

Company Registration No. 278208

William Hill Organization Limited

Report and Financial Statements

53 week period ended 1 January 2008

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William Hill Organization Limited

Report and financial statements 2007

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	6
Independent auditors' report	7
Profit and loss account	8
Balance sheet	10
Notes to the accounts	11

William Hill Organization Limited

Report and financial statements 2007

Officers and professional advisers

Directors

Mr I J Spearing
Mr A D Steele
Mr S P Lane
Mr T Murphy

Secretary

Mr D Read

Registered office

Greenside House
50 Station Road
Wood Green
London N22 7TP

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

William Hill Organization Limited

Directors' report

The directors present their annual report and audited financial statements for the 53 week period ended 1 January 2008

Principal activity

The Company is a subsidiary of William Hill PLC and together with its fellow subsidiaries comprises the William Hill Group of companies ("the Group"). The principal activities of the Company during the financial period were the operation of Licensed Betting Offices (LBOs), and through its subsidiaries, the provision of telephone and internet betting services

Review of business developments and future activities

The Company's affairs and trading results for the period are shown in the attached financial statements

On 14 December 2007, the Company paid an interim dividend of £20,000,000 (26 December 2006 - £94,000,000). The directors do not recommend the payment of a final dividend (26 December 2006 - £nil)

As a result of the changes brought about by the Gambling Act 2005, it was decided that the retail business of William Hill PLC would be more effectively managed from one trading entity. Accordingly on 26 June 2007, the Company entered into an Intra-Group Sale and Purchase Agreement ('Agreement') with a number of companies within the William Hill Group, transferring their businesses to the Company

Trading performance

Gross profit movements reflected a number of factors including the transfer of the business under the Agreement, the impact of sporting results, the popularity of gaming machines and an expansion in the number of betting opportunities. Costs were reviewed on a regular basis and were tightly controlled during the period

Key performance indicators

The key performance indicators (KPIs) used by the directors in monitoring performance against strategy mainly relate to earnings growth including its constituent parts. The main constituent parts are

- Gross win growth, which represents total customer stakes less customer winnings,
- Gross win percentage, which represents gross win as a percentage of turnover,
- Gross profit growth, which represents gross win less cost of sales, and
- Net operating expense growth

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

The KPIs for the 2007 and 2006 financial periods for the Company are shown below

	2007 Total WHO (including acquisitions)	2007 WHO discrete (existing business)	2006 Total
Gross win growth	608.48%	30.76%	26.72%
Gross win %	5.96%	5.90%	6.15%
Gross profit growth	599.07%	28.69%	27.41%
Operating expense growth/(decline) (excl. exceptionals)	2,191.38%	48.37%	-44.92%

William Hill Organization Limited

Directors' report (continued)

Review of business developments and future activities (continued)

Risk and Uncertainties

The directors are seeking to build an increasingly profitable business by exploiting the Company's strengths and, at the same time, carefully managing the risks to the Company. Such risks include

- The potential impact of legislative changes in the UK on the Company's scope and conduct of operations and ability to accept bets,
- The potential impact of changes to the UK fiscal environment,
- The ability of the Group to manage its bookmaking risk,
- The relationship with key suppliers, most notably the horse and greyhound industries and other providers of content and pictures,
- The payment of levies and fees to certain sporting bodies under various arrangements,
- The potential threat represented by competitors based in the UK and overseas,
- The risk that key technology or information systems could fail,
- The impact of weather or other factors on the sporting programme,
- The loss of key personnel,
- The risk of a prolonged economic recession or other geo-political events that may result in a reduction of betting activity,
- The risk that intermediaries such as banks refuse to accept credit and debit card transactions connected with gambling, and
- The risk resulting from any inability of the Group to service its debt obligations

The directors routinely monitor all the above risks and appropriate actions are taken to mitigate the risks or their potential adverse consequences

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these primarily due from other Group companies who are able to repay these if required.

Cost of content

On 11 January 2008, we entered into a five year contract with Amalgamated Racing Limited, trading as Turf TV, for the provision of live coverage of all horse races taking place at those horse-race courses for which Turf TV has exclusive rights.

On 20 February 2008, the Government announced its intention that the 47th Levy scheme be settled on terms similar to the 46th Levy scheme. We were disappointed with this outcome but welcomed the comments in the accompanying statement that the Government accepted an argument could be put forward that bookmakers' subscriptions to the new Turf TV service constitute a commercially-based flow of money to horseracing.

William Hill Organization Limited

Directors' report (continued)

Review of business developments and future activities (continued)

Business development

The Company intends to continue its investment in its retail business and to introduce new initiatives and products aimed at both retaining existing and attracting new customers

Regulatory development

The 2005 Gambling Act became enforceable in September 2007 and we welcome the establishment of a robust regulatory regime for gambling in Great Britain. We have engaged fully with the Gambling Commission during the year and look forward to continuing a constructive dialogue with the Commission going forward

Employees

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

The Company 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 Company. This is achieved through formal and informal meetings, and through "Will2win", the Group magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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

Directors

The present membership of the Board of Directors is set out on page 1.

The directors who served throughout the period, except as noted, and subsequently were

Mr D C I Harding (resigned 30 August 2007)

Mr I J Spearing

Mr A D Steele

Mr S Wasani (resigned 12 April 2007)

Mr S P Lane (appointed 12 April 2007)

Mr T Murphy (appointed 1 August 2007)

Donations

During the period the Company made charitable donations totalling £581,000 (26 December 2006 – £423,000), principally to industry related charities serving the communities in which the Company operates.

Terms of payment

The Company discharges all expenditure on behalf of the Group's UK subsidiaries. The Company's normal practice is to agree terms of trading, including payment terms, with suppliers to all UK Group undertakings and, provided suppliers perform in accordance with agreed terms, it is the Company's policy that payment should be made accordingly. At 1 January 2008 the number of creditor days for the Company was 15 days (26 December 2006 - 19 days).

Post balance sheet event

On 2 July 2008, the Company, along with its joint venture partner Codere, sold the entire issued share capital of its Italian joint venture, William Hill Codere Italia Srl to INTRALOT International Holdings Limited. This resulted in a loss on disposal to the Company of £1,142,000.

