Company Registration No. 278208

William Hill Organization Limited

Report and Financial Statements

52 week period ended 29 December 2009

William Hill Organization Limited

Report and financial statements 2009

Contents

Page

William Hill Organization Limited

Report and financial statements 2009

Officers and professional advisers

Directors

Mr A D Steele
Mr T Murphy
Mr N Cooper

Secretary

Mr D Read

Registered office

Greenside House
50 Station Road
Wood Green
London
N22 7TP

Auditors

Deloitte LLP
Chartered Accountants
London

William Hill Organization Limited

Directors' report

The dırectors present theır annual report and audıted financıal statements for the 52 week perıod ended 29 December 2009

Prıncıpal actıvıty

The Company ıs a subsıdıary of Wıllıam Hıll PLC, and together wıth ıts fellow subsıdıarıes comprıses the Wıllıam Hıll Group of companıes ("the Group") The prıncıpal actıvıtıes of the Company durıng the financıal perıod were the operatıon of Lıcensed Bettıng Offices (LBOs), and through ıts subsıdıarıes, the provısıon of telephone and ınternet bettıng servıces

Revıew of busıness developments and future actıvıtıes

The Company's affaırs and tradıng results for the perıod are shown ın the attached financıal statements

On 7 December 2009, the Company paıd an ınterım dıvıdend of £175,000,000 (30 December 2008 £150,000,000) The dırectors do not recommend the payment of a final dıvıdend (30 December 2008 £nıl)

Tradıng performance

Gross profit movements reflected a number of factors ıncludıng, the ımpact of sportıng results, the popularıty of gamıng machınes and an expansıon ın the number of bettıng opportunıtıes Net operatıng expenses were hıgher ın the perıod

Key performance ındıcators

The key performance ındıcators (KPIs) used by the dırectors ın monıtorıng performance agaınst strategy maınly relate to earnıngs growth ıncludıng ıts constıtuent parts The maın constıtuent parts are

- Gross wın growth, whıch represents total customer stakes less customer wınnıngs,
- Gross wın percentage, whıch represents gross wın as a percentage of turnover,
- Gross profit growth, whıch represents gross wın less cost of sales, and
- Net operatıng expense growth

Targets for KPIs are set on an annual basıs as part of the Group's operatıonal objectıves for the comıng year havıng regard to hıstorıc achıevements, expected new developments and the Group's strategy

On 26 June 2007 the Company benefited from the transfer of LBO busıness from a number of Group companıes Thıs transfer dıstorted the % movement KPI's ın 2008 Due to thıs fact, as part of the 2008 and 2009 KPIs, we have ıncluded "Operatıng expense as a percentage of turnover", whıch gıves a clearer ındıcatıon of the actual expense growth

The KPIs for the current and precedıng perıod for the Company are shown below

	29 December 2009	**30 December 2008**
Gross wın (declıne)/growth	(3 73%)	90 41%
Gross wın %	5 77%	6 06%
Gross profit (declıne)/growth	(2 96%)	92 28%
Operatıng expense growth (excl exceptıonals)	5 38%	89 41%
Operatıng expense (excl exceptıonals) as a percentage of turnover	2 88%	2 72%

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 and overseas on the Company's scope and conduct of operations and ability to accept bets,
- The potential impact of changes to the UK and overseas fiscal environments,
- The ability of the Group to manage its bookmaking and gaming risks,
- 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 current deficit in the defined benefits section of the pension plan,
- The dependence on maintaining and enhancing the William Hill brand,
- 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

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

During the period, the Company was in full compliance with the conditions and codes of practice regarding Licensed Betting Offices, as issued by the Gambling Commission The directors' continuing aim is to engage fully with the Gambling Commission and look forward to continuing a constructive dialogue 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

Directors' report (continued)

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 I J Spearing	(resigned 31December 2008)
Mr A D Steele	
Mr S P Lane	(resigned 31 March 2010)
Mr T Murphy	
Mr N Cooper	(appointed 1 June 2010)

Donations

During the period, the Company made charitable donations totalling £925,000 (30 December 2008 – £768,000), 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 29 December 2009, the number of creditor days for the Company was 20 days (30 December 2008 - 17 days)

Directors' report (continued)

Adoption of International Financial Reporting Standards (IFRS)

