funding requirements. At 30 December 2008, the Group had committed bank loan facility agreements for a total of £1.45bn (2007 – £1.45bn), of which £1.2bn matures in March 2010 and £250m in July 2011. The Group has agreed new bank facilities, details of which are outlined 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 three-month LIBOR in existence at the period end date.

	Average effective interest rate	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Total £m
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
1 January 2008						
Finance leases	4.6%	1.2	0.7	–	–	1.9
Borrowings including interest	5.9%	56.0	65.0	1,203.7	–	1,324.7
Impact of interest rate hedging	4.9%	(6.0)	(1.1)	–	–	(7.1)
Other liabilities	–	90.8	–	–	–	90.8
Total		142.0	64.6	1,203.7	–	1,410.3

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital through an appropriate balance of debt and equity funding. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, buy back shares and cancel them or issue new shares.

The Group monitors its capital structure using a net debt to EBITDA ratio. The Group has historically maintained a target capital structure of approximately 3.5 times net debt/EBITDA. It intends to focus on reducing this ratio going forward. The ratio at 30 December 2008 was 3.2 times (1 January 2008 – 3.4 times).

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 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

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23. Financial instruments (continued)

		Financial instruments				
At 1 January 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		–	–	–	12.7	12.7
Other non-current assets		–	–	–	1,582.5	1,582.5
Trade and other receivables:						
Trade receivables and similar items	17	–	2.9	–	–	2.9
Other non-derivative financial assets	17	–	2.9	–	–	2.9
Non-financial instruments	17	–	–	–	26.5	26.5
Other financial assets						
Fair value of swaps and collars	24	5.2	–	–	–	5.2
Cash and cash equivalents	17	–	69.4	–	–	69.4
Other current assets		–	–	–	0.6	0.6
Total assets		5.2	75.2	–	1,622.3	1,702.7
Liabilities						
Borrowings:						
Current	19	–	–	(1.2)	–	(1.2)
Non-current	19	–	–	(1,152.1)	–	(1,152.1)
Financial liabilities at fair value through Profit and loss account						
Antepost bets	24	(4.7)	–	–	–	(4.7)
Trade and other payables:						
Trade payables and similar items	18	–	–	(41.6)	–	(41.6)
Other non-derivative financial liabilities	18	–	–	(49.2)	–	(49.2)
Current tax liabilities		–	–	–	(51.8)	(51.8)
Other liabilities		–	–	–	(169.0)	(169.0)
Total liabilities		(4.7)	–	(1,244.1)	(220.8)	(1,469.6)
Net assets/(liabilities)		0.5	75.2	(1,244.1)	1,401.5	233.1

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

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 30 December 2008 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	
	30 December 2008 %	1 January 2008 %	30 December 2008 £m	1 January 2008 £m	30 December 2008 £m	1 January 2008 £m
Less than one year	**5.4**	–	**175.0**	–	**0.4**	–
One to two years	**4.8**	5.4	**640.0**	175.0	**(12.0)**	0.3
Two to five years	**5.3**	5.0	**700.0**	1,340.0	**(25.0)**	4.9
After five years	**–**	–	**–**	–	**–**	–
			1,515.0	1,515.0	**(36.6)**	5.2

[1] Calculated as the 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 30 December 2008. This is higher than the effective notional principal of £925m at 30 December 2008, 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 £460m and £100m over the period to 31 December 2012. At 30 December 2008 the notional principal hedged under these arrangements was £460m. The fixed interest rate under the swaps varies from 4.4% to 5.34%. 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 £460m and £100m over the period to 31 December 2012. At 30 December 2008 the notional principal amount under the Group's interest rate collars was £460m.

The fair value of swaps and collars entered into at 30 December 2008 is estimated as a liability of £36.6m (1 January 2008 asset – £5.2m). Derivative pricing models have been used to calculate these fair values. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of £9.6m (53 weeks ended 1 January 2008 – £7.6m) has been received in respect of hedged interest payments in the period.

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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 1 January 2008 £m	Acquired during period £m	Amount credited to reserves £m	Amount credited/ (charged) to income £m	Amount 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)	–	–	1.7	–	**(18.2)**
	(163.8)	(5.4)	0.2	(3.3)	20.5	**(151.8)**

	At 26 December 2006 £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 1 January 2008 £m
Accelerated capital allowances	(13.4)	–	0.4	7.1	–	(5.9)
Held-over gains	–	–	0.3	(6.3)	–	(6.0)
Retirement benefit obligations	7.5	–	–	(2.5)	(4.1)	0.9
Licences	(135.1)	(6.8)	9.0	–	–	(132.9)
Share remuneration	1.0	–	–	–	–	1.0
Derivatives	(4.0)	–	–	–	2.8	(1.2)
Properties acquired via business combinations	(16.8)	–	1.6	(4.5)	–	(19.7)
	(160.8)	(6.8)	11.3	(6.2)	(1.3)	(163.8)