William Hill Organization Limited

Directors' report (continued)

Adoption of International Financial Reporting Standards (IFRS)

The Group has used IFRS as the primary basis for its reporting for the 53 week period ending 1 January 2008

The Company has evaluated the benefits of adopting IFRS and does not currently consider it beneficial to move away from producing financial statements under UK GAAP. This decision will be reassessed from time to time.

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.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D Read
Secretary
23 September 2008

William Hill Organization Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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, 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of William Hill Organization Limited

We have audited the financial statements of William Hill Organization Limited for the 53 week period ended 1 January 2008 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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 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 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 financial statements give a true and fair view and are 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 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

Opinion

In our opinion

- the 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 1 January 2008 and of its profit for the 53 week period then ended,
- the 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 financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

United Kingdom

24 September 2008

William Hill Organization Limited

Profit and loss account

53 week period ended 1 January 2008

		53 week period ended 1 January 2008 £'000	53 week period ended 1 January 2008 £'000	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
	Notes	Existing Business	Acquisitions	Total	Total
Turnover	1	1,328,017	5,799,257	7,127,274	974,595
Cost of sales		(1,267,812)	(5,532,398)	(6,800,210)	(927,810)
Gross profit		60,205	266,859	327,064	46,785
Other operating expenses	2	(12,573)	(176,908)	(189,481)	(8,474)
Net exceptional operating expenses	2	(18,146)	-	(18,146)	-
Operating profit	3	29,486	89,951	119,437	38,311
Income from fixed asset investments	5			213,799	108,000
Amounts written off - investments	11			(67,880)	-
Profit on ordinary activities before interest				265,356	146,311
Net interest payable	6			(65,103)	(58,574)
Other finance income/(charge)	22			1,007	(600)
Profit on ordinary activities before taxation				201,260	87,137
Tax (charge)/credit on profit on ordinary activities	7			(17,989)	10,184
Profit on ordinary activities after taxation	18			183,271	97,321

All transactions in the current and preceding financial period are attributable to continuing activities

William Hill Organization Limited

Statement of total recognised gains and losses 53 week period ended 1 January 2008

		53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
	Notes		
Profit for the financial period		183,271	97,321
Actuarial gain recognised in the pension scheme	22	12,900	16,705
Deferred tax charge arising thereon	16	(4,044)	(5,010)
Other STRGL movements		2,195	1,806
Total recognised gains and losses relating to the period		<u>194,322</u>	<u>110,822</u>

William Hill Organization Limited

Balance sheet 1 January 2008

	Notes	1 January 2008 £'000	26 December 2006 £'000
Fixed assets			
Intangible assets - goodwill	9	831,820	5,711
Tangible assets	10	187,943	108,010
Investments	11	517,776	891,039
		<u>1,537,539</u>	<u>1,004,760</u>
Current assets			
Stocks	12	506	441
Debtors	13	26,882	28,077
Cash at bank and in hand		33,910	49,033
		<u>61,298</u>	<u>77,551</u>
Creditors: amounts falling due within one year	14	<u>(1 374 206)</u>	<u>(1 024 213)</u>
Net current liabilities		<u>(1,312,908)</u>	<u>(946,662)</u>
Total assets less current liabilities		224,631	58,098
Provision for liabilities and charges	15	<u>(12,138)</u>	<u>(5,184)</u>
Net assets excluding pension liability		212,493	52,914
Pension liability	22	<u>(2,329)</u>	<u>(17,518)</u>
Net assets		<u>210,164</u>	<u>35,396</u>
Capital and reserves			
Called-up share capital	17,18	1,468	1,468
Share premium	18	2,505	2,505
Other reserves	18	1,250	1,250
Shares held in ultimate parent company	18	(38)	(484)
Profit and loss account	18	204,979	30,657
Shareholders' funds	18	<u>210,164</u>	<u>35,396</u>

These financial statements were approved by the Board of Directors on 23 September 2008

Signed on behalf of the Board of Directors

I J Spearing

Director

William Hill Organization Limited

Notes to the accounts 1 January 2008

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period and the prior period, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards and under the historical cost convention.

A cash flow statement, as required by Financial Reporting Standard ("FRS") 1 (Revised) has not been prepared, as the Company is a wholly owned subsidiary of William Hill PLC, a company incorporated in Great Britain and the consolidated accounts of William Hill PLC include a cash flow statement in the form prescribed by FRS 1 (see note 24).

William Hill Organization Limited, another operating company within the Group discharges all expenditure including auditors' remuneration on behalf of the Group's UK subsidiaries with appropriate charges being made to the Company for its share of the cost.

Revenue recognition and turnover

Turnover is recognised under an exchange transaction with a customer when and to the extent that, the Company obtains the right to consideration in exchange for its performance, as stated below.

In the case of other LBO betting activity (including gaming machines and numbers bets), turnover represents the gross takings receivable from customers in respect of individual bets placed, on events that have occurred by the period end.

Turnover arises exclusively in the United Kingdom.

Acquisitions

On the acquisition of Licensed Betting Offices the excess of the purchase consideration over the fair value of tangible fixed assets, other assets and liabilities acquired represents an intangible asset which is accounted for in accordance with the policy set out under intangible assets.

Intangible fixed assets

Intangible assets represent licence value, goodwill and brand value. Intangible assets such as licences and brands that are purchased as part of a business cannot be measured reliably and are therefore subsumed within purchased goodwill in accordance with paragraph 13 of FRS 10 'Goodwill and Intangible Assets'.

The Companies Act 1985 requires goodwill and intangible assets to be amortised over a finite period. The directors consider that the Company's intangible assets have an indefinite life due to the fact that the Company is a significant operator in a well established market, the proven and sustained demand for bookmaking services, and the Company's track record of successfully renewing its betting permits and licences.

Consequently, the directors consider that to amortise these assets would not provide a true and fair view and so the financial statements depart from this specific requirement of the Companies Act 1985. If this departure from the Companies Act 1985 had not been made the profit for the financial period would have been reduced by amortisation. The amount of this amortisation cannot be quantified because of the indefinite life of these assets.