The William Hill PLC Group has used IFRS as the primary basis for its reporting for the 52 week period ending 29 December 2009

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

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 note 1 to the financial statements

Auditors

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

A resolution was passed at the Annual General Meeting to re-appoint Deloitte LLP to continue in office as auditors

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

D Read
Secretary
21 September 2010

William Hill Organization Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the financial statements of William Hill Organization Limited for the 52 week period ended 29 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 29 December 2009 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Robert Matthews

Robert Matthews (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 September 2010

William Hill Organization Limited

Profit and loss account
52 week period ended 29 December 2009

	Notes	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Turnover	1	13,480,270	13,337,137
Cost of sales		(12,870,004)	(12,708,245)
Gross profit		610,266	628,892
Other operating expenses	2	(387,577)	(367,831)
Net exceptional operating expenses	2	(13,159)	(17,538)
Operating profit	3	209,530	243,523
Income from fixed asset investments	5	39,406	2,926
Amounts written off - investments	11	(3,254)	-
Profit on ordinary activities before interest		245,682	246,449
Net interest payable	6	(27,359)	(58,080)
Other finance (charge)/income	22	(2,800)	1,300
Profit on ordinary activities before taxation		215,523	189,669
Tax charge on profit on ordinary activities	7	(46,056)	(48,993)
Profit on ordinary activities after taxation	18	169,467	140,676

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
52 week period ended 29 December 2009

	Notes	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Profit for the financial period		169,467	140,676
Actuarial loss recognised in the pension scheme	22	(24,228)	(31,500)
Deferred tax credit arising thereon	16	6,784	8,819
Total recognised gains and losses relating to the period		152,023	117,995

William Hill Organization Limited

Balance sheet
29 December 2009

	Notes	29 December 2009 £'000	30 December 2008 £'000
Fixed assets			
Intangible assets	9	832,490	832,220
Tangible assets	10	166,735	180,202
Investments	11	520,565	508,580
		1,519,790	1,521,002
Current assets			
Stocks	12	203	393
Debtors	13	39,127	28,508
Cash at bank and in hand		57,586	42,952
		96,916	71,853
Creditors: amounts falling due within one year	14	(1,413,107)	(1,375,715)
Net current liabilities		(1,316,191)	(1,303,862)
Total assets less current liabilities		203,599	217,140
Provision for liabilities	15	(12,569)	(12,806)
Net assets excluding pension liability		191,030	204,334
Pension liability	22	(31,070)	(18,629)
Net assets		159,960	185,705
Capital and reserves			
Called-up share capital	17,18	1,468	1,468
Share premium	18	2,505	2,505
Other reserves	18	1,089	1,250
Shares held in ultimate parent company	18	(7,560)	(1)
Profit and loss account	18	162,458	180,483
Shareholders' funds	18	159,960	185,705

The financial statements of William Hill Organization Limited, registered company number 278208 were approved by the Board of Directors and authorised for issue on 21 September 2010

Signed on behalf of the Board of Directors

Neil Cooper

Mr N Cooper

Director

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

1. **Accounting policies**

The principal accounting policies are summarised below They have been applied consistently throughout the period and the prior period

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)

These financial statements present information about the individual Company and not about its group The Company has not prepared group accounts as, in accordance with section 400 of the Companies Act 2006, the Company is a wholly owned subsidiary of another company incorporated in Great Britain (see note 24)

The Company 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

Going concern

The Company has net current liabilities of £1,316m, which mainly constitutes amounts owed to Group undertakings, who share common directors with the Company As such, the directors are satisfied that the other Group companies, with whom these debts are held, would not demand repayment of the intercompany balance of £1,331m within 12 months, if to do so would result in the Company being unable to meet its liabilities as they fall due

Whilst current economic conditions create uncertainty over the demand for the Company's products, the directors have reviewed forecasts and projections, taking account of reasonably possible changes in trading performance, and expect that the Company will remain profitable and cash generative and have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements

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 and from a single class of business

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 2006 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

1. **Accounting policies (continued)**

Intangible fixed assets (continued)

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 2006 If this departure from the Companies Act 2006 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'

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 is 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

1. **Accounting policies (continued)**

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

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 credit 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
52 week period ended 29 December 2009