The current statutory rate of UK corporation tax of 28% (53 weeks ended 1 January 2008 – 28%) has 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:

	30 December 2008 £m	1 January 2008 £m
Deferred tax liabilities	**(171.4)**	(165.7)
Deferred tax assets	**19.6**	1.9
	(151.8)	(163.8)

26. Called-up share capital

	30 December 2008		1 January 2008	
	Number of shares	£m	Number of shares	£m
Authorised ordinary shares of 10p each	**800,000,000**	**80.0**	800,000,000	80.0
Called-up, allotted and fully paid ordinary shares of 10p each:				
At start of period	**353,718,759**	**35.4**	361,631,253	36.2
Shares cancelled	**–**	**–**	(7,912,494)	(0.8)
At end of period	**353,718,759**	**35.4**	353,718,759	35.4

The shares were cancelled during the prior period as part of the Company's share buy-back programme. The Company has one class of ordinary shares, which carry no right to fixed income.

27. Share premium

	£m
At 27 December 2006	**311.3**
Share premium cancelled	**(311.3)**
At 2 January 2008 and 30 December 2008	**–**

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. On 20 June 2007, the High Court of Justice confirmed the reduction in share premium, allowing its transfer to retained earnings.

28. Capital redemption reserve

	£m
At 27 December 2006	6.0
Shares cancelled (note 26)	0.8
At 2 January 2008 and 30 December 2008	**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 27 December 2006, 2 January 2008 and 30 December 2008	**(26.1)**

The merger reserve arose following a Group re-organisation in 2002 in preparation for the floatation of the Company.

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30. Own shares

	£m
At 27 December 2006	(46.9)
Transfer of own shares to recipients	12.5
At 2 January 2008	(34.4)
Transfer of own shares to recipients	3.3
At 30 December 2008	**(31.1)**

Own shares held comprise:

	30 December 2008			1 January 2008		
	Number of shares	Nominal value £m	Cost £m	Number of shares	Nominal value £m	Cost £m
William Hill Holdings EBT	**1,000**	**–**	**–**	33,000	–	–
Treasury shares	**5,846,000**	**0.6**	**31.1**	6,458,000	0.6	34.4
	5,847,000	**0.6**	**31.1**	6,491,000	0.6	34.4

The shares held in treasury were purchased at a weighted average price of £5.32 (1 January 2008 – £5.32). The shares held in the William Hill Holdings EBT were purchased at a weighted average price of £1.15 (1 January 2008 – £1.15). The total value of shares held in treasury and trust was £12.5m.

31. Hedging and translation reserves

	Hedging reserve £m	Translation reserve £m	Total £m
At 27 December 2006	9.4	–	9.4
Change in fair value of hedging derivatives	(1.6)	–	(1.6)
Transfer to income	(7.6)	–	(7.6)
Deferred tax arising	2.8	–	2.8
Exchange differences on translation of overseas operations	–	0.2	0.2
At 2 January 2008	3.0	0.2	3.2
Change in fair value of hedging derivatives	(32.0)	–	(32.0)
Transfer 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 30 December 2008	**(26.9)**	**0.7**	**(26.2)**

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 27 December 2006	(99.4)
Dividends paid (note 10)	(78.5)
Net profit for the period	157.4
Actuarial gain recognised in the pension scheme	12.9
Deferred tax arising thereon	(4.0)
Shares purchased and cancelled	(46.0)
Credit to equity in respect of share remuneration	2.6
Cancellation of share premium (note 27)	311.3
Movements on reserves due to transfer of own shares to recipients	(8.1)
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 30 December 2008	**389.3**

33. Minority interest

	£m
At 27 December 2006 and 2 January 2008	–
William Hill Online (note 34)	9.5
At 30 December 2008	**9.5**

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

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34. Acquisitions and disposals

On 30 December 2008, the Group acquired assets, businesses and contracts comprising an affiliate marketing business, customer services operation and gaming brands and websites (the acquired assets) from Playtech Limited. As the transaction occurred at midnight on 30 December 2008 there was no contribution to revenue or profit before taxation in the period to 30 December 2008. As consideration for the acquisition, Playtech received a 29% interest in the newly formed William Hill Online, a combination of the acquired assets and William Hill's existing interactive business. The capitalised goodwill on this transaction was £114.9m.

The transaction has been accounted for using IFRS 3: Business Combinations. However, IFRS 3 does not provide specific guidance for transactions of this nature where there is no cash consideration. In the absence of any specific IFRS guidance, we defer to UK GAAP UITF Abstract 31: Exchanges of businesses or other non-monetary assets for an interest in a subsidiary, joint venture or associate, the principles of which are consistent with IFRS 3. The transaction has been accounted for in two parts; a disposal of 29% of the Group's Interactive division and the subsequent acquisition of 71% of the acquired assets. The fair value of the proceeds for the disposal of the 29% take in William Hill Online is equivalent to the fair value of the acquired assets and is £119.6m, being the sterling equivalent of the 71% of $242.5m that Playtech paid to acquire the assets concerned on 20 October 2008.