The non-amortisation of the intangible assets means that they are subject to annual impairment testing in accordance with FRS 10 and FRS 11 'Impairment of Fixed Assets and Goodwill'.

William Hill Organization Limited

Notes to the accounts

1 January 2008

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

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

Freehold buildings	- 50 years
Short leasehold properties	- over the unexpired period of the lease
Fixtures, fittings and equipment	- at variable rates between three and ten years
Plant and machinery	- at variable rates between three and ten years

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

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

Stocks represent stocks of consumables in stores. They are stated at the lower of cost and net realisable value

Pension costs

The Company operates a defined contribution scheme and a defined benefit scheme open to eligible employees in the Company. The assets of the schemes are held and managed separately from those of the Company

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

William Hill Organization Limited

Notes to the accounts 1 January 2008

1. Accounting policies (continued)

Pension costs (continued)

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Share-based payments

The Company has applied the requirements of FRS 20 'Share-based payment' from 31 December 2003. In accordance with the transition provisions included in FRS 20, its provisions have been applied to all grants after 7 November 2002 that were unvested as of 28 December 2005.

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

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 19.

William Hill Organization Limited

Notes to the accounts 1 January 2008

2. Net operating expenses

All expenditure of the Company and its subsidiaries (except the direct expenses of its offshore subsidiaries and the direct expenses of its stadia subsidiaries), Camec Limited and its subsidiaries, and Laystall Limited is reflected within administrative expenses of the Company. A proportion of these administrative expenses has been recharged by the Company.

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Total administrative expenses	428,901	391,507
Less: management expenses recharged ⁽³⁾	(221,551)	(369,415)
	<u>207,350</u>	<u>22,092</u>
Brand recharge to subsidiaries ⁽¹⁾	(17,869)	(13,618)
	<u>189,481</u>	<u>8,474</u>
Exceptional items ⁽²⁾	18,146	-
	<u>207,627</u>	<u>8,474</u>
Net operating expenses ⁽³⁾	<u>207,627</u>	<u>8,474</u>

- (1) On 1 April 2004 the Company commenced charging its trading subsidiaries, Camec Limited and its subsidiaries, and Laystall Limited for the use of the 'William Hill' brand. Income for the period in respect of this charge is £17,869,000 (2006: £13,618,000).
- (2) Exceptional items in 2007 encompassed (a) £20,955,000 of costs arising from the write down of the NextGen project following a review by the Board of directors (the charge consists of £20,564,000 relating to developing software, and £388,000 computer hardware equipment), and (b) £2,809,000 of income on the sale and leaseback of 9 LBO properties.
- (3) As described in note 9, on 26 June 2007 the entire assets of the Company's LBO undertakings were transferred to the Company, and has resulted in decreased management expense recharge in 2007 as compared to 2006. This in turn has increased the net operating expense.

3. Operating profit

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Operating profit is stated after charging/(crediting)		
Depreciation	25,656	13,152
Impairment of fixed assets	20,955	-
Operating lease charges - Land and buildings	43,564	37,408
- Other	3,305	3,550
Profit on disposal of fixed assets	(5,456)	(353)

William Hill Organization Limited

Notes to the accounts 1 January 2008

3. Operating profit (continued)

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

	Category ¹	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		10	10
Tax services	3	645	435
Total fees payable to Deloitte & Touche		655	445

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 Deloitte & Touche LLP does not provide services for the Group's pension schemes. The audit fees payable to Deloitte & Touche LLP are reviewed by the Group 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.

4 Staff costs

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Directors' remuneration was as follows.		
Directors' emoluments excluding pension contributions	2,140	2,942
Defined benefit pension payments	91	117
Number of directors who.	No	No
Were members of a defined benefit scheme	2	5
Were members of a defined contribution scheme	2	-
Exercised share options	2	6
Highest paid director.	£'000	£'000
Total emoluments excluding pension contributions	630	1,071
Defined benefit pension payments	16	18
Amount of accrued pension at date of termination	26	21
Transfer value of accrued benefits at date of termination	308	172

William Hill Organization Limited

Notes to the accounts 1 January 2008

4. Staff costs (continued)

Six directors had shares receivable under the Long Term Incentive Plan (LTIP) and Profit Share Plan (PSP). The terms of the LTIP and PSP are provided in the accounts of the Company's ultimate parent, William Hill PLC.

For those directors of the Company who are also directors of other trading and holding companies within the William Hill PLC Group of companies it is not practicable to allocate their remuneration for the current or preceding period between their services to each company. Therefore the amounts disclosed above include amounts received for duties performed for the Company and other companies within the William Hill PLC Group.

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Total remuneration, including directors, was		
Wages and salaries	218,805	204,746
Social security costs	18,930	17,347
Pensions costs (note 22)	(5,943)	(8,019)
	<u>231,792</u>	<u>214,074</u>
	No	No
Average monthly number of persons employed during the period, including directors, all of whom were engaged in the administration and provision of betting services	<u>14,629</u>	<u>13,952</u>

Included in pension costs is a gain of £12,900,000 (52 weeks ended 26 December 2006 £16,705,000) relating to actuarial gains and losses, which have been credited to the statement of recognised gains and losses and £1,007,000, credited (52 weeks ended 26 December 2006 £600,000 charged) to other financial charges in the profit and loss account.

5. Income from fixed asset investments

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Income from shares in subsidiary undertakings (1)	211,848	108,000
Income from share in associated undertaking	1,951	-
	<u>213,799</u>	<u>108,000</u>

(1) This includes £67,880,114 in relation to a dividend receipt from pre-acquisition reserves following the Sale and Purchase Agreement as described in note 11.