2. Net operating expenses

The Company incurs expenditure on behalf of a number of its subsidiaries (except the direct expenses of its offshore subsidiaries and the direct expenses of its stadia subsidiaries) and this is reflected within administrative expenses of the Company A proportion of these administrative expenses has been recharged by the Company

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Total administrative expenses	441,406	447,587
Less management expenses recharged	(21,486)	(47,324)
	419,920	400,263
Brand recharge to subsidiaries (1)	(32,343)	(32,432)
	387,577	367,831
Operating Exceptional items (2)	13,159	17,538
Net operating expenses	400,736	385,369

(1) On 1 April 2004, the Company commenced charging its trading subsidiaries, for the use of the "William Hill" brand Income for the period in respect of this charge is £32,343,000 (30 December 2008 £32,432,000)

(2) The exceptional cost for 2009 comprised the following items

During the period, losses of the joint venture £3,122,000 (30 December 2008 £10,595,000) were charged as an exceptional cost to write down the carrying value of the entity to nil On 10 January 2010, William Hill PLC announced the completion of Codere's purchase of William Hill's 50% stake in the Victoria Apuesta joint venture

On 30 December 2008, the Group acquired assets, businesses and contracts comprising an affiliate marketing business, customer service operation and gaming brands and websites from Playtech Limited (details of this transaction are included within the 2008 Annual Report and Accounts of the Group) Costs incurred in the period relating to this acquisition were £7,741,000 (30 December 2008 £2,358,000)

During the period, an exceptional adjustment of £2,295,527 was made in respect of a claw-back of recharged expenses by a subsidiary of the Company The expenses were over-charged in prior periods

Notes to the accounts
52 week period ended 29 December 2009

3. Operating profit

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Operating profit is stated after charging/(crediting)		
Depreciation	27,380	29,979
Operating lease charges - Land and buildings	52,139	50,064
- Other	2,058	2,167
Profit on disposal of fixed assets	(1,341)	(1,105)

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

	Category [1]	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		10	10
Tax services	*3*	236	364
Total fees payable to Deloitte		246	374

[1] Fees are broken down by category in accordance with Statutory Instrument 2005 No 2417 Companies (Disclosure of Auditor Remuneration) Regulations 2005, Schedule 2, Regulation 4(3) Deloitte LLP does not provide services for the Group's pension schemes The audit fees payable to Deloitte 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

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

4. **Staff costs**

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Directors' remuneration was as follows:		
Directors' emoluments excluding pension contributions	1,366	1,451
Defined benefit pension payments	31	22
Number of directors who:		No.
Were members of a defined benefit scheme	1	1
Were members of a defined contribution scheme	2	2
Exercised share options	-	1
Highest paid director:	£'000	£'000
Total emoluments excluding pension contributions	577	866
Defined contribution/benefit pension payments	89	38

The 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

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Total remuneration, including directors, was		
Wages and salaries	240,885	231,439
Social security costs	19,643	20,937
Pensions costs (note 22)	35,032	38,627
	295,560	291,003
Share based remuneration (note 19)	4,953	4,066
	300,513	295,069
	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	15,294	15,287

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

4. Staff costs (continued)

Included in pension costs is a loss of £24,228,000 (52 weeks ended 30 December 2008 £31,500,000 loss) relating to actuarial gains and losses, which have been included in the statement of recognised gains and losses and £2,800,000, debited (52 weeks ended 30 December 2008 £1,300,000 credited) to other financial charges in the profit and loss account

5. Income from fixed asset investments

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Income from shares in subsidiary undertakings	36,637	-
Income from share in associated undertaking	2,769	2,926
	39,406	2,926

6. Net interest payable

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Interest payable on loans from Group undertakings	37,258	83,685
Interest payable on finance leases	20	54
Interest payable to third parties	143	203
Interest receivable on loans to Group undertakings	(9,038)	(23,613)
Interest receivable from third parties	(1,024)	(2,249)
Net interest payable	27,359	58,080

Notes to the accounts
52 week period ended 29 December 2009

7. Tax charge on profit on ordinary activities

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Current taxation		
Current period	50,704	58,929
Adjustments in respect of prior period	(6,347)	(13,071)
Total current taxation	44,357	45,858
Deferred taxation		
Originating and reversal of timing differences of current period	1,715	1,554
Adjustment in respect of prior period	(16)	1,581
Effect of decreased tax rate on opening liability	-	-
Total deferred tax charge (note 16)	1,699	3,135
Total tax charge on profit on ordinary activities	46,056	48,993