Disposal of 29% of Interactive division
The net assets of William Hill Online disposed as part of this transaction were:

	Book value £m
Non-current assets	
Intangible assets – goodwill	28.2
Intangible assets – other	4.6
Property, plant & equipment	1.4
Current assets	
Trade and other receivables	3.2
Cash	6.8
Total assets	**44.2**
Current liabilities	
Trade and other payables	(11.0)
Non-current liabilities	
Deferred tax liabilities	–
Total liabilities	**(11.0)**
Net assets disposed	**33.2**
Gain on disposal (note 3)	86.4
Total consideration	119.6
Satisfied by:	
Cash consideration	–
Assets acquired	119.6
Total consideration	119.6

The 29% of net assets in William Hill Online is shown as a minority interest on the consolidated balance sheet.

34. Acquisitions and disposals (continued)

Acquisition of acquired assets

This has been accounted for by the purchase method of accounting. The goodwill arising on it will be subject to an annual impairment review in accordance with IAS 36 'Impairment of assets'. The following table sets out the book values of the identifiable assets and liabilities acquired during the period and their fair value to the Group:

	Book values £m	Fair value adjustments £m	Fair value to Group £m
Non-current assets			
Intangible assets	–	19.9	19.9
Property, plant and equipment	1.0	–	1.0
Current assets			
Trade and other receivables	0.2	–	0.2
Cash	0.7	–	0.7
Total assets	**1.9**	**19.9**	**21.8**
Current liabilities			
Trade and other payables	(0.9)	–	(0.9)
Non-current liabilities			
Deferred tax liabilities	–	(5.4)	(5.4)
Total liabilities	**(0.9)**	**(5.4)**	**(6.3)**
Net assets acquired	**1.0**	**14.5**	**15.5**
Goodwill arising			114.9
Total consideration			**130.4**
Satisfied by:			
Equity			119.6
Minority interest			4.5
Transactions fees paid			1.2
Accrued transaction fees			5.1
Total consideration			**130.4**
Net cash outflows in respect of these acquisitions comprised:			
Cash consideration			(1.2)
Cash at bank and in hand acquired			0.7
			(0.5)
Reconciliation of cash outflows to consolidated cash flow statement:			
Deferred consideration re T.H. Jennings (Harlow Pools) Ltd in 2007			(1.0)
Playtech Limited			(0.5)
			(1.5)

The goodwill arising on the acquired assets is attributable to the anticipated synergistic growth opportunities created by the highly complementary business activities and the strengthening of William Hill's online position in comparison to its competitors in the market place.

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34. Acquisitions and disposals (continued)

The table below shows the net assets in use by William Hill Online and the calculation of the minority interest:

	Book values acquired £m	Fair value adjustments £m	Total assets acquired £m	Existing William Hill interactive business £m	William Hill Online Total £m
Non-current assets					
Intangible assets	–	19.9	19.9	16.1	**36.0**
Property, plant and equipment	1.0	–	1.0	4.8	**5.8**
Current assets					
Trade and other receivables	0.2	–	0.2	10.9	**11.1**
Cash	0.7	–	0.7	23.5	**24.2**
Total assets	1.9	19.9	21.8	55.3	**77.1**
Current liabilities					
Trade and other payables	(0.9)	–	(0.9)	(38.1)	**(39.0)**
Non-current liabilities					
Deferred tax liabilities	–	(5.4)	(5.4)	–	**(5.4)**
Total liabilities	(0.9)	(5.4)	(6.3)	(38.1)	**(44.4)**
Net assets	1.0	14.5	15.5	17.2	**32.7**
Minority interest at 29%			4.5	5.0	**9.5**

35. Notes to the cash flow statement

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Operating profit before exceptional items	**278.6**	286.7
Adjustments for:		
Share of result of associates and joint ventures	**2.9**	(0.7)
Depreciation of property, plant and equipment	**29.5**	27.8
Amortisation of computer software	**6.4**	8.1
(Gain)/loss on disposal of property, plant and equipment	**(0.7)**	0.4
Gain on disposal of LBOs	**(0.1)**	(5.1)
Gain on disposal of SIS shares	**–**	(1.7)
Cost charged in respect of share remuneration	**4.1**	2.6
Defined benefit pension cost less cash contributions	**(7.6)**	(7.9)
Foreign exchange reserve movement	**0.5**	0.2
Exceptional operating expense	**(2.4)**	–
Movement on financial derivatives	**0.2**	(0.9)
Operating cash flows before movements in working capital:	**311.4**	309.5
Decrease/(increase) in inventories	**0.1**	(0.1)
(Increase)/decrease in receivables	**(2.7)**	0.2
(Decrease)/increase in payables	**(1.4)**	1.1
Cash generated by operations	**307.4**	310.7
Income taxes paid	**(38.1)**	(71.8)
Interest paid	**(59.4)**	(89.3)
Net cash from operating activities	**209.9**	149.6