William Hill Organization Limited

Notes to the accounts 1 January 2008

6 Net interest payable

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Interest payable on loans from Group undertakings	91,531	71,814
Interest payable on finance leases	88	50
Interest payable to third parties	100	-
Interest receivable on loans to Group undertakings	(24,070)	(11,432)
Interest receivable from third parties	(2,546)	(1,858)
Net interest payable	<u>65,103</u>	<u>58,574</u>

7. Tax charge/(credit) on profit on ordinary activities

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Current taxation		
Current period	14,438	(4,392)
Group relief receivable		
Current period	-	(10,814)
Adjustments in respect of prior period	(4,398)	-
Total current taxation	<u>10,040</u>	<u>(15,206)</u>
Deferred taxation		
Originating and reversal of timing differences of current period	4,249	5,022
Adjustment in respect of prior period	4,385	-
Effect of decreased tax rate on opening liability	(685)	-
Total deferred tax charge (note 16)	<u>7,949</u>	<u>5,022</u>
Total tax charge/(credit) on profit on ordinary activities	<u>17,989</u>	<u>(10,184)</u>

The current period's charge is higher than the statutory rate of 30% mainly due to the Sale and Purchase Agreement, where assets were transferred to William Hill Organization from the Group companies. This has resulted in a deferred tax credit arising from excess capital allowances over depreciation charge.

William Hill Organization Limited

Notes to the accounts

1 January 2008

7. Tax charge/(credit) on profit on ordinary activities (continued)

The differences between the total current tax shown below and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Reconciliation to current tax credit		
Profit before taxation	201,260	87,137
Tax at 30 % (26 December 2006 30%)	60,378	26,141
Tax allowances in excess of depreciation	608	(2,709)
Permanent differences	(352)	(448)
Utilisation of brought forward losses	(46)	-
Held over gains crystallising	-	73
Adjustments in respect of prior periods	(4,398)	(4,392)
Other short term timing differences	(2,375)	(1,476)
Non taxable income	(43,775)	(32,395)
Current tax charge/(credit) for the period	10,040	(15,206)

8. Dividends paid

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Equity shares		
Interim dividend paid of £1 3618 per share (2006 - £6 401 per share)	20,000	94,000

The interim dividend was paid on 14 December 2007

William Hill Organization Limited

Notes to the accounts 1 January 2008

9 Intangible fixed assets - goodwill

	£'000
Cost	
At 27 December 2006	5,711
Additions ⁽¹⁾	5,852
Transfers from retail subsidiaries ⁽²⁾	93,713
Reclassification ⁽³⁾	726,544
Net book value	
At 1 January 2008	831,820
At 26 December 2006	5,711

Intangible fixed assets represents licence value, goodwill and brand value. Intangible assets such as licenses and brands that are purchased as part of a business cannot be measured reliably and are therefore subsumed within purchased goodwill in accordance with paragraph 13 of FRS 10 'Goodwill and Intangible Assets'.

⁽¹⁾ Additions of £5,852,000 in the period are in respect of the purchase of shop licences.

⁽²⁾ As a result of the changes brought about by the Gambling Act 2005, it was decided that the retail business of William Hill PLC would be more effectively managed from one trading entity. Accordingly on 26 June 2007, the Company entered into an Intra-Group Sale and Purchase Agreement with its retail subsidiaries, to purchase the assets of those subsidiaries.

⁽³⁾ As a result of the Intra Group Sale and Purchase Agreement, the carrying value of its investments was reviewed. The difference between the carrying value and the net assets of its subsidiaries remaining after the hive-up has been transferred from fixed asset investments to goodwill. Goodwill is not amortised but is subject to an annual impairment test.

William Hill Organization Limited

Notes to the accounts 1 January 2008

10. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Total £'000
Cost				
At 27 December 2006	22,346	92,562	73,236	188,144
Additions	918	22,155	6,430	29,503
Transfers from retail subsidiaries ⁽¹⁾	95,749	132,019	1,710	229,478
Disposals	(1,507)	(28,129)	(618)	(30,254)
At 1 January 2008	117,506	218,607	80,758	416,871
Accumulated depreciation:				
At 27 December 2006	3,717	19,560	56,857	80,134
Charge for period	3,102	18,505	4,049	25,656
Transfers from retail subsidiaries ⁽¹⁾	44,497	83,068	1,705	129,270
Disposals	(96)	(5,453)	(583)	(6,132)
At 1 January 2008	51,220	115,680	62,028	228,928
Net book value				
At 1 January 2008	66,286	102,927	18,730	187,943
At 26 December 2006	18,629	73,002	16,379	108,010

	1 January 2008 £'000	26 December 2006 £'000
The net book value of land and buildings comprises		
Freehold	12,736	423
Long leasehold	3,055	-
Short leasehold	50,495	18,206
	66,286	18,629

- (1) Transfers represent the transfer of fixed assets from retail subsidiaries on 26 June 2007, which were part of the sale and purchase agreement

William Hill Organization Limited

Notes to the accounts 1 January 2008

11 Investments held as fixed assets

	Investments in subsidiary undertakings £'000	Investment in associate £'000	Investment in joint venture £'000	Total £'000
Cost at 27 December 2006	899,350	17,657	-	917,007
Additions (1)	24,669	-	8,773	33,442
Disposals (2)	(14,266)	(1,718)	-	(15,984)
Transfers from Group companies (3)	401,985	-	-	401,985
Transfers to intangible assets – goodwill (4)	(726,544)	-	-	(726,544)
Impairment – profit and loss (4)	(67,880)	-	-	(67,880)
At 1 January 2008	<u>517,314</u>	<u>15,939</u>	<u>8,773</u>	<u>542,026</u>
Provision at 27 December 2006	(8,311)	(17,657)	-	(24,138)
Disposals	-	1,718	-	1,718
Provision at 1 January 2008	<u>(8,311)</u>	<u>(15,939)</u>		<u>(24,250)</u>
Net book value				
At 1 January 2008	<u>509,023</u>	<u>-</u>	<u>8,773</u>	<u>517,776</u>
At 26 December 2006	<u>891,039</u>	<u>-</u>	<u>-</u>	<u>891,039</u>

- 1) Additions in the period are made up of the acquisition of two small chains of bookmakers and an investment in a joint venture, the details of which are given below

T H Jennings (Harlow pools) Limited, acquired on 10 January 2007 for a consideration of £21,540,000

Eclipse Bookmakers Limited, acquired on 25 January 2007 for a consideration of £3,129,000

Investment in joint ventures of £8,773,000 relates to the arrangement that the Company has with its joint venture partner, CODERE, for trading in the regions of Spain and Italy