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

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Reconciliation to current tax charge/(credit):		
Profit before taxation	215,523	189,669
Tax at 28% (30 December 2008 28 5%)	60,346	54,056
Tax allowances in excess of depreciation	858	1,041
Permanent differences	3,009	5,048
Intra-group asset transfer	-	-
Share based remuneration	-	709
Adjustments in respect of prior periods	(6,347)	(13,071)
Other short term timing differences	(2,475)	(3,502)
Non taxable income	(11,034)	1,577
Current tax charge for the period	44,357	45,858

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

8. Dividends paid

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Equity shares		
Interim dividend paid of £11 9162 per share (30 December 2008 - £10 2139 per share)	175,000	150,000

The interim dividend was paid on 7 December 2009

9 Intangible fixed assets

	£'000
Cost:	
At 31 December 2008	832,220
Additions (i)	270
At 29 December 2009	832,490
Net book value	
At 29 December 2009	832,490
At 30 December 2008	832,220

Intangible fixed assets represents 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'

(i) Additions of £270,000 in the period are in respect of the reclassification of work in progress

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

10. Tangible fixed assets

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Plant and machinery £'000	Total £'000
Cost:				
At 31 December 2008	124,217	219,833	84,278	428,328
Additions	11,625	14,584	2,956	29,165
Disposals	(4,178)	(10,379)	(4,358)	(18,915)
At 29 December 2009	131,664	224,038	82,876	438,578
Accumulated depreciation:				
At 31 December 2008	56,071	126,487	65,568	248,126
Charge for period	5,721	17,122	4,537	27,380
Disposals	(498)	(553)	(2,612)	(3,663)
At 29 December 2009	61,294	143,056	67,493	271,843
Net book value:				
At 29 December 2009	70,370	80,982	15,383	166,735
At 30 December 2008	68,146	93,346	18,710	180,202

	29 December 2009 £'000	30 December 2008 £'000
The net book value of land and buildings comprises		
Freehold	13,695	12,412
Long leasehold	3,227	3,342
Short leasehold	53,448	52,392
	70,370	68,146

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

11. Investments held as fixed assets

	Investments in subsidiary undertakings £'000	Investment in associate £'000	Investment in joint venture £'000	Total £'000
Cost at 30 December 2008	516,891	15,939	10,895	543,725
Additions (1)	15,339	-	3,122	18,461
Disposals (2)	(1,310)	-	(3,122)	(4,432)
At 29 December 2009	530,920	15,939	10,895	557,754
Provision at 30 December 2008 and 29 December 2009	(10,355)	(15,939)	(10,895)	(37,189)
Net book value:				
At 29 December 2009	520,565	-	-	520,565
At 30 December 2008	508,580	-	-	508,580

(1) Additions in the period are made up of investments in the joint venture arrangements with Spain £3,122,000, a capital contribution to WH Online of £13,541,000 and a capital contribution of £1,798,000 to a number of the Company's subsidiaries to settle amounts owed by them to the Company

(2) Disposals in the period are made up of an impairment of the Joint Venture arrangement in Spain £3,122,000, further details of which are given in note 2, and £1,310,000 in respect of the liquidation of a number of the Company's dormant subsidiaries

Notes to the accounts
52 week period ended 29 December 2009

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
Willstan Racing (Ireland) Limited	Republic of Ireland	100%	Betting services
Willstan Limited	Northern Ireland	100%	Betting services
Willstan (IOM) Limited	Isle Of Man	100%	Betting services
William Hill Credit Limited	Great Britain	100%	Betting services
WHG Trading Limited	Gibraltar	71%	Betting services
WHG (International) Limited	Gibraltar	71%	Betting Services
WH (Ad-gency) Limited	Israel	71%	Marketing
William Hill (Malta) Limited	Malta	71%	Betting services
Eurotech Services Limited	Bulgaria	71%	Customer services

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 29 December 2009 the Company owned 19 5% 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