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

36. Operating lease arrangements

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Minimum lease payments under operating leases recognised as an expense in the year:		
- plant and machinery	**2.2**	3.3
- other (including land and buildings)	**47.9**	43.6
	50.1	46.9

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:

	30 December 2008 £m	1 January 2008 £m
Within one year	**43.8**	38.6
In the second to fifth years inclusive	**147.9**	127.7
After five years	**226.5**	190.8
	418.2	357.1

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

37. 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 five years from 2003 to 2008;

(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 2008; 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 30 and 35 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 £4.1m in the 52 weeks ended 30 December 2008 (53 weeks ended 1 January 2008 – £2.6m).

(a) Performance Share Plan, Long Term Incentive Plan and Executive Bonus Matching Scheme
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 10 years from the date of grant, the option lapses.

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37. Share-based payments (continued)

	30 December 2008 Number	1 January 2008 Number
Outstanding at beginning of the period	**3,087,927**	4,052,109
Granted during the period	**1,089,181**	516,084
Forfeited during the period	**(1,449,653)**	(1,312,280)
Exercised during the period	**(214,259)**	(167,986)
Outstanding at the end of the period	**2,513,196**	3,087,927
Exercisable at the end of the period	**99,634**	43,149

As the PSP and LTIP 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 £2.70 (53 weeks ended 1 January 2008 – £6.22).

The awards outstanding at 30 December 2008 had a remaining weighted average contractual life of 6.4 years (1 January 2008 – 6.9 years).

The inputs into the Black-Scholes-Merton pricing formula in respect of the awards made in the period were as follows:

	30 December 2008	1 January 2008
Weighted average share price at date of grant	**£3.50**	£4.53
Weighted average exercise price	**Nil**	Nil
Expected volatility	**25%**	27%
Expected life	**3.8 years**	3.5 years
Risk-free interest rate	**4.3%**	4.5%
Expected dividend yield	**6.6%**	3.3%

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 30 December 2008 (53 weeks ended 1 January 2009 – 33% to 42%).

The weighted average fair value of the awards granted under the PSP, LTIP and EBMS schemes at the date of grant was £1.92 per option (1 January 2008 – £2.42). The expense recognised (excluding employers' National Insurance costs) in respect of relevant PSP, LTIP and EBMS schemes in the 52 weeks ended 30 December 2008 was £2.5m (53 weeks ended 1 January 2008 – £1.4m).

(b) SAYE scheme for grants made in the six years from 2003 to 2008
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.

37. Share-based payments (continued)

	30 December 2008 Number	30 December 2008 Weighted average exercise price £	1 January 2008 Number	1 January 2008 Weighted average exercise price £
Outstanding at beginning of the period	**2,928,433**	**4.15**	2,527,698	3.84
Granted during the period	**3,151,316**	**2.80**	1,025,674	4.94
Forfeited during the period	**(1,823,326)**	**(3.88)**	(333,076)	(4.51)
Exercised during the period	**(344,476)**	**(1.84)**	(291,863)	(3.89)
Outstanding at the end of the period	**3,911,947**	**3.39**	2,928,433	4.15
Exercisable at the end of the period	**–**	**–**	–	–

The exercise price for the 2003, 2004, 2005, 2006, 2007 and 2008 SAYE schemes was £1.76, £3.93, £4.57, £4.60, £4.94 and £2.80 respectively.

The weighted average share price at the date of exercise for share options exercised during the period was £2.96 (53 weeks ended 1 January 2008 – £6.06). The options outstanding at 30 December 2008 had a remaining weighted average contractual life of 2.3 years (1 January 2008 – 2.2 years).

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

	30 December 2008	1 January 2008
Weighted average share price at date of grant	**£3.82**	£4.89
Weighted average exercise price	**£2.80**	£3.84
Expected volatility	**25%**	26%
Expected life	**4.2 years**	4.5 years
Risk–free interest rate	**4.5%**	4.7%
Expected dividend yield	**5.7%**	3.2%

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 £0.95 per option (53 weeks ended 1 January 2008 – £1.44). The expense recognised in respect of relevant SAYE grants in the 52 weeks ended 30 December 2008 was £1.6m (53 weeks ended 1 January 2008 – £1.2m).

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37. Share-based payments (continued)

(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.