- (2) Disposals in the period are made up of a transfer of the Company's stadia undertakings and a sale of a number of shares in its associate, Satellite Information Services, the details of which are given below

On 26 February 2007, a purchase agreement was signed transferring the entire issued share capital of The Regal Sunderland Stadium Limited (£8,541,081), and Team Greyhounds (Brough Park) Limited (£5,725,265), from the Company to Will Hill Limited, another Group company, for a consideration equal to their respective net book values

On 22 March 2007, the Company sold 1.7% (£1,718,000) of the issued share capital of its associate, Satellite Information Services, to a third party for a consideration of £1,829,000

- (3) On 26 June 2007, as part of the Sale and Purchase Agreement, the entire assets of the William Hill Group's retail undertakings were transferred to the Company
- (4) As stated in note 9, following the Sale and Purchase Agreement, there was an impairment of the Company's investments, which resulted in a transfer to goodwill of £726,544,000 and write off to profit and loss of the pre-acquisition profits of the hived-up subsidiaries of £67,880,000

William Hill Organization Limited

Notes to the accounts 1 January 2008

11. Investments held as fixed assets (continued)

In the directors' opinion the total value of the company's investments in its subsidiaries is not less than the amounts at which they are stated in the balance sheet. The principal subsidiaries, their country of incorporation, ownership of their share capital and the nature of their trade are listed below

Directly owned	Country of incorporation	Proportion of all classes of issued share capital owned by the Company	Nature of trade
William Hill (Course) Limited	Great Britain	100%	Betting services
William Hill (Strathclyde) Limited	Great Britain	100%	Betting services
Brooke Bookmakers Limited	Great Britain	100%	Betting services
William Hill (Grampian) Limited	Great Britain	100%	Betting services
William Hill (London) Limited	Great Britain	100%	Betting services
William Hill (Midlands) Limited	Great Britain	100%	Betting services
William Hill (Scotland) Limited	Great Britain	100%	Betting services
William Hill (Western) Limited	Great Britain	100%	Betting services
William Hill (Essex) PLC	Great Britain	100%	Betting services
Arena Racing Limited	Great Britain	100%	Betting services
Transdown Limited	Great Britain	100%	Betting services
Willstan Racing Limited	Great Britain	100%	Betting services
James Lane Group Limited	Great Britain	100%	Betting services
Camec Limited	Great Britain	100%	Betting services
Laystall Limited	Great Britain	100%	Betting services
William Hill (North Eastern) Limited	Great Britain	100%	Betting services
William Hill (North Western) Limited	Great Britain	100%	Betting services
William Hill (Southern) Limited	Great Britain	100%	Betting services
William Hill (Caledonian) Limited	Great Britain	100%	Betting services
William Hill (Football) Limited	Great Britain	100%	Betting services
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
L Willstan Limited	Northern Ireland	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services
Codere Apuestas Espana S L ⁽¹⁾	Spain	50%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services

(1) 50% of the share capital of Codere Apuestas Espana S L is owned by Codere, a joint venture partner of the Company

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

The Company holds directly or indirectly 33% of the entire share capital of Lucky Choice Limited and 33% of the entire share capital of 49's Limited. These companies were formed for the purpose of promoting and publicising certain numbers betting formats. The investment in these companies has been stated at cost.

As at 1 January 2008 the Company owned 19% of the ordinary share capital of Satellite Information Services (Holdings) Limited ('SIS'), a company incorporated in Great Britain. A provision was made for the cost of the investment in 1999, to recognise an impairment in its carrying value.

William Hill Organization Limited

Notes to the accounts 1 January 2008

11. Investments held as fixed assets (continued)

Inter-Group Sale and Purchase Agreement

As a result of the changes brought about by the Gambling Act 2005, it was decided that the retail business of William Hill PLC would be more effectively managed from one trading entity. Accordingly on 26 June 2007, the net assets of the Company's retail subsidiary undertakings were transferred to the Company at book value. The total net assets transferred were as below:

	Notes	Net assets at 26 June 2008 £'000
Fixed assets		
Intangible assets – goodwill	9	93,713
Tangible assets	10	100,208
Investments	11	401,985
		<u>595,906</u>
Current assets		
Debtors		450
Cash at bank and in hand		7,018
		<u>7,468</u>
Current liabilities		
Creditors		<u>(353,753)</u>
Net current liabilities		<u>(346,285)</u>
Total assets less current liabilities		249,621
Provision for liabilities and charges		<u>(35,198)</u>
Net assets		<u><u>214,423</u></u>

William Hill Organization Limited

Notes to the accounts 1 January 2008

11. Investments held as fixed assets (continued)

(1) The retail subsidiaries and their net assets transferred were as below

	Net assets at 26 June 2007 £'000
William Hill Southern Limited	12,881
William Hill North-Eastern Limited	16,708
William Hill North-Western Limited	11,237
William Hill Course Limited	253
Camec Limited	31,196
Laystall Limited	1,028
William Hill (Football) Limited	2,903
William Hill (London) Limited	6,164
William Hill (Midlands) Limited	3,482
Camec (Scotland) Limited	4,481
William Hill (Scotland) Limited	4,556
William Hill (Western) Limited	4,615
James Lane Group Limited	2,054
William Hill (Caledonian) Limited	1,106
William Hill (Strathclyde) Limited	4,242
Camec (Southern) Limited	2,787
Camec (Provincial) Limited	962
William Hill (Grampian) Limited	2,327
Brookes Bookmakers Limited	5,841
William Hill (Essex) PLC	5,755
Arena Racing Limited	441
Transdawn Limited	211
Willstan Racing Limited	87,297
WH Jennings Limited	1,478
WH Eclipse Limited	257
Sherman Racing Westen Limited	161
Nalim Limited	-
	<u>214,423</u>

12. Stocks

	1 January 2008 £'000	26 December 2006 £'000
Raw materials and consumables	<u>506</u>	<u>441</u>

William Hill Organization Limited

Notes to the accounts 1 January 2008

13 Debtors

	1 January 2008 £'000	26 December 2006 £'000
Trade debtors	1,113	2,225
Other debtors	934	307
Prepayments and accrued income	24,835	25,545
	<u>26,882</u>	<u>28,077</u>