12. Stocks

	29 December 2009 £'000	30 December 2008 £'000
Raw materials and consumables	203	393

13. Debtors

	29 December 2009 £'000	30 December 2008 £'000
Trade debtors	4,313	479
Other debtors	5,210	91
Prepayments and accrued income	29,604	27,938
	39,127	28,508

There were no amounts falling due after more than one year (30 December 2008 - £nil)

14 Creditors: amounts falling due within one year

	29 December 2009 £'000	30 December 2008 £'000
Trade creditors	9,812	13,904
Amounts owed to Group undertakings	1,324,434	1,258,773
Corporation tax	28,150	36,175
Other taxation including social security	18,155	20,008
Obligations under finance leases	506	1,189
Other creditors	10,679	4,776
Accruals and deferred income	21,371	40,890
	1,413,107	1,375,715

Of the amounts within obligations under finance leases, £337,000 was due after more than one year (2008 £391,000)

15 Provision for liabilities

	29 December 2009 £'000	30 December 2008 £'000
Deferred tax liability (note 16)	12,569	12,806

Notes to the accounts
52 week period ended 29 December 2009

16. Deferred taxation

	29 December 2009		30 December 2008	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Deferred taxation				
Accelerated capital allowances	6,389	-	6,613	-
Held over gains	8,384	-	8,013	-
Rolled over gains	-	3,066	-	2,841
Short term timing differences	(2,204)		(1,820)	-
Deferred tax liability (note 15)	12,569	3,066	12,806	2,841
Deferred tax asset in pension liability (note 22)	(12,122)	-	(7,274)	-
	447	3,066	5,532	2,841

The current rate of corporation tax of 28% (30 December 2008 – 28%) 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 £3,066,360 (30 December 2008 – £2,840,894) 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 31 December 2008	5,532
Amount charged to profit and loss account (note 7)	1,699
Amount charged to statement of total recognised gains and losses (note 18)	(6,784)
At 29 December 2009	447

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

17. Called-up share capital

	29 December 2009 £'000	30 December 2008 £'000
Called-up, allotted and fully paid:		
14,685,856 ordinary shares at 10p each	1,468	1,468
100 'B' shares of 10p each	-	-
	1,468	1,468

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 shareholder's 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 31 December 2008	1,468	2,505	1,250	(1)	180,480	185,702
Profit for the financial period	-	-	-	-	169,467	169,467
Dividends paid on equity shares	-	-	-	-	(175,000)	(175,000)
Actuarial loss recognised in the pension scheme	-	-	-	-	(24,228)	(24,228)
Deferred tax arising thereon	-	-	-	-	6,784	6,784
Credit recognised in respect of share remuneration	-	-	-	-	4,955	4,955
Tax charge taken to equity in respect of share remuneration	-	-	-	-	-	-
Movements on reserves due to transfer of shares to recipients	-	-	-	(7 559)	-	(7,559)
Movement in foreign exchange reserve	-	-	(161)	-	-	(161)
At 29 December 2009	1,468	2,505	1,089	(7,560)	162,458	159,960

Notes to the accounts
52 week period ended 29 December 2009

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

Profit and loss reserve.	29 December 2009 £'000	30 December 2008 £'000
Profit and loss account excluding pension liability	193,528	199,112
Pension liability	(31,070)	(18,629)
Profit and loss account including pension liability	162,458	180,483

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 of 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 2009,

(b) Save As You Earn share option schemes granted after 7 November 2002 (SAYE) encompassing awards made in the five years from 2003 to 2009, and

(c) 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 FRS 20, 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 2009 SAYE schemes above The total expense recognised (excluding employers' National Insurance costs) in respect of these schemes was £5 0m in the 52 weeks ended 29 December 2009 (52 weeks ended 30 December 2008 - £4 1m)

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

The PSP and EBMS provide conditional awards of shares dependent 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

19. Share based payments (contınued)

	29 December 2009 No.	30 December 2008 No.
Outstandıng at begınnıng of the perıod	2,513,196	3,087,927
Granted durıng the perıod	4,331,670	1,089,181
Rıghts ıssue	1,037,686	-
Forfeıted durıng the perıod	(992,046)	(1,449,653)
Exercısed durıng the perıod	(243,982)	(214,259)
Outstandıng at the end of the perıod	6,646,524	2,513,196
Exercısable at the end of the perıod	155,116	99,634