	30 December 2008		1 January 2008	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	**911,800**	**1.80**	3,157,061	1.57
Forfeited during the period	**(2,068)**	**(1.80)**	(46,107)	(1.80)
Exercised during the period	**(66,092)**	**(1.80)**	(2,199,154)	(1.47)
Outstanding at the end of the period	**843,640**	**1.80**	911,800	1.80
Exercisable at the end of the period	**–**	**–**	–	–

The weighted average share price at the date of exercise for share options exercised during the period was £4.00 (53 weeks ended 1 January 2008 – £6.12). The options outstanding at 30 December 2008 had a remaining weighted average contractual life of 1.1 years (1 January 2008 – 0.7 years).

38. 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 are 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 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Defined contribution scheme (charged to operating profit)	**2.0**	1.7
Defined benefit scheme (charged to operating profit)	**6.4**	6.3
Defined benefit scheme (credited) to finance costs	**(1.3)**	(1.0)
Defined benefit scheme charged/(credited) to statement of recognised income and expense	**31.5**	(12.9)
	38.6	(5.9)

Defined contribution schemes
The defined contribution schemes, 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 30 December 2008, contributions of £nil (1 January 2008 – £nil) due in respect of the current reporting period had not been paid over to the schemes.

38. Retirement benefit schemes (continued)

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 Group contributions paid during 2008 for future service benefits was 19.2% of members' pensionable pay. In addition, during 2008 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 five-year funding plan noted above.

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 30 December 2008 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:

	30 December 2008	1 January 2008
Rate of increase of salaries	**3.75%**	4.25%
Rate of increase of pensions in payment	**2.75%**	3.25%
Discount rate	**6.00%**	5.60%
Rate of increase in inflation	**2.75%**	3.25%

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 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	30 December 2008	1 January 2008
Member currently aged 63	**24 years**	22 years
Member currently aged 45	**25 years**	23 years

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38. Retirement benefit schemes (continued)

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.

	30 December 2008		1 January 2008	
	Expected return %	Value £m	Expected return %	Value £m
Equities	**5.9**	**91.4**	6.5	175.4
Corporate bonds	**6.0**	**28.4**	5.6	19.7
Gilts and cash	**3.9**	**69.6**	4.5	34.1
Total market value of assets		**189.4**		229.2
Present value of scheme liabilities		**(215.3)**		(232.5)
Deficit in scheme		**(25.9)**		(3.3)

Analysis of the amount charged to operating profit:

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Current service cost	**6.2**	6.1
Past service cost	**0.2**	0.2
Total operating charge	**6.4**	6.3

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

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Expected return on pension scheme assets	**(14.1)**	(12.7)
Interest on pension scheme liabilities	**12.8**	11.7
Net cost	**(1.3)**	(1.0)

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

	52 weeks ended 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Actual return less expected return on pension scheme assets	**62.1**	0.1
Experience (gains)/losses arising on the scheme liabilities	**–**	(4.9)
Changes in assumptions underlying the present value of the scheme liabilities	**(30.6)**	(8.1)
	31.5	(12.9)

38. Retirement benefit schemes (continued)

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

	30 December 2008 £m	1 January 2008 £m
At beginning of period	**232.5**	231.8
Movement in period:		
Service cost	**6.2**	6.1
Interest cost	**12.8**	11.7
Contributions from scheme members	**1.1**	1.2
Actuarial (gains)/losses	**(30.6)**	(13.0)
Benefits paid	**(6.9)**	(5.5)
Past service cost	**0.2**	0.2
At end of period	**215.3**	232.5

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

	30 December 2008 £m	1 January 2008 £m
At beginning of period	**229.2**	206.7
Movement in period:		
Expected return on scheme assets	**14.1**	12.7
Actuarial losses	**(62.1)**	(0.1)
Contributions from the sponsoring companies	**13.9**	14.3
Contributions from scheme members	**1.1**	1.2
Benefits paid	**(6.8)**	(5.6)
At end of period	**189.4**	229.2

History of experience gains and losses:

	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)	**(62.1)**	(0.1)	13.7	18.8
% of scheme assets	**32.8%**	0.0%	6.6%	10.9%
Experience gains and (losses) on scheme liabilities:				
Amount (£m)	**–**	4.9	4.8	2.1
% of the present value of the scheme liabilities	**–**	2.1%	2.1%	0.9%
Changes in assumptions underlying the present value of the scheme liabilities	**30.6**	8.1	1.8	(22.4)
% of the present value of the scheme liabilities	**14.2%**	3.4%	0.8%	10.1%
Cumulative losses[1] (£m)	**(54.5)**	(23.0)	(35.9)	(52.6)

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

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38. Retirement benefit schemes (continued)

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

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

Assumption	Changes in assumption	Impact on defined benefit liabilities
Discount rate	Increase by 0.1% p.a.	Decrease by £5m (2%)
Rate of increase in inflation	Increase by 0.1% p.a.	Increase by £4m (2%)
Life expectancy	Members assumed to live one year longer	Increase by £6m (3%)

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 £189.4m and £215.3m respectively are held on the Group's balance sheet as at 30 December 2008. 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 in determining the optimal long-term asset allocation based on the structure of liabilities within the scheme.