There were no amounts falling due after more than one year (2006 - £nil)

14 Creditors: amounts falling due within one year

	1 January 2008 £'000	26 December 2006 £'000
Trade creditors	17,547	12,007
Amounts owed to Group undertakings	1,255,042	898,135
Corporation tax	29,370	43,560
Other taxation including social security	20,696	20,722
Other creditors	14,531	5,358
Accruals and deferred income	37,020	44,431
	<u>1,374,206</u>	<u>1,024,213</u>

15 Provision for liabilities

	1 January 2008 £'000	26 December 2006 £'000
Deferred tax liability (note 16)	<u>12,138</u>	<u>5,184</u>

William Hill Organization Limited

Notes to the accounts 1 January 2008

16. Deferred taxation

	1 January 2008		26 December 2006	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Deferred taxation				
Accelerated capital allowances	5,851	-	5,960	-
Held over gains	7,263	-	-	-
Rolled over gains	-	2,230	-	392
Short term timing differences	(976)	-	(777)	-
	<u>12,138</u>	<u>2,230</u>	<u>5,184</u>	<u>392</u>
Deferred tax liability (note 15)	12,138	2,230	5,184	392
Deferred tax asset in pension liability (note 22)	(922)	-	(7,550)	-
	<u>11,216</u>	<u>2,230</u>	<u>(2,367)</u>	<u>392</u>

The current rate of corporation tax of 28 % (26 December 2006 – 30%) has been used to calculate the amount of deferred taxation. Provision has been made for all deferred tax assets and liabilities in respect of accelerated capital allowances, held over capital gains and short term timing differences, arising from transactions recognised in the financial statements of the current and previous years.

No provision has been made for the deferred tax liability of £2,229,766 (26 December 2006– £392,000) in respect of capital gains rolled over into non-depreciating assets as it is the intention to retain these assets for the foreseeable future. Tax on these rolled over gains would only become payable if the assets were sold without further rollover relief.

Movement in the period:

	£'000
At 27 December 2006	(2,367)
Amount charged to profit and loss account (note 7)	7,949
Amount charged to statement of total recognised gains and losses	4,044
Amounts transferred from group undertakings (1)	<u>1,590</u>
At 1 January 2008	<u>11,216</u>

(1) As a result of the Sale and Purchase arrangement, the deferred tax assets of the Company's retail undertakings were transferred to the Company.

William Hill Organization Limited

Notes to the accounts 1 January 2008

17. Called-up share capital

	1 January 2008 £'000	26 December 2006 £'000
Authorised:		
25,651,700 (2006 25,651,700) ordinary shares of 10p each	2,565	2,565
100 (2006 100) 'B' shares of 10p each	-	-
	<u>2,565</u>	<u>2,565</u>
Called-up, allotted and fully paid:		
14,685,856 (2006 14,685,856) ordinary shares at 10p each	1,468	1,468
100 (2006 100) 'B' shares of 10p each	-	-
	<u>1,468</u>	<u>1,468</u>

The 'B' shares have no voting rights and only entitle the holders of the 'B' shares to receive a fixed non-cumulative dividend at the rate of 7% per annum only after holders of the ordinary shares have received dividends of £1,000 per ordinary share held. The holders are only entitled to participate in the assets of the Company on liquidation or otherwise after holders of the ordinary shares have received a return on assets of £10,000 in respect of each ordinary share held. The Company has the power and authority to purchase all or any of the 'B' shares for an aggregate consideration of £10.

18 Reconciliation of movements in shareholders' funds and statement of movement in reserves

	Called-up share capital £'000	Share premium account £'000	Other reserves £'000	Shares held in ultimate parent company £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 27 December 2006	1,468	2,505	1,250	(484)	30,657	35,396
Profit for the financial period	-	-	-	-	183,271	183,271
Dividends paid on equity shares	-	-	-	-	(20,000)	(20,000)
Actuarial gain recognised in the pension scheme	-	-	-	-	12,900	12,900
Deferred tax arising thereon	-	-	-	-	(4,044)	(4,044)
Expense recognised in respect of share remuneration	-	-	-	-	2,195	2,195
Movements on reserves due to transfer of shares to recipients	-	-	-	446	-	446
At 1 January 2008	<u>1,468</u>	<u>2,505</u>	<u>1,250</u>	<u>(38)</u>	<u>204,979</u>	<u>210,164</u>

William Hill Organization Limited

Notes to the accounts 1 January 2008

18 Reconciliation of movements in shareholders' funds and statement of movement in reserves (continued)

	1 January 2008 £'000	26 December 2006 £'000
Profit and loss reserve.		
Profit and loss account excluding pension liability	207,308	48,175
Pension liability	(2,329)	(17,518)
Profit and loss account including pension liability	<u>204,979</u>	<u>30,657</u>

19. Share based payments

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

- (a) Performance Share Plans (PSP), Long Term Incentive Plans (LTIP) and Executive Bonus Matching Scheme (EBMS) encompassing awards made in the five years from 2003 to 2007,
- (b) Save As You Earn share option schemes granted after 7 November 2002 (SAYE) encompassing awards made in the five years from 2003 to 2007,
- (c) Executive Director Incentive Plan (EDIP), and
- (d) Save As You Earn share option schemes granted before 7 November 2002 (2002 SAYE) encompassing an award made in 2002

Details of these schemes are provided in the Directors Remuneration Report in the financial statements of William Hill PLC

In accordance with the transition provisions included in FRS20, 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 (a) PSP, LTIP, EBMS, and (b) 2003 to 2007 SAYE schemes above. The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £2.6m in the 53 weeks ended 1 January 2008 (52 weeks ended 26 December 2006 - £3.0m)

- (a) Profit Share Plans (PSP), Long Term Incentive Plans (LTIP) and Executive Bonus Matching Scheme (EBMS)

The PSP and EBMS provides conditional awards of shares dependant equally 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 (options are usually forfeited if the employee leaves the Group before the options vest). The LTIP provides conditional awards of shares dependant exclusively on the Group's Total Shareholder Return (TSR) performance over a three-year period and continued employment of the individual at the date of vesting. In the case of both plans, if the options remain unexercised after a period of ten years from the date of grant, the option lapses.