As the PSP, EBMS and LTIP are condıtıonal awards of shares and therefore the recıpıents do not have to pay an exercıse prıce, the shares have, ın effect, a zero cost exercıse prıce The weıghted average share prıce at the date of exercıse for share optıons exercısed durıng the perıod was £2 01 (52 weeks ended 30 December 2008 - £2 70) The optıons outstandıng at 29 December 2009 had a remaınıng weıghted average contractual lıfe of 6 5 years (30 December 2008 – 6 4 years)

The ınputs ınto the Black-Scholes-Merton prıcıng formula ın respect of these awards were as follows

	29 December 2009	30 December 2008
Weıghted average share prıce at date of grant	£2 70	£3 50
Weıghted average exercıse prıce	Nıl	Nıl
Expected volatılıty	30%	25%
Expected lıfe	3 6 years	3 8 years
Rısk free ınterest rate	4 1%	4 3%
Expected dıvıdend yıeld	5 5%	6 6%

Expected volatılıty was determıned by calculatıng the hıstorıcal volatılıty of the Group's shares over a perıod matchıng the optıon lıfe where possıble and where thıs ıs not possıble (due to the fact that the Company was only lısted ın June 2002), hıstorıcal volatılıty has been calculated from a perıod commencıng on 20 September 2002, beıng three months after the lıstıng of the Company and endıng on the date of grant Thıs ensures that the volatılıty calculatıon ıs not unduly affected by erratıc prıce movements that arose ımmedıately after flotatıon The expected lıfe of the optıon used ın the model has been adjusted based on management's best estımate, for the effects of non-transferabılıty, exercıse restrıctıons and behavıoural consıderatıons The value of the optıon has also been adjusted to take ınto account the market condıtıons applıcable to the optıon (ı e TSR requırements) by applyıng a dıscount to the optıon prıce Thıs dıscount ıs calculated based on an estımate of the probabılıty of achıevıng the relevant condıtıon

The weıghted average faır value of the optıons granted under the PSP, LTIP and EBMS schemes at the date of grant was £1 07 per optıon (30 December 2008 - £1 92) The expense recognısed (excludıng employers' natıonal ınsurance costs) ın respect of relevant PSP, LTIP and EBMS schemes ın the 52 weeks ended 29 December 2009 was £2 3m (52 weeks ended 30 December 2008 - £2 5m)

19. Share based payments (continued)

(b) SAYE schemes for 2003 to 2009

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

	29 December 2009 Number	29 December 2009 Weighted average exercise price £	30 December 2008 Number	30 December 2008 Weighted average exercise price £
Outstanding at beginning of the period	3,911,947	3 39	2,928,433	4 15
Granted during the period	5,217,342	1 39	3,151,316	2 80
Rights issue	1,249,503	2 39	-	-
Forfeited during the period	(2,807,018)	(2 20)	(1,823,326)	(3 88)
Exercised during the period	(48,506)	(1 25)	(344,476)	(1 84)
Outstanding at the end of the period	7,523,268	1 78	3,911,947	3 39
Exercisable at the end of the period	479,789	3 10	-	-

The exercise price for the 2003, 2004, 2005, 2006, 2007, 2008 and 2009 SAYE schemes following the rights issue was £1 24, £2 77, £3 23, £3 25, £3 49, £1 98 and £1 39 respectively

The weighted average share price at the date of exercise for share options exercised during the period was £2 13 (52 weeks ended 30 December 2008 - £2 96) The options outstanding at 29 December 2009 had a remaining weighted average contractual life of 2 6 years (30 December 2008 – 2 3 years)

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

	29 December 2009	30 December 2008
Weighted average share price at date of grant	£2 55	£3 82
Weighted average exercise price	£1 85	£2 80
Expected volatility	32%	25%
Expected life	4 2 years	4 2 years
Risk free interest rate	4 0%	4 5%
Expected dividend yield	6 4%	5 7%

Expected volatility was determined by calculating the historical volatility of the Group's shares over a period matching the option life where possible and where this is not possible (due to the fact that the Company was only listed in June 2002), historical volatility has been calculated from a period commencing on 20 September 2002, being three months after the listing of the Company and ending on the date of grant This ensures that the volatility calculation is not unduly affected by erratic price movements that arose immediately after flotation The expected life of the option used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