39. Related-party transactions

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

Trading transactions

Associate

During the period the Group made purchases of £31.2m (53 weeks ended 1 January 2008 – £31.3m) from Satellite Information Services Limited, a subsidiary of the Group's associated undertaking, SIS. At 30 December 2008 the amount payable to Satellite Information Services Limited by the Group was £nil (1 January 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 totaling £1.7m (53 weeks ended 1 January 2008 – £1.4m) incurred on behalf of the joint venture, back to them.

At 30 December 2008 £nil was receivable from the joint ventures (1 January 2008 – £1.4m).

At 30 December 2008 the Group had entered into a guarantee arrangement with the Royal Bank of Scotland totaling £6.6m, in respect of conditions contained in various licences and concessions awarded to the joint ventures and to its online operation in Malta (53 weeks ended 1 January 2008 – £5.3m).

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 30 December 2008 £m	53 weeks ended 1 January 2008 £m
Short-term employee benefits (including salaries)	**3.3**	2.3
Post-employment benefits (employer's contribution)	**0.1**	0.2
Share-based payment (IFRS 2 charges)	**0.2**	0.1
	3.6	2.6

40. Post balance sheet event

As previously highlighted, William Hill PLC has been in dialogue with its banks on its borrowing facilities, £1.2bn of which are due to mature in March 2010. On 27 February 2009, William Hill announced that it has entered into new bank facilities that, in aggregate, provide funding to the Group of £838.5m from 2010. In addition, the Board announced that it proposes to raise approximately £350m (net of expenses) by way of a fully underwritten 1 for 1 Rights Issue. Further details are disclosed in a separate news release also issued on 27 February 2009.

Parent Company Independent Auditors' Report

To the members of William Hill PLC
We have audited the parent company financial statements of William Hill PLC for the 52 weeks ended 30 December 2008 which comprise the parent company balance sheet, parent company statement of accounting policies and the related notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of William Hill PLC for the 52 weeks ended 30 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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
The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion
In our opinion:
- The parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 December 2008;
- The parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

27 February 2009

Parent Company Balance Sheet

as at 30 December 2008

	Notes	30 December 2008 £m	1 January 2008 £m
Fixed assets			
Investments	4	**38.2**	38.2
		38.2	38.2
Current assets			
Debtors			
Due within one year	5	**1,837.6**	1,700.0
Due after more than one year	6	**10.5**	–
		1,848.1	1,700.0
Creditors: amounts falling due within one year	7	**(375.9)**	(165.8)
Net current assets		**1,472.2**	1,534.2
Total assets less current liabilities		**1,510.4**	1,572.4
Creditors: amounts falling due after more than one year	8	**(1,068.0)**	(1,151.5)
Provisions for liabilities and charges	6	**–**	(1.2)
Net assets		**442.4**	419.7
Capital and reserves			
Called-up share capital	10,11	**35.4**	35.4
Capital redemption reserve	11	**6.8**	6.8
Own shares held	11	**(31.1)**	(34.3)
Hedging reserve	11	**(26.9)**	3.0
Profit and loss account	11	**458.2**	408.8
Equity shareholders' funds	12	**442.4**	419.7

The financial statements were approved by the Board of directors on 27 February 2009 and are signed on its behalf by:

R J Topping
Director

S P Lane
Director

Parent Company Statement of Accounting Policies

for the 52 weeks ended 30 December 2008

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 230 of the Companies Act 1985 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.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is reduced by payments made in the period. Accrued finance costs are included within accruals and deferred income.

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 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 37 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 a loan facility, a substantial part of which is due for renewal on 1 March 2010. As documented in the 'Refinancing' section of the Chairman's Statement, the Company has successfully concluded negotiations with its bankers for the renewal of these facilities in part and has agreed a fully underwritten rights issue to cover a potential funding shortfall. 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 current facility.

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.

Notes to the Parent Company Financial Statements

for the 52 weeks ended 30 December 2008

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 32 to 37, 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:

	30 December 2008 Number	1 January 2008 Number
Chairman		
Charles Scott	**125,817**	85,817
Executive directors:		
Simon Lane	**1,500**	1,500
Ian Spearing	**24,757**	16,515
Ralph Topping	**13,556**	13,556
Non-executive directors:		
David Alvey	**13,333**	13,333
David Edmonds	**12,000**	5,000
Barry Gibson	**17,231**	17,231

No changes took place in the interests of directors between 30 December 2008 and 27 February 2009.

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 30 to 35, which are described as having been audited.

2. Profit for the year

As permitted by section 230 of the Companies Act 1985 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 30 December 2008 of £132.7m (53 weeks ended 1 January 2008 – £29.9m).