William Hill Organization Limited

Notes to the accounts 1 January 2008

19 Share based payments (continued)

	1 January 2008 No.	26 December 2006 No
Outstanding at beginning of the period	4,052,109	4,735,863
Granted during the period	516,084	1,265,153
Forfeited during the period	(1,312,280)	(752,720)
Exercised during the period	(167,986)	(1,196,187)
Outstanding at the end of the period	3,087,927	4,052,109
Exercisable at the end of the period	43,149	135,036

As the PSP and LTIP are conditional awards of shares and therefore 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 options exercised during the period was £6.22 (52 weeks ended 26 December 2006 - £5.86). The options outstanding at 1 January 2008 had a remaining weighted average contractual life of 6.9 years (26 December 2006 - 7.8 years).

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

	1 January 2008 £'000	26 December 2006 £'000
Weighted average share price at date of grant	£4.53	£4.55
Weighted average exercise price	Nil	Nil
Expected volatility	27%	28%
Expected life	3.5 years	3.5 years
Risk free interest rate	4.5%	4.4%
Expected dividend yield	3.3%	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 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 price. This discount is calculated based on an estimate of the probability of achieving the relevant condition.

The weighted average fair value of the options granted under the PSP and LTIP and EBMS schemes at the date of grant was £2.42 per option (26 December 2006 - £2.29). The expense recognised (excluding employers' national insurance costs) in respect of relevant PSP, LTIP and EBMS schemes in the 53 weeks ended 1 January 2008 was £1.4m (52 weeks ended 26 December 2006 - £1.9m).

William Hill Organization Limited

Notes to the accounts

1 January 2008

19. Share based payments (continued)

(b) SAYE schemes for 2003 to 2007

The SAYE Share Option Schemes, which are open to all eligible employees, are based on a three, five or seven year monthly savings contract. Options under the schemes 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.

	1 January 2008		26 December 2006	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	2,527,698	3.84	2,245,758	3.08
Granted during the period	1,025,674	4.94	1,027,302	4.60
Forfeited during the period	(333,076)	(4.51)	(291,356)	(3.79)
Exercised during the period	(291,863)	(3.89)	(454,006)	(1.83)
Outstanding at the end of the period	2,928,433	4.15	2,527,698	3.84
Exercisable at the end of the period	-	-	-	-

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

The weighted average share price at the date of exercise for share options exercised during the period was £6.06 (52 weeks ended 26 December 2006 - £6.00). The options outstanding at 1 January 2008 had a remaining weighted average contractual life of 2.2 years (26 December 2006 - 2.6 years).

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

	1 January 2008 £'000	26 December 2006 £'000
Weighted average share price at date of grant	£4.89	£4.40
Weighted average exercise price	£3.84	£3.42
Expected volatility	26%	28%
Expected life	4.5 years	4.6 years
Risk free interest rate	4.7%	4.7%
Expected dividend yield	3.2%	3.1%

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.

William Hill Organization Limited

Notes to the accounts

1 January 2008

19 Share based payments (continued)

The weighted average fair value of the options granted under these SAYE schemes at the date of grant was £1.44 per option (26 December 2006 - £1.41). The expense recognised in respect of relevant SAYE schemes in the 53 weeks ended 1 January 2008 was £1.2m (52 weeks ended 26 December 2006 - £0.8m).

(c) Pre 7 November 2002 schemes

In accordance with the transition provisions included in FRS20, 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 Executive Director Incentive Plan (EDIP) and the 2002 SAYE Share Option Scheme. The float bonus and EDIP were incentive arrangements for Messrs Harding and Singer arising out of the flotation of the Group. They were structured as zero cost options 1 January 2008. The remaining 400,000 shares of the EDIP arrangement were exercised in the 53 weeks ended 1 January 2008.

	1 January 2008		26 December 2006	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	3,157,061	1.57	4,247,399	1.26
Forfeited during the period	(46,107)	(1.80)	(108,858)	(1.80)
Exercised during the period	(2,199,154)	(1.47)	(981,480)	(0.18)
Outstanding at the end of the period	911,800	1.80	3,157,061	1.57
Exercisable at the end of the period	-	-	400,000	-

The weighted average share price at the date of exercise for share options exercised during the period was £6.12 (26 December 2006 - £6.25). The options outstanding at 1 January 2008 had a remaining weighted average contractual life of 0.7 years (26 December 2006 - 1.4 years).

20 Capital commitments

The Company undertakings had capital commitments as follows:

	1 January 2008 £'000	26 December 2006 £'000
Contracted but not provided for	20,200	13,300

The high level of financial commitments at 1 January 2008 reflected various contracts signed to acquire property, plant and equipment.

William Hill Organization Limited

Notes to the accounts

1 January 2008

21 Contingent liabilities

The Company has jointly and severally, together with a number of other fellow subsidiaries of the William Hill PLC Group, given a guarantee in respect of the Group's obligations under a £1,200 million Facility Agreement and a £250 million Facility Agreement between William Hill PLC and a syndicate of banks. At 1 January 2008 the outstanding borrowings guaranteed were £1,155 million (26 December 2006 - £1,145 million).

22 Pensions

The Company operates a number of defined contribution and defined benefit pension schemes in the United Kingdom. The respective costs of these schemes are as follows:

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Defined contribution scheme (charged to operating profit)	1,702	1,283
Defined benefit scheme (charged to operating profit)	6,262	6,803
Defined benefit scheme ((credited)/charged to other finance income)	(1,007)	600
Defined benefit scheme credited to statement of total recognised gains and losses	(12,900)	(16,705)
	<u>(5,943)</u>	<u>(8,019)</u>

Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for all eligible employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income in respect of the scheme represents contributions payable to this scheme by the Company at rates specified in the rules of the scheme. As at 1 January 2008, contributions of £nil (26 December 2006 - £nil) due in respect of the current reporting period had not been paid over to the scheme.