19. Share based payments (continued)

The weighted average fair value of the options granted under these SAYE schemes at the date of grant was £0 70 per option (30 December 2008 - £0 95) The expense recognised in respect of relevant SAYE schemes in the 52 weeks ended 29 December 2009 was £2 7m (52 weeks ended 30 December 2008 - £1 6m)

(c) Pre 7 November 2002 schemes

In accordance with the transition provisions included in 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

	29 December 2009		30 December 2008	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at beginning of the period	843,640	1 80	911,800	1 80
Rights issue	363,666	1 27	-	-
Forfeited during the period	-	-	(2,068)	(1 80)
Exercised during the period	(1,044,131)	(1 27)	(66,092)	(1 80)
Outstanding at the end of the period	163,175	1 27	843,640	1 80
Exercisable at the end of the period	163,175	1 27	-	-

The weighted average share price at the date of exercise for share options exercised during the period was £1 72 (30 December 2008 - £4 00) The options outstanding at 29 December 2009 had a remaining weighted average contractual life of 1 0 years (30 December 2008 – 1 1 years)

20. Capital commitments

The Company undertakings had capital commitments as follows

	29 December 2009 £'000	30 December 2008 £'000
Contracted but not provided for	7,030	7,500

Financial commitments at 29 December 2009 reflect various contracts signed to acquire property, plant and equipment

21. Contingent liabilities

Bank Facilities

At 30 December 2008, the Company, jointly and severally, together with a number of other fellow subsidiaries of the William Hill PLC Group, gave 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

On 8 April 2009, the Group issued a 1 for 1 rights issue, raising net proceeds of £350m The proceeds were used to pay bank debt, including the repayment of the existing £250m Loan Facility

On 12 November 2009, the Group issued £300m 7 125% Guaranteed Notes due 2016 priced at a discount to raise £297 5m The Group used the net proceeds of the bond to pay down bank debt As a result the Company became the sole guarantor for the existing bank loans The outstanding borrowings guaranteed at 29 December 2009 were £375 million (30 December 2008 - £1,070 million)

New Bank facilities

The Board of William Hill PLC announced on 27 February 2009, that it had entered into 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 2 billion term and revolving facilities were reduced to an availability of £700m and, as before, will expire in March 2010,
- for the period commencing 17 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, and
- to supplement the £538 5m facilities, for the period commencing 17 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

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 £950 million and £250 million 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 per cent (based on the Group's existing interest rate hedging arrangements and the terms of the New Bank Facilities)

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

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Defined contribution scheme (charged to operating profit)	2,621	2,030
Defined benefit scheme (charged to operating profit)	5,383	6,397
Defined benefit scheme (charged/(credited) to other finance charges/(income))	2,800	(1,300)
Defined benefit scheme (charged to statement of total recognised gains and losses)	24,228	31,500
	35,032	38,627

22. Pensions (continued)

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 29 December 2009, contributions of £358,000 (30 December 2008 - £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 2009 was 19 2% of members' pensionable pay In addition, during 2009, the Company made an additional contribution of £9 4m as the final 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 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

A full actuarial valuation of the scheme was carried out at 30 September 2007 and updated to 29 December 2009 by a qualified independent actuary The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method

The major assumptions used by the actuary were

	29 December 2009	30 December 2008
Rate of increase of salaries	4 60%	3 75%
Rate of increase in pensions in payment	3 60%	2 75%
Discount rate	5 70%	6 00%
Inflation assumption	3 60%	2 75%

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

Life expectancy at age 63	29 December 2009	30 December 2008
Member currently aged 63	24 years	24 years
Member currently aged 45	25 years	25 years

22. Pensions (continued)

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

	29 December 2009 Return	29 December 2009 Fair value £'000	30 December 2008 Return	30 December 2008 Fair value £'000
Equities	6 50%	132,000	5 90%	91,400
Gilts and cash	5 70%	33,300	6 00%	28,400
Corporate bonds	4 50%	64,860	3 90%	69,649
Total fair value of assets		230,160		189,449
Present value of scheme liabilities		(273,352)		(215,352)
Deficit in scheme		(43,192)		(25,903)
Related deferred tax asset (note 16)		12,122		7,274
Net pension liability		(31,070)		(18,629)