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

3. Dividends proposed and paid

	30 December 2008 Per share	1 January 2008 Per share	30 December 2008 £m	1 January 2008 £m
Equity shares:				
- current year interim dividend paid	**7.75p**	7.75p	**27.0**	27.3
- prior year final dividend paid	**15.50p**	14.50p	**53.8**	51.2
	23.25p	22.25p	**80.8**	78.5
Proposed dividend	**–**	15.50p	**–**	53.8

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 1 January 2008 and 30 December 2008	**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

	30 December 2008 £m	1 January 2008 £m
Amounts owed by Group undertakings	**1,837.6**	1,694.8
Financial derivatives (note 9)	**–**	5.2
	1,837.6	1,700.0

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

	£m
At 1 January 2008	(1.2)
Deferred tax on hedging movement	11.7
At 30 December 2008	**10.5**

In the 2007 parent company financial statements the deferred tax balance was shown under 'Provisions for liabilities and charges'.

7. Creditors: amounts falling due within one year

	30 December 2008 £m	1 January 2008 £m
Amounts owed to Group undertakings	**323.6**	165.8
Accruals and deferred income	**15.7**	–
Financial derivatives (note 9)	**36.6**	–
	375.9	165.8

Notes to the Parent Company Financial Statements

for the 52 weeks ended 30 December 2008

8. Creditors: amounts falling due after one year

Bank overdrafts and loans

	30 December 2008 £m	1 January 2008 £m
Bank loans	**1,070.0**	1,155.0
The borrowings are repayable as follows:		
On demand or within one year	**–**	–
In the second year	**1,070.0**	–
In the third to fifth years inclusive	**–**	1,155.0
	1,070.0	1,155.0
Less: expenses relating to loan	**(2.0)**	(3.5)
	1,068.0	1,151.5
Less: amount due for settlement within 12 months (shown under current liabilities)	**–**	–
Amount due for settlement after 12 months	**1,068.0**	1,151.5

Further details of bank loans are shown in note 21 of the Group financial statements.

9. Derivatives and other financial instruments

The Company holds derivatives and other financial instruments on behalf of the William Hill PLC Group. The Business Review 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.
Further details of derivatives are shown in note 24 of the Group financial statements.

The value of net foreign currency monetary assets at 30 December 2008 was £nil (1 January 2008 – £nil).

10. Called-up share capital

	30 December 2008		1 January 2008	
	Number of shares	£m	Number of shares	£m
Authorised ordinary shares of 10p each	**800,000,000**	**80.0**	800,000,000	80.0
Called-up, allotted and fully paid ordinary shares of 10p each:				
At start of period	**353,718,759**	**35.4**	361,631,253	36.2
Shares repurchased and cancelled	**–**	**–**	(7,912,494)	(0.8)
At end of period	**353,718,759**	**35.4**	353,718,759	35.4

The shares were cancelled during the prior period as part of the Company's share buy-back programme.

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)	6,629	–	Between 2006 and 2013
Long-Term Incentive Plan (2004)	17,304	–	Between 2007 and 2014
Operating Bonus 2004	6,635	–	Between 2007 and 2014
Performance Share Plan (2005)	75,701	–	Between 2008 and 2015
Performance Share Plan (2006)	825,291	–	Between 2009 and 2016
Executive Benefit Matching Scheme (2007)	499,090	–	Between 2010 and 2017
Executive Benefit Matching Scheme (2008)	1,089,181	–	Between 2011 and 2018
SAYE 2002	843,640	£1.80	Between 2005 and 2010
SAYE 2003	73,563	£1.76	Between 2006 and 2011
SAYE 2004	155,868	£3.93	Between 2007 and 2012
SAYE 2005	349,099	£4.57	Between 2008 and 2013
SAYE 2006	438,413	£4.60	Between 2009 and 2014
SAYE 2007	373,351	£4.94	Between 2010 and 2013
SAYE 2008	2,521,653	£2.80	Between 2011 and 2014

Note 37 to the Group financial statements has further information on these schemes, including the valuation models and assumptions used.

11. Reserves

	Called-up share capital £m	Capital redemption reserve £m	Own shares held £m	Hedging reserve £m	Profit and loss account £m	Total £m
At 2 January 2008	35.4	6.8	(34.3)	3.0	408.8	419.7
Retained profit for the financial period	–	–	–	–	132.7	132.7
Transfer of own shares to recipients	–	–	3.2	–	(2.5)	0.7
Change in fair value of derivatives	–	–	–	(32.0)	–	(32.0)
Transfer to income on derivatives	–	–	–	(9.6)	–	(9.6)
Deferred tax on derivatives	–	–	–	11.7	–	11.7
Dividends paid	–	–	–	–	(80.8)	(80.8)
At 30 December 2008	**35.4**	**6.8**	**(31.1)**	**(26.9)**	**458.2**	**442.4**