Defined benefit scheme

The Company operates a defined benefit scheme for eligible employees, which is now closed to new members. Under the scheme, the employees are entitled to retirement benefits varying between 1.67% and 3.33% of final salary for each year of service on attainment of a retirement age of 63. No other post-retirement benefits are provided. The scheme is a funded scheme and the contribution rate for future service benefits for 2007 was 19.2% of members' pensionable pay. In addition, during 2007 the Company made an additional contribution of £9.4m as the third annual payment of a five-year funding plan agreed with the Trustee to remove the funding deficit disclosed at the last formal actuarial valuation at 30 September 2004. This funding plan is currently under review as part of the formal actuarial valuation, which has an effective date of 30 September 2007. This valuation is the first under new UK funding regulations and following discussions between the Trustees and the Company, will set the scheme's statutory funding objective. The general principles adopted by the Trustees for the purpose 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.

William Hill Organization Limited

Notes to the accounts

1 January 2008

22 Pensions (continued)

Defined benefit scheme (continued)

A full actuarial valuation of the scheme was carried out at 30 September 2007 and updated to 1 January 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.

The major assumptions used by the actuary were

	1 January 2008 £'000	26 December 2006 £'000
Rate of increase of salaries	4.25%	4.00%
Rate of increase in pensions in payment	3.25%	3.00%
Discount rate	5.60%	5.10%
Inflation assumption	3.25%	3.00%

The assets in the scheme and their expected rate of return were

	1 January 2008		26 December 2006	
	Return	Fair value £'000	Return	Fair value £'000
Equities	6.50%	175,400	6.40%	165,600
Gilts and cash	4.50%	34,100	4.40%	25,313
Corporate bonds	5.60%	19,702	5.10%	15,800
Total fair value of assets		229,202		206,713
Present value of scheme liabilities		(232,453)		(231,781)
Deficit in scheme		(3,251)		(25,068)
Related deferred tax asset (note 16)		922		7,550
Net pension liability		(2,329)		(17,518)

Analysis of the amount charged to operating profit:

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Current service cost	6,070	6,062
Past service costs	192	741
Total operating charge	6,262	6,803

William Hill Organization Limited

Notes to the accounts 1 January 2008

22 Pensions (continued)

Analysis of the amount charged to other finance charge

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Expected return on pension scheme assets	(12,709)	(10,100)
Interest on pension scheme liabilities	11,702	10,700
Net (income)/expense	<u>(1,007)</u>	<u>600</u>

Analysis of the amount recognised in the Statement of total recognised gains and losses (STRGL)

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000
Actual return less expected return on pension scheme assets	100	(13,655)
Experience gains and losses arising on the scheme liabilities	(4,900)	(4,800)
Changes in assumptions underlying the present value of the scheme	<u>(8,100)</u>	<u>1,750</u>
Total gain recognised in the STRGL	<u>(12,900)</u>	<u>(16,705)</u>

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

	1 January 2008 £'000	26 December 2006 £'000
At start of period	231,781	221,230
Movement in period		
Current service costs	6,070	6,062
Contributions from scheme members	1,208	1,248
Actuarial gains and losses	(13,000)	(3,050)
Interest costs	11,702	10,700
Benefits paid	(5,500)	(5,150)
Past service costs	<u>192</u>	<u>741</u>
At the end of period	<u>232,453</u>	<u>231,781</u>

William Hill Organization Limited

Notes to the accounts 1 January 2008

22. Pensions (continued)

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

	1 January 2008 £'000	26 December 2006 £'000
At start of period	206,713	171,942
Movement in period		
Expected return on scheme assets	12,709	10,100
Contributions from sponsoring company	14,180	14,918
Actuarial gains and losses	(100)	13,655
Contributions from scheme members	1,200	1,248
Benefits paid	(5,500)	(5,150)
At the end of period	<u>229,202</u>	<u>206,713</u>

History of scheme for the current and previous four periods

	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000	52 week period ended 28 December 2004 £'000	52 week period ended 30 December 2003 £'000
Present value of benefit obligation	(232,453)	(231,781)	(221,230)	(186,541)	(158,089)
Fair value of scheme assets	229,202	206,713	171,941	131,280	112,765
Deficit	(3,251)	(25,068)	(49,289)	(55,261)	(45,324)
Experience adjustments on scheme liabilities	4,900	4,800	2,114	2,581	(2,093)
Percentage of scheme liabilities (%)	2%	2%	1%	1%	(1%)
Experience adjustments on scheme assets	(100)	13,655	18,891	4,314	13,100
Percentage of scheme assets (%)	0%	7%	11%	3%	12%

In accordance with the provisions of 'Amendment to FRS 17 – Retirement benefits' the comparative figures for the 52 weeks ended 30 December 2003 have not been restated

William Hill Organization Limited

Notes to the accounts 1 January 2008

23 Operating lease commitments

At 1 January 2008, the Company was committed to making the following payments within one year as follows

	1 January 2008		26 December 2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payments due within one year for leases which expire				
Within one year	2,237	712	2,006	1,384
Between two and five years	7,003	1,058	8,481	445
After five years	29,218	-	23,752	-
	<u>38,458</u>	<u>1,770</u>	<u>34,239</u>	<u>1,829</u>

24. Ultimate parent company and 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 who are related parties

During the period, the Company made purchases of £31,257,000 (52 weeks ended 26 December 2006 – £27,469,000) from Satellite Information Services Limited, a subsidiary of Satellite Information Services (Holdings) Limited. At 1 January 2008 the amount payable to Satellite Information Services Limited was £nil (26 December 2006 – £21,478). At the balance sheet date, the Company's ultimate parent company and controlling party was William Hill PLC, a company incorporated in Great Britain. The Company's immediate parent company and controlling entity is Will Hill Limited, a company incorporated in Great Britain.

The parent company of the largest and smallest groups for which group accounts are prepared of which this company is a member is William Hill PLC, a company incorporated in Great Britain.

The financial statements of William Hill PLC and Will Hill Limited for the period ended 1 January 2008 are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

25 Post balance sheet events

On 2 July 2008, the Company, along with its joint venture partner Codere, sold the entire issued share capital of its Italian joint venture, William Hill Codere Italia Srl to INTRALOT International Holdings Limited. This resulted in a loss on disposal to the Company of £1,142,000.