Analysis of the amount charged to operating profit

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Current service cost	4,800	6,195
Past service costs	372	202
Total operating charge	5,172	6,397

Analysis of the amount charged to other finance charge

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Expected return on pension scheme assets	(9,900)	(14,100)
Interest on pension scheme liabilities	12,700	12,800
Net expense / (income)	2,800	(1,300)

Notes to the accounts
52 week period ended 29 December 2009

22 Pensions (continued)

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

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000
Actual return less expected return on pension scheme assets	(22,600)	62,100
Experience gains and losses arising on the scheme liabilities	(2,600)	-
Changes in assumptions underlying the present value of the scheme	49,428	(30,600)
Total loss recognised in the STRGL	24,228	31,500

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

	29 December 2009 £'000	30 December 2008 £'000
At start of period	215,352	232,453
Movement in period		
Current service costs	4,800	6,297
Contributions from scheme members	1,000	1,100
Actuarial gains and losses	46,728	(30,600)
Interest costs	12,700	12,800
Benefits paid	(7,600)	(6,900)
Past service costs	372	202
At the end of period	273,352	215,352

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

	29 December 2009 £'000	30 December 2008 £'000
At start of period	189,449	229,202
Movement in period		
Expected return on scheme assets	9,900	14,100
Contributions from sponsoring company	14,835	13,943
Actuarial gains and losses	22,600	(62,100)
Contributions from scheme members	1,000	1,104
Benefits paid	(7,624)	(6,800)
At the end of period	230,160	189,449

William Hill Organization Limited

Notes to the accounts
52 week period ended 29 December 2009

22. Pensions (continued)

History of scheme for the current and previous four periods

	52 week period ended 29 December 2009 £'000	52 week period ended 30 December 2008 £'000	53 week period ended 1 January 2008 £'000	52 week period ended 26 December 2006 £'000	52 week period ended 27 December 2005 £'000
Present value of benefit obligation	(273,352)	(215,352)	(232,453)	(231,781)	(221,230)
Fair value of scheme assets	230,160	189,449	229,202	206,713	171,941
Deficit	(43,192)	(25,903)	(3,251)	(25,068)	(49,289)
Experience adjustments on scheme liabilities	2,600	-	4,900	4,800	2,114
Percentage of scheme liabilities (%)	1%	-	2%	2%	1%
Experience adjustments on scheme assets	(22,600)	(62,100)	(100)	13,655	18,891
Percentage of scheme assets (%)	10%	33%	0%	7%	11%

23. Operating lease commitments

At 29 December 2009, the Company was committed to making the following payments within one year as follows

	29 December 2009		30 December 2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payments due within one year for leases which expire				
Within one year	2,031	1,145	2,013	837
Between two and five years	9,354	734	9,517	976
After five years	35,052	-	31,933	-
	46,437	1,879	43,463	1,813

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

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

The financial statements of William Hill PLC and Will Hill Limited for the period ended 29 December 2009 are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

During the period, the Company made purchases of £32,914,000 (52 weeks ended 30 December 2008 £31,227,000) from Satellite Information Services Limited, a subsidiary of Satellite Information Services (Holdings) Limited At 29 December 2009 the amount payable to Satellite Information Services Limited was £nil (30 December 2008 £nil) 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

24. Ultimate parent company and related party transactions (continued)

During the period, the Company recharged certain administrative expenses totalling £700,000 (52 weeks ended 30 December 2008 £1,775,000), incurred on behalf of the joint venture with CODERE, back to them. At 29 December 2009, £700,000 was receivable from the joint venture (30 December 2008 £nil)

During the period, the Company entered into transactions with other related parties as set out below

		Transactions in period £'000	Amounts owed by/(amounts owed to) related parties as of 29 December 2009 £'000
Brand charge	WHG Trading Limited	(30,913)	177
Service charge	WHG Trading Limited	(1,695)	177
Service charge	WHG (International) Limited	(13,438)	867
	WHG Services Limited	-	637

		Transactions in period £'000	Amounts owed by/(amounts owed to) related parties as of 30 December 2008 £'000
Brand charge	WHG (International) Limited	(30,281)	-
Interest payable on loans from Group undertakings	WHG (International) Limited	123	-
Service charge	WHG (International) Limited	(12,486)	-
Service charge	William Hill (Malta) Limited	(1,521)	-