Notes to the Parent Company Financial Statements

for the 52 weeks ended 30 December 2008

12. Reconciliation of movements in equity shareholders' funds

	30 December 2008 £m	1 January 2008 £m
Opening equity shareholders' funds as previously reported	**419.7**	516.3
Profit for the financial period	**132.7**	29.9
Dividends paid	**(80.8)**	(78.5)
Own shares purchased during period	**–**	(46.0)
Change fair value of derivatives	**(41.6)**	(9.2)
Deferred tax on change in fair value of derivatives	**11.7**	2.8
Movement on reserves due to transfer of own shares to recipients	**0.7**	4.4
Net increase/(decrease) to equity shareholders' funds	**22.7**	(96.6)
Closing equity shareholders' funds	**442.4**	419.7

13. Financial commitments

The Company had no capital commitments at 30 December 2008 (1 January 2008 – £nil).

The Company had no commitments under non-cancellable operating leases at 30 December 2008 (1 January 2008 – £nil).

Details of bank guarantees given to the Group's joint ventures and WIlliam Hill (Malta) Limited are shown in note 39 of the Group financial statements.

14. 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.

15. Post balance sheet event

As previously highlighted, William Hill PLC has been in dialogue with its banks on its borrowing facilities, £1.2bn of which are due to mature in March 2010. On 27 February 2009 William Hill PLC announced that it has entered into refinanced bank facilities that, together with the Group's £250m existing bank facility, in aggregate provide funding to the Group of £838.5m. In addition, the Board announced that it proposed to raise approximately £350m (net of expenses) by way of a fully underwritten 1 for 1 Rights Issue. Further details are disclosed in a separate news release also issued on 27 February 2009.

Five-Year Summary

	IFRS 2008 £m	IFRS 2007 (as restated) £m	IFRS 2006 £m	IFRS 2005 £m	UK GAAP[1] 2004 £m
Summarised results:					
Amounts wagered	**15,553.9**	14,797.1	13,235.9	10,746.1	8,287.7
Revenue	**963.7**	933.6	894.2	805.3	N/A
Profit from operations before exceptional items (including associates)	**278.6**	286.7	292.2	245.0	234.1
Profit from operations after exceptional items (including associates)	**267.8**	265.8	292.2	218.1	234.1
Profit before tax	**293.3**	209.2	235.4	174.6	207.4
Profit for the financial period	**234.0**	157.4	166.8	113.1	149.8
Summarised balance sheets:					
Assets employed:					
Non-current assets	**1,727.3**	1,595.2	1,563.5	1,528.1	858.1
Current assets	**108.6**	107.5	144.0	97.4	82.1
Current liabilities	**(212.6)**	(148.5)	(181.4)	(143.7)	(203.6)
Non-current liabilities	**(1,265.7)**	(1,321.1)	(1,335.6)	(1,225.7)	(486.2)
Long-term provisions	**–**	–	–	(7.5)	–
Net assets	**357.6**	233.1	190.5	248.6	250.4
Financed by:					
Equity attributable to equity holders of the parent	**348.1**	233.1	190.5	248.6	250.4
Minority interest	**9.5**	–	–	–	–
Total equity	**357.6**	233.1	190.5	248.6	250.4
Key statistics:					
+EBITDA (£m)	**318.6**	352.2	325.0	269.8	251.5
Basic earnings per share (pre-exceptionals)	**45.4**	47.4p	45.5p	29.0p	36.5p
Diluted earnings per share (post-exceptionals)	**66.8**	44.3p	44.9p	28.6p	35.9p
Dividends per share (paid)[2]	**23.3**	22.2p	19.5p	17.1p	14.5p
Share price – high	**£5.00**	£6.76	£6.63	£6.24	£5.68
Share price – low	**£1.55**	£4.80	£5.35	£4.85	£4.20

+ EBITDA represents profit on ordinary activities before finance charges, tax, depreciation, share remuneration charges and amortisation and excludes exceptional items and impairment of goodwill.

[1] The amounts for 2004 are stated on the basis of UK GAAP because it is not practical to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRSs were discussed in note 37 to the 2006 Group financial statements.

[2] Dividends per share have been presented on a paid basis in line with IFRS.

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
27 February 2009

AGM
12 May 2009

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.

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Financial adviser and corporate broker:
Citi
Citigroup Centre
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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

CCTV
Closed circuit television

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

CPI
Consumer price index

CR
Corporate responsibility

DCMS
Department of Culture, Media and Sport

EBMS
Executive Bonus Matching Scheme

EPS
Earnings per share

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

Gross win
Total customer stakes less customer winnings

Horse racing levy
A levy attributable to bets taken on horse racing 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

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

KPI
Key performance indicators

LBO
Licensed betting office

LTIP
Long-term incentive plan

MLRO
Money Laundering Reporting Officer

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

PBIT
Profit before tax and interest

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

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-2842
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FSC